INDEPENDENT AUDITOR'S 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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the 'Annual Report'), which comprise: the Consolidated and Company Statements of Financial Position as at 30 November 2020; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (CE) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

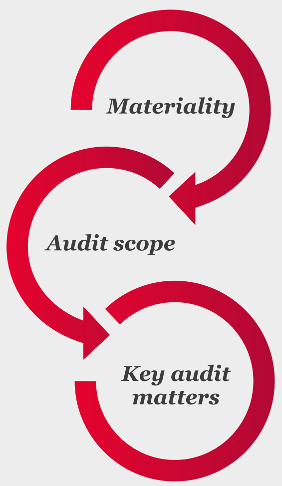
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 December 2019 to 30 November 2020.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

Our audit approach

Overview



- Overall Group materiality: £2.35 million (2019: £2.95 million), based on 5% of an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020.
- Overall Company materiality: £1.2 million (2019: £1.5 million), based on 1% of net assets.

- The whole Group was audited by one UK audit team working remotely with the centralised support function teams in London and Glasgow which are responsible for processing the transactions of the whole Group. Our audit was therefore conducted solely from the UK.
- In total we conducted audit work on 13 components in seven countries. We conducted full scope audits on four of these components and the audit of specified balances for the remaining components.
- The 13 components where we performed audit work accounts for 84% of Group revenue and 100% of profit before tax and exceptional items.

- Accrued income cut-off (Group)
- Impairment of plc investments in UK subsidiaries (Company)
- Impact of COVID-19 (Group)

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.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and indirect taxes impacting the different territories in which the Group operates and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and the manipulation of exceptional items and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiries with management, internal audit and the Group's internal legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where a provision has been made in respect of these;
- reading key correspondence with regulatory authorities in relation to compliance with certain employment laws and indirect tax matters;
- understanding and evaluating the design and implementation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income cut-off, impairment of investments in subsidiaries and the measurement and classification of exceptional items;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and postings by unusual users.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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.

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 our audit addressed the key audit matter
Accrued income cut-off (Group)	For Contract revenue, including accrued income, we:
The Group's accounting process means that there is a material amount of accrued rather than billed contractor revenue at each period end within contract assets ('accrued income'). At year end the accrued income, disclosed as contract assets, was £57.8 million (2019: £65.7 million). This estimate is a system-generated amount calculated by using standard contractor rates and estimated hours for placed contractors and a historic 'shrinkage' calculation. Contract revenue represented 94% (2019: 93%) of the Group's revenue during the year. We focused on this area due to the material quantum of accrued income, the estimation uncertainty and the potential for variances arising from applying the historic 'shrinkage' percentage to the full potential value of unsubmitted timesheets. Refer to Trade and other receivables (note 13 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements) and 'Audit Committee report'.	Tested the automated controls in the system to verify the accuracy of the accrued income calculation based on contracted hours and billing rates. Tested the business process controls supporting the accuracy of rates and hours input into the system. Reviewed a sample of accrued revenue and performed a recalculation of the accrual based on timesheets submitted and contract rates. Performed detailed testing over the prior years 'shrinkage' calculation by agreeing balances to timesheets submitted and/or billing raised subsequent to the 2019 year end. In addition, we have performed a calculation applying the 2019 'shrinkage' percentage to the year-end accrued income, and compared this to the 2020 shrinkage adjustment. We have also performed sensitivities against the current year accrued revenue balance. In both instances, this showed that any variance would not be material. We reviewed management's disclosed sensitivity and performed our own sensitivity analysis. We verified that accrued income was not older than three months in age in accordance with Group policy and examined the ageing profile of the balance, concluding that management were following their accounting policies in this area.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

Key audit matter	How our audit addressed the key audit matter
Impairment of plc investments in subsidiaries (Company) The Company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £200.1 million at 30 November 2020. In recent years the UK business has experienced challenging economic conditions and declining performance which continued into 2020, indicating a risk of impairment to the carrying value of the UK investments. In the period 2016 to 2019 impairment of £136.3 million has been recognised. In the current year, management's impairment test resulted in a further impairment of £12.9 million. We focused on this area due to the material quantum of the carrying value of the UK investments. Judgement is required to determine whether impairment indicators exist which would require an impairment test to be performed. We also noted there is economic uncertainty in the UK market, particularly in relation to the COVID-19 health crisis and the UK decision to leave the European Union, that could have a potential impact on the recoverable value of these investments. In addition, there are judgement and estimates used in determining the recoverable amount. Refer to Investments (note 12 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements), 'Chief Financial Officer's review', 'Risks' and 'Audit Committee report'.	We obtained management's impairment test results with supporting computations and: • agreed cash flow forecasts to Board approved budgets; and • checked the mathematical accuracy of the model. From these procedures we concluded the model inputs and calculation methodology were appropriate. The model inputs which require management judgement and our procedures are set out below: • Short-term growth assumptions – we considered the Group's 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 compared the five-year growth assumptions to independent evidence we obtained from market data and analysis of comparable companies. In the light of the market uncertainty associated with the UK exit from the European Union and the COVID-19 health crisis, we reviewed management's disclosure of critical accounting estimates and risk disclosures to ensure this was appropriately described. • Discount rate and long-term growth rate – we used our experts to consider the appropriateness of the pre-tax discount rate of 10.3% and long-term growth rate of 2%. We concluded that taken together the assumptions used were reasonable. We reviewed management's disclosed sensitivities and performed our own sensitivity analysis. We also considered that the disclosures made in the financial statements regarding the assumptions and the sensitivities drew appropriate attention to the more significant areas of estimation.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (Group) The COVID-19 health crisis has caused significant disruption and economic uncertainty globally. The outbreak has had an impact on the Group's future expected cash flows due to the heightened uncertainty, which has a direct impact on the going concern assessment and the investment impairment assessment. Additionally, there is a heightened risk of the Group's controls being bypassed with employees working remotely in line with government advice across the world. Management has included COVID-19 considerations when modelling future cash flows, including in relation to going concern, and assessing assets for impairment. Refer to the Strategic report and going concern (note 1 of the financial statements).	We reviewed and evaluated management's cash flow forecast and the process by which they were determined and approved, agreeing the forecasts with the latest Board approved budgets and confirming the mathematical accuracy of underlying calculations. We assessed management's forecast assumptions for base case and severe but plausible downside scenarios and the impact of COVID-19 on the Group's ability to continue as a going concern. We concluded management's forecasts were reasonable. We have considered the Group's liquidity and availability of financing to support the going concern and viability assessment. We have tested journal entries posted across the Group to underlying support with consideration to the risk of management override of controls. We assessed the related COVID-19 disclosures included in the Group financial statements and consider them to be appropriate. For our work over investment carrying value, refer to our earlier Key Audit Matter.

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's components vary significantly in size and we identified four financially significant components that, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. Although three out of the four full scope components are based overseas, the audit procedures have been performed by the UK engagement team in the UK. We have worked in conjunction with the teams in the London and Glasgow centralised support functions. Due to the UK's COVID-19 restrictions, all work has been performed remotely.

The scope of work at each component was determined by its contribution to the Group's overall financial performance or revenue and its risk profile. We focused our testing on components which are individually financially significant and large or unusual non-significant components.

Together these full and specific scope component audits gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provide coverage of 84% of revenue and 100% of profit before tax and exceptional items.

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.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

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

	Group financial statements	Company financial statements
Overall materiality	£2.35 million (2019: £2.95 million).	£1.2 million (2019: £1.5 million).
How we determined it	5% of an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020.	1% of net assets.
Rationale for benchmark applied	Materiality for the Group has been based on an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020 to take into account and normalise results following the impact of COVID-19 in 2020. Profit before tax and exceptional items has historically been used as it provides a consistent basis for determining materiality by eliminating the disproportionate impact of exceptional items, and is an accepted auditing benchmark.	We believe that net assets is the primary measure used by shareholders in assessing the position of the non-trading holding company, and is an accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1 million and £2.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2019: £0.3 million) and £0.1 million (Company audit) (2019: £0.1 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	Outcome
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 12 months from the date of approval of the financial statements.	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.

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 statement, 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 2020 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 statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate governance statement (in the 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 statement (in the 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 AUDITOR'S REPORT
CONTINUED

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 133 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 pages 76 to 77 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 133, 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 105 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)

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, 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. 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

Following the recommendation of the Audit Committee, we were appointed by the members during 1999 to audit the financial statements for the year ended 30 November 1999 and subsequent financial periods. The period of total uninterrupted engagement is 22 years, covering the years ended 30 November 1999 to 30 November 2020.

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
22 January 2021

CONSOLIDATED INCOME STATEMENT
for the year ended 30 November 2020

	Note	2020 Before exceptional items £'000	2020 Exceptional items £'000	2020 Total £'000	2019 Before exceptional items £'000	2019 Exceptional items £'000	2019 Total £'000
Continuing operations							
Revenue	2	**1,202,622**	**-**	**1,202,622**	1,324,703	–	1,324,703
Cost of sales		**(894,047)**	**-**	**(894,047)**	(986,707)	–	(986,707)
Net fees	2	**308,575**	**-**	**308,575**	337,996	–	337,996
Administrative (expenses)/income	3	**(275,594)**	**468**	**(275,126)**	(275,592)	(2,273)	(277,865)
Impairment losses on financial assets	3	**(1,689)**	**-**	**(1,689)**	(2,376)	–	(2,376)
Operating profit	3	**31,292**	**468**	**31,760**	60,028	(2,273)	57,755
Finance costs	5	**(1,279)**	**-**	**(1,279)**	(1,009)	–	(1,009)
Finance income	5	**114**	**-**	**114**	55	–	55
Profit before income tax		**30,127**	**468**	**30,595**	59,074	(2,273)	56,801
Income tax (expense)/benefit	6	**(11,744)**	**(89)**	**(11,833)**	(15,908)	428	(15,480)
Profit for the year from continuing operations		**18,383**	**379**	**18,762**	43,166	(1,845)	41,321
Discontinued operations							
Loss after tax for the year from discontinued operations	7	**(1,809)**	**-**	**(1,809)**	(2)	–	(2)
Profit for the year attributable to owners of the Company		**16,574**	**379**	**16,953**	43,164	(1,845)	41,319

Earnings per share	8	**pence**	**pence**	**pence**	pence	pence	pence
Basic		**12.5**	**0.3**	**12.8**	33.2	(1.4)	31.8
Diluted		**12.2**	**0.3**	**12.5**	32.3	(1.4)	30.9

Earnings per share for continuing operations	8	**pence**	**pence**	**pence**	pence	pence	pence
Basic		**13.9**	**0.3**	**14.2**	33.2	(1.4)	31.8
Diluted		**13.5**	**0.3**	**13.8**	32.3	(1.4)	30.9

The notes on pages 158 to 207 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2020

	2020 £'000	2019 £'000
Profit for the year	**16,953**	41,319
Other comprehensive income/(expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on retranslation of foreign continuing operations	**2,955**	(3,580)
Exchange differences on retranslation of foreign discontinued operations	**(228)**	(312)
Items that will not be subsequently reclassified to profit or loss:		
Net loss on equity instruments at fair value through other comprehensive income	**(12)**	(1,996)
Other comprehensive income/(loss) for the year (net of tax)	**2,715**	(5,888)
Total comprehensive income for the year attributable to owners of the Company	**19,668**	35,431
Total comprehensive income for the year attributable to owners of the Company arises from:		
Continuing operations	**21,705**	35,745
Discontinued operations	**(2,037)**	(314)
	19,668	35,431

The notes on pages 158 to 207 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 2020

	Note	Consolidated 30 November 2020 £'000	Consolidated 30 November 2019 £'000	Company 30 November 2020 £'000	Company 30 November 2019 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**40,818**	6,804	**–**	–
Intangible assets	11	**4,409**	8,031	**–**	–
Investments	12	**1**	13	**200,143**	212,140
Deferred tax assets	18	**1,482**	4,167	**1,029**	482
		46,710	19,015	**201,172**	212,622
Current assets					
Trade and other receivables	13	**237,042**	270,350	**8,799**	3,917
Current tax assets		**377**	624	**12,198**	11,401
Cash and cash equivalents	14	**50,363**	15,093	**893**	633
		287,782	286,067	**21,890**	15,951
Total assets		**334,492**	305,082	**223,062**	228,573
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	19	**1,330**	1,326	**1,330**	1,326
Share premium		**33,026**	32,161	**33,026**	32,161
Other reserves		**(118)**	(8,338)	**(446)**	(3,955)
Retained earnings		**94,279**	91,622	**87,163**	122,039
Total equity		**128,517**	116,771	**121,073**	151,571
Current liabilities					
Bank overdraft	14	**468**	4,538	**–**	–
Trade and other payables	15	**157,499**	172,357	**101,989**	76,998
Lease liabilities	16	**12,078**	–	**–**	–
Provisions	17	**9,915**	8,275	**–**	4
Current tax liabilities		**–**	1,738	**–**	–
		179,960	186,908	**101,989**	77,002
Non-current liabilities					
Lease liabilities	16	**23,426**	–	**–**	–
Provisions	17	**2,589**	1,403	**–**	–
		26,015	1,403	**–**	–
Total liabilities		**205,975**	188,311	**101,989**	77,002
Total equity and liabilities		**334,492**	305,082	**223,062**	228,573

The notes on pages 158 to 207 are an integral part of these financial statements.

The Company's loss after tax for the year was £23.7 million (2019: loss of £16.1 million).

The financial statements on pages 152 to 157 were approved by the Board of Directors on 22 January 2021 and 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 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Fair value reserve of equity investments £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 30 November 2018		**1,319**	**30,511**	**172**	**878**	**(7,830)**	**1,505**	**–**	**75,116**	**101,671**
Effect of a change in accounting policy		–	–	–	–	–	–	–	(2,344)	(2,344)
Restated total equity at 1 December 2018		**1,319**	**30,511**	**172**	**878**	**(7,830)**	**1,505**	**–**	**72,772**	**99,327**
Profit for the year		–	–	–	–	–	–	–	41,319	41,319
Other comprehensive loss for the year		–	–	–	–	–	(3,892)	(1,996)	–	(5,888)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(3,892)**	**(1,996)**	**41,319**	**35,431**
Dividends paid to equity holders	9	–	–	–	–	–	–	–	(18,778)	(18,778)
Distributions to tracker shareholders		–	–	–	–	–	–	–	(218)	(218)
Settlement of vested tracker shares	19(a)	5	1,325	–	–	3,245	–	–	(4,419)	156
Settlement of share-based payments		2	325	–	–	2,086	–	–	(2,086)	327
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(2,506)	–	–	–	(2,506)
Credit to equity for equity-settled share-based payments	19(b)	–	–	–	–	–	–	–	2,681	2,681
Deferred tax on share-based payment transactions	6	–	–	–	–	–	–	–	351	351
Total movements in equity		**7**	**1,650**	**–**	**–**	**2,825**	**(3,892)**	**(1,996)**	**18,850**	**17,444**
Balance at 30 November 2019		**1,326**	**32,161**	**172**	**878**	**(5,005)**	**(2,387)**	**(1,996)**	**91,622**	**116,771**
Effect of a change in accounting policy	1	–	–	–	–	–	–	–	(978)	(978)
Restated total equity at 1 December 2019		**1,326**	**32,161**	**172**	**878**	**(5,005)**	**(2,387)**	**(1,996)**	**90,644**	**115,793**
Profit for the year		–	–	–	–	–	–	–	16,953	16,953
Other comprehensive income for the year		–	–	–	–	–	2,727	(12)	–	2,715
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**2,727**	**(12)**	**16,953**	**19,668**
Transfer of loss on disposal of equity investments through other comprehensive income to retained earnings		–	–	–	–	–	–	1,996	(1,996)	–
Dividends paid to equity holders	9	–	–	–	–	–	–	–	(6,659)	(6,659)
Settlement of vested tracker shares	19(a)	–	–	–	–	103	–	–	16	119
Settlement of share-based payments		4	865	–	–	5,437	–	–	(5,437)	869
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(2,031)	–	–	–	(2,031)
Credit to equity for equity-settled share-based payments	19(b)	–	–	–	–	–	–	–	916	916
Current and deferred tax on share-based payment transactions	6	–	–	–	–	–	–	–	(158)	(158)
Total movements in equity		**4**	**865**	**–**	**–**	**3,509**	**2,727**	**1,984**	**3,635**	**12,724**
Balance at 30 November 2020		**1,330**	**33,026**	**172**	**878**	**(1,496)**	**340**	**(12)**	**94,279**	**128,517**

The notes on pages 158 to 207 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 November 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury shares £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 1 December 2018		**1,319**	**30,511**	**172**	**878**	**(7,830)**	**156,486**	**181,536**
Total comprehensive loss for the year		–	–	–	–	–	(16,057)	(16,057)
Dividends paid to equity holders	9	–	–	–	–	–	(18,778)	(18,778)
Settlement of vested tracker shares	19(a)	5	1,325	–	–	3,245	(230)	4,345
Settlement of share-based payments		2	325	–	–	2,086	(2,086)	327
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(2,506)	–	(2,506)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	2,681	2,681
Deferred tax on share-based payment transactions	18	–	–	–	–	–	23	23
Total movements in equity		**7**	**1,650**	**-**	**-**	**2,825**	**(34,447)**	**(29,965)**
Balance at 30 November 2019 and at 1 December 2019		**1,326**	**32,161**	**172**	**878**	**(5,005)**	**122,039**	**151,571**
Total comprehensive loss for the year		–	–	–	–	–	(23,686)	(23,686)
Dividends paid to equity holders	9	–	–	–	–	–	(6,659)	(6,659)
Settlement of vested tracker shares	19(a)	–	–	–	–	103	(9)	94
Settlement of share-based payments		4	865	–	–	5,437	(5,437)	869
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(2,031)	–	(2,031)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	916	916
Current and deferred tax on share-based payment transactions	18	–	–	–	–	–	(1)	(1)
Total movements in equity		**4**	**865**	**-**	**-**	**3,509**	**(34,876)**	**(30,498)**
Balance at 30 November 2020		**1,330**	**33,026**	**172**	**878**	**(1,496)**	**87,163**	**121,073**

The notes on pages 158 to 207 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

for the year ended 30 November 2020

	Notes	Consolidated 30 November 2020	Consolidated 30 November 2019	Company 30 November 2020	Company 30 November 2019
Cash flows from operating activities					
Profit/(loss) from continuing operations before tax after exceptional items		**30,595**	56,801	**(26,226)**	(18,095)
Loss before tax from discontinued operations		**(1,809)**	(2)	**-**	–
Profit before tax		**28,786**	56,799	**(26,226)**	(18,095)
Adjustments for:					
Depreciation and amortisation charge	10,11	**6,391**	6,040	**-**	–
Lease asset depreciation	10	**13,049**	–	**-**	–
Loss/(gain) on disposal of property, plant and equipment	3,10	**136**	(3)	**-**	–
Impairment of intangible assets	11	**1,124**	–	**-**	–
Finance income	5	**(114)**	(55)	**-**	(34)
Finance costs	5	**1,293**	1,009	**1,640**	1,536
Impairment of investments	12	**-**	–	**13,199**	8,159
Non-cash charge/(credit) for share-based payments	19(b)	**916**	2,681	**(261)**	783
Operating cash flows before changes in working capital and provisions		**51,581**	66,471	**(11,648)**	(7,651)
Decrease/(increase) in receivables		**41,225**	(8,020)	**(4,997)**	14,825
(Decrease)/increase in payables		**(20,088)**	(3,712)	**25,060**	51,785
Increase/(decrease) in provisions		**4,175**	(1,589)	**(4)**	(73)
Cash generated from operations		**76,893**	53,150	**8,411**	58,886
Interest received	5	**114**	23	**-**	34
Income tax (paid)/received – net		**(10,504)**	(12,958)	**1,195**	(3,340)
Net cash generated from operating activities		**66,503**	40,215	**9,606**	55,580
Cash generated from operating activities before exceptional items		**66,503**	41,904	**9,606**	55,580
Net cash outflow from recognised exceptional items		**-**	(1,689)	**-**	–
Net cash generated from operating activities		**66,503**	40,215	**9,606**	55,580
Cash flows from investing activities					
Purchase of property, plant and equipment	10	**(4,669)**	(3,102)	**-**	–
Purchase of intangible assets	11	**(609)**	(1,455)	**-**	–
Net cash used in investing activities		**(5,278)**	(4,557)	**-**	–
Cash flows from financing activities					
Proceeds from borrowings	16	**50,000**	–	**50,000**	–
Repayment of borrowings	16	**(50,000)**	(37,428)	**(50,000)**	(37,428)
Interest paid		**(481)**	(894)	**(1,525)**	(1,421)
Lease principal payments		**(13,579)**	–	**-**	–
Proceeds from exercise of share options		**869**	327	**869**	327
Employee subscriptions for tracker shares		**291**	536	**-**	–
Purchase of own shares	19(a)	**(2,031)**	(2,506)	**(2,031)**	(2,506)
Dividends paid to equity holders	9	**(6,659)**	(18,778)	**(6,659)**	(18,778)
Distributions to tracker shareholders		**-**	(218)	**-**	–
Net cash used in financing activities		**(21,590)**	(58,961)	**(9,346)**	(59,806)
Net increase/(decrease) in cash and cash equivalents		**39,635**	(23,303)	**260**	(4,226)
Cash and cash equivalents at beginning of the year		**10,555**	33,323	**633**	4,859
Exchange (losses)/gains relating to cash and cash equivalents		**(295)**	535	**-**	–
Net cash and cash equivalents at end of the year	14	**49,895**	10,555	**893**	633

The notes on pages 158 to 207 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 November 2020

1 Accounting policies

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

The business model, activities, locations of SThree plc ('the Company') and its subsidiaries (together 'the Group') are set out further in the Strategic report of this Annual Report.

Basis of preparation
The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Consolidated and Company-only Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by financial assets held at fair value through profit or loss or held at fair value through other comprehensive income (see below for further details). 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 £23.7 million (2019: £16.1 million).

The Consolidated Financial Statements are presented in Sterling, the functional currency of SThree plc.

Going concern
The Group's business model has been tested during the recent period of particularly challenging market conditions and has been found to be effective and resilient.

When assessing the Group's ability to continue as a going concern, the Directors reviewed assumptions about the future trading performance, capital expenditure, working capital requirements and available funding facilities contained within the Group's five-year plan. The Directors have also considered the principal risks in the business, credit, market and liquidity risks, including forecast covenant compliance, as well as the other matters discussed in connection with the viability statement that can be found in the Group Annual Report 2020 under Compliance statements. Further stress testing has been carried out to ensure the Group has sufficient cash resources and complies with bank covenants to continue in operation for at least 12 months from the date of signing this report. This stress testing included severe but plausible scenarios of the shape and severity of economic consequences of enforced lockdown restrictions on the aggregate demand for the Group's services, deterioration in credit risk and days sales outstanding, partially offset by mitigating cost reduction actions. Through this process the Directors have satisfied themselves that the Group will be able to meet its commitments and obligations for at least the next 12 months from the date of this report.

The key assumptions of two severe but plausible scenarios linked to certain principal risks are shown below.

Scenario 1
The COVID-19 global health crisis and the impact on the global economy have been considered. In this scenario we assume that sales activity in the first half of 2021 is significantly impacted, being down 7% versus H1 2020, the period when the majority of our markets went into lockdown and were significantly impacted in the early stages of the health crisis.

Under 'Scenario 1' the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants.

Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.

Scenario 2
Under 'Scenario 2' we extended the impact of COVID-19 with an additional wave of lockdown restrictions and demand reductions for the period from August to the end of November 2021. Sales activity for Q1 and Q2 mirror the performance of 'Scenario 1'. The Q3 and Q4 impact is further offset by proportionate mitigating cost reduction actions.

1 Accounting policies continued

Under 'Scenario 2' the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants.

Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, strong balance sheet, immediately accessible liquidity of £154.9 million (falling to £104.9 million on 23 March 2021 when the Group's access to the Bank of England's COVID-19 Corporate Financing Facility expires), and the Board's ability to adjust the cost base further, including the discretionary share buy-back programme, it would be able to withstand the impact and remain cash generative. Based on the above, together with their knowledge and experience of the recruitment services industry and STEM markets, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 30 November 2020.

New and amended accounting standards
A number of new or amended standards became applicable for the current reporting period; none of these, however, other than the adoption of IFRS 16 Leases ('IFRS 16'), had a significant impact on the Group's accounting policies or the Consolidated Financial Statements.

IFRS 16 Leases
This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 December 2019, where they are different to those applied in prior periods.

(a) Impact on the financial statements
The Group adopted IFRS 16 under the modified retrospective transition approach from 1 December 2019 but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of the new leasing standard were therefore recognised in the opening balance sheet on 1 December 2019.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	30 November 2019 £'000	Adjustments on adoption of IFRS 16 £'000	1 December 2019 £'000
Property, plant and equipment	6,804	42,835	49,639
Deferred tax assets	4,167	342	4,509
	10,971	**43,177**	**54,148**
Current liabilities			
Lease liabilities	–	11,627	11,627
Provisions	8,275	(1)	8,274
	8,275	**11,626**	**19,901**
Non-current liabilities			
Lease liabilities	–	31,392	31,392
Provisions	1,403	1,137	2,540
	1,403	**32,529**	**33,932**
Equity			
Retained earnings	**91,622**	**(978)**	**90,644**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

(b) Accounting policies applied from 1 December 2019
From 1 December 2019, leases, from a lessee perspective, are recognised as a right-of-use asset and a corresponding lease liability at the date when the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a net present value basis and are recognised as part of 'Property, plant and equipment', 'Current lease liabilities' and 'Non-current lease liabilities' in the statement of financial position.

Lease liabilities include the net present value of the following lease payments:

a) fixed payments less any lease incentives receivable;
b) variable lease payments that are based on an index or a rate;
c) amounts expected to be payable by the lessee under residual value guarantees, if any;
d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate ('IBR'), being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. In determining the incremental borrowing rate to be used, the Group applies judgement to establish the suitable reference rate and credit spread. IBR was calculated at the transition date of 1 December 2019.

Each lease payment is allocated between the liability and finance costs, within finance costs in the income statement.

Right-of-use assets are measured at cost comprising the following:

a) the amount of the initial measurement of lease liability;
b) any lease payments made at or before the commencement date less any lease incentive received;
c) any initial direct costs; and
d) any restoration costs.

The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

The Group does not apply the recognition exemption to short-term leases or leases of low-value assets, as permitted by the standard.

In determining the lease terms, the Directors consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after a termination option) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Other amendments and interpretations
The Group has adopted the following other amendments and interpretations which were issued by the IASB that are effective for our annual period beginning on 1 December 2019:

- Prepayment features with negative compensation – amendments to IFRS 9;
- Long-term interest in associates and joint ventures – amendments to IAS 28;
- Annual improvements to IFRS standards 2015-2017 cycle;
- Plan amendment, curtailment or settlement – amendments to IAS 19; and
- Interpretation 23 – uncertainty over income tax treatments.

The above amendments and interpretations that came into effect on 1 December 2019 did not have a material impact on the Consolidated Financial Statements of the Group.

The following other amendments and interpretations were issued by the IASB that are effective from 1 January 2021 but will not have a material impact on the Consolidated Financial Statements of the Group:

- Definition of a business - amendments to IFRS 3;

- Definition of material (amendments to IAS 1 and IAS 8); and

- Interest Rate Benchmark Reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

1 Accounting policies continued

Summary of significant accounting policies

Basis of consolidation
The Consolidated Financial Statements of the Group include the financial statements of the Company and all its subsidiaries. Subsidiaries are fully consolidated from the date on which the Group obtains control. The Group has control when it has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are de-consolidated from the date on which that control ceases.

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.

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.

Revenue
Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring service to a client. For Permanent placements, the Group principally satisfies its performance obligations at a point in time; for Contract placements, the Group satisfies its performance obligations over time. Revenue is shown net of value added tax and other sales-related taxes, credit notes, 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 from Permanent placements is typically based on a fixed percentage of the candidate's remuneration package and is recognised when the candidate commences employment. Revenue earned but not invoiced at year end is accrued and included in 'Accrued income' (it represents the variable consideration of revenue). The Directors apply a constraint in the form of the historical shrinkage rate to Contract accrued income, aimed at preventing the over-recognition of revenue.

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 bad debt provision is established for non-fulfilment of Permanent placement and Contract revenue obligations, which is netted off against the gross trade receivables on the face of the statement of financial position.

Cost of sales
Cost of sales consists of the contractors' (including employed contractors) cost of supplying services and any costs directly attributable to them.

Net fees
Net fees represent revenue less cost of sales and consist of the total placement fees of Permanent candidates and the margin earned on the placement of contractors.

Exceptional items
Exceptional items, as disclosed on the face of the income statement, are items which due to their size and non-recurring nature 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.

Government grant income
Government grants represent assistance by government in the form of transfers of resources to SThree in return for compliance with grant conditions.

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised against the related costs for the period in which they are intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

Finance interest
Interest income is recognised as the interest accrues to the net carrying amount of the financial asset. Interest cost is recognised in the income statement in the period in which it is 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 income tax 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 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 Group subsidiary are measured using the currency of the primary economic environment in which that subsidiary operates (its 'functional currency').

Transactions and balances
Foreign currency transactions are translated using exchange rates at the date of the transactions. Any exchange gain or loss from settlement of these transactions or translation at the period end are recognised in the income statement.

Consolidation
On consolidation, the subsidiaries' assets and liabilities denominated in foreign currencies are translated into Sterling at the rates ruling at the reporting date. Income and expense items are translated into Sterling at average rates of exchange for the period and all exchange gains or losses are recognised in the Consolidated Statement of Comprehensive Income. Any exchange differences which have arisen from an entity's investment in a foreign subsidiary, including long-term loans, 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 recorded at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the originally assessed performance of the existing asset, will flow to the Group and the costs can be measured reliably. All other subsequent expenditure is expensed in the period in which it is incurred.

Depreciation is provided on a straight-line basis and charged to the income statement over the expected useful working lives of the assets, after they have been brought into use, at the following rates:

Right-of-use assets	lower of the asset's useful life and the lease term
Computer equipment	three years
Leasehold improvements	lower of the lease term and five years
Fixtures and fittings	five years

1 Accounting policies continued

Gains and losses on disposals are included in the income statement by comparing proceeds with carrying amount.

Residual values and useful lives are reviewed and adjusted if appropriate at the end of the reporting period. Any changes are accounted for prospectively.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's fair value less cost to sell and its value in use.

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. 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Acquired and developed software and systems
Computer software acquired or developed by the Group is stated at cost less accumulated amortisation. Costs incurred on software and system development projects are only capitalised if capitalisation criteria under IAS 38 Intangible Assets ('IAS 38') are met. These are amortised as follows:

Acquired computer software	expected useful life of three to seven years
Software and system development costs	expected useful lives not exceeding five years

Software maintenance costs are expensed in the period in which they are incurred. Other costs linked to development projects that do not meet the IAS 38 criteria are expensed in the period 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.

Trademarks
Acquired trademarks are stated at cost and are amortised over the estimated useful life (up to 12 years) on a straight-line basis.

Impairment of intangible assets
Assets that are not subject to amortisation are tested for impairment annually. Any impairment loss or gain is recognised in the income statement.

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. Any impairment loss is recognised in the income statement.

Impairment loss is the excess of an asset's carrying amount over its recoverable amount. The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. Value in use is measured based on the expected future discounted cash flows attributable to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

Investments

Subsidiaries

Investments in shares in subsidiary companies are stated at cost less impairment loss to the extent that the carrying value exceeds the recoverable amount; the investment is impaired to its recoverable amount with the impairment charged to the Company's income statement. 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 to sell or its value in use. To the extent that the carrying value exceeds the recoverable amount, the investment is impaired to its recoverable amount.

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

The investments in shares in the undertakings outside of the Group, in particular where the Group does not have significant influence or control, are classified as financial assets held at fair value through other comprehensive income. At initial recognition, such shareholdings are measured at cost and on subsequent measurement dates they are fair valued on the basis of current prices generated for similar transactions or using an enterprise value to sales multiple valuation method.

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI or through profit or loss); and
- those measured at amortised cost.

Classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in either profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Trade receivables, prepayments and accrued income are recognised initially at fair value and subsequently measured at amortised cost less any expected credit losses.

Cash and cash equivalents include cash-in-hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

The Group recognises the expected credit losses ('ECLs') associated with all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1 Accounting policies continued

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For invoices reviewed on a portfolio basis (i.e. not individually reviewed), the loss allowance for ECLs is provided at differing percentages determined based on historical collection experience, adjusted for forward-looking market factors specific to the debtors and the economic environment. Certain exposures within trade receivables are individually assessed for which the Directors make judgement on a client-by-client basis as to their ability to collect outstanding receivables. When reviewing significant outstanding invoices, the Directors consider qualitative factors that are available without undue cost or effort, such as a decrease in the debtor's creditworthiness, changes in external or internal credit ratings, macro-economic conditions, actual or expected deterioration in business performance of any particular debtor, and other known issues.

The carrying amount of the trade receivables is adjusted, with the amount of the impairment recognised in the income statement. They are written off when there is no reasonable expectation of recovering the amounts due.

Disposal of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred. On derecognition of a financial asset, any difference between the carrying amount of an asset and the consideration received is recognised in the profit or loss.

Financial liabilities, including bank overdrafts

All non-derivative financial liabilities are classified as 'financial liabilities measured at amortised cost'. All financial liabilities are recognised initially at fair value and net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The Group's financial liabilities include trade and other payables and other financial liabilities, including borrowings, bank overdraft and lease liabilities.

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.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the present value of the expenditures expected to be required to settle the obligation. No provision is recognised for future operating losses.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

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.

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.

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charged to the income statement represent the contributions payable by the Group to the funds during each period.

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 when 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.

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 the best estimate of the achievement of non-market conditions and the number of equity instruments that will ultimately vest. 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 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. SThree will undertake a formal due diligence process to establish whether there is a sound business case for settling a tracker share and make an arm's length judgement. Should the Group decide to settle the tracker shares, it will do so at a price which is determined using a formula stipulated in the tracker share Articles of Association ('Articles'). SThree plc may settle in cash or in its shares, as it chooses. The Group policy is to settle in SThree plc shares. Consequently, the arrangements are deemed to be an equity-settled share-based payment scheme under IFRS 2 Share-based Payments ('IFRS 2').

1 Accounting policies continued

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 and taking into account the particular rights attached to the shares as described in the relevant businesses' Articles. The initial valuation takes into consideration factors such as the size and trading record of the underlying business, expected dividends, future projections, as well as the external market, sector and country characteristics. The external valuer is supplied with detailed financial information, including net fees and EBITDA of the relevant businesses. Using this information, an independent calculation of the initial Equity Value ('EV') is prepared. This EV is then discounted to arrive at a valuation to take into account the relevant characteristics of the shareholding in the tracked business, for example the absence of voting rights. The methodology for calculating the EV is applied consistently, although the data used varies depending on the size and history of the business.

If an individual leaves the Group before the pre-agreed period, they are entitled to receive the lower of the initial subscription amount they contributed or the tracker share fair value on the date of departure as set out under the Articles. To reflect this, a provision in relation to tracker shares is recognised at cost on initial subscription and held at cost and reflects the consideration for tracker shares received from individuals (note 17).

Up until 2014 certain individuals received loans from the Group to pay part of the initial subscription for their tracker shares, on which interest is charged at or above the HMRC beneficial loan rate. These loans are repayable by the individuals either at the time of settlement of their tracker shares, or via tracker share dividend, or when they leave the Group. These loans are included within other receivables (note 13).

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

When the Company issues new shares to settle the tracker share arrangements, the nominal value of the shares is credited to share capital and the difference between the fair value of the tracker shares and the nominal value is credited to share premium. If the Company uses treasury shares to settle the arrangements, the difference between the fair value of the tracker shares and the weighted average value of the treasury shares is accounted for in the retained earnings.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

The following are the significant judgements, apart from those involving estimations which are dealt with separately below:

(i) Tracker shares arrangements
The tracker share arrangements give the Group the choice to settle tracker shares in either cash or SThree plc shares. There are significant accounting differences between an equity-settled and cash-settled scheme. Judgement is therefore 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. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company's discretion. Historically, the Company's policy and intention has been 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.

(ii) Exceptional items
Exceptional items are those items that the Group considers to be one-off and material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

The term 'exceptional items' is not separately defined within IFRS. Judgement is therefore required in assessing which items of income or expense qualify as exceptional and that disclosure of this alternative performance measure is useful for readers of the Annual Report.

During the year ended 30 November 2020, the exceptional items included primarily the income that was recognised in relation to the government grant receivable from Scottish Enterprise on the relocation of support functions. This is fully discussed in note 3 and in the Chief Financial Officer's review.

Estimation uncertainty
The assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) 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 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. The value of unsubmitted timesheets for each individual contractor is system generated and the number of hours worked by each contractor is adjusted for expected holidays and the historical shrinkage rate.

The key estimation uncertainty arises from determining the historical shrinkage rate which is used to constrain the variable part of revenue, i.e. accrued income, at the reporting date. The historical shrinkage rate represents the pattern in which in prior year Contract income accrued for expected timesheets was reduced versus the actual timesheets received and approved within the three-month period post the reporting date.

The historical shrinkage rate applied to the current year is 23.7% (2019: 19.9%). It represents the pattern in which in prior year Contract income accrued for expected timesheets was reduced versus the actual timesheets received and approved within the three-month period post the reporting date.

A 10% increase in this key assumption could have an impact of approximately £0.3 million on the amount of Contract net fees (£1.3 million on revenue less £1.0 million on costs of sales) in the Consolidated Income Statement in the next financial year.

(ii) Impairment of investments in subsidiaries (Company only)
The Company considers whether investments are impaired. Where an indication of impairment is identified, judgement is required in determining 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.

A sensitivity analysis of the impact of changes in the assumptions on the impairment charge is provided in note 12.

2 Segmental analysis

The Group's operating segments are established on the basis of those components of the Group that are regularly reviewed by the Group's chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Group's business is considered primarily from a geographical perspective.

The Directors have determined the chief operating decision maker to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief People Officer, with other senior management attending via invitation.

In the current year, the Group changed its reporting structure, as shown in the tables below, in line with the updated strategy announced at its 2019 Capital Markets Day and internal management structures. As a result, the Group segments the business into the following reportable regions: DACH, EMEA excluding DACH, USA and APAC, as well as presents an analysis of net fees by its five key markets: Germany, the Netherlands, USA, the UK and Japan. On a sector basis, Engineering now includes Energy, which was previously reported separately. The comparative numbers have been restated in accordance with the new reporting structure.

DACH region comprises Germany, Switzerland and Austria. 'EMEA excluding DACH' region comprises primarily Belgium, France, the Netherlands, Spain, the UK, Ireland, and Dubai. All these sub-regions were aggregated into two separate reportable segments based on the possession of similar economic characteristics.

Countries aggregated into DACH and separately into 'EMEA excluding DACH' generate a similar average net fees margin and long-term growth rates, and are similar in each of the following areas:

- the nature of the services (i.e. recruitment/candidate placement);
- the methods used in which they provide services to clients (i. freelance contractors, ii. employed contractors, and iii. permanent candidates); and
- the class of candidates (candidates, who we place with our clients, represent skillsets in Science, Technology, Engineering and Mathematics disciplines).

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 net fees 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 'net fees' in the management reporting and controlling systems. Net fees 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		Net fees	
	2020 £'000	2019 restated £'000	**2020 £'000**	2019 restated £'000
EMEA excluding DACH	**588,787**	693,099	**117,629**	141,172
DACH	**371,915**	375,735	**105,764**	109,347
USA	**227,523**	237,702	**77,243**	76,706
APAC	**14,397**	18,167	**7,939**	10,771
	1,202,622	1,324,703	**308,575**	337,996

EMEA excluding DACH includes Dubai, Belgium, France, Ireland, Luxembourg, the Netherlands, Spain and UK.

DACH includes Austria, Germany and Switzerland.

APAC includes Hong Kong, Japan, Malaysia and Singapore.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 November 2020

2 Segmental analysis continued

Split of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following geographical regions:

30 November 2020

	EMEA excluding DACH £'000	DACH £'000	USA £'000	APAC £'000	Total £'000
Timing of revenue recognition					
Over time	**569,715**	**335,298**	**211,800**	**8,004**	**1,124,817**
At a point in time	**19,072**	**36,617**	**15,723**	**6,393**	**77,805**
	588,787	**371,915**	**227,523**	**14,397**	**1,202,622**

30 November 2019 restated

	EMEA excluding DACH £'000	DACH £'000	USA £'000	APAC £'000	Total £'000
Timing of revenue recognition					
Over time	668,940	337,829	220,567	9,123	1,236,459
At a point in time	24,159	37,906	17,135	9,044	88,244
	693,099	375,735	237,702	18,167	1,324,703

Major customers

In 2020 and 2019, no single customer generated more than 10% of the Group's revenue.

Other information

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

	Revenue		Net fees	
	2020 £'000	2019 restated £'000	2020 £'000	2019 restated £'000
Germany	**336,259**	342,345	**96,866**	101,480
Netherlands	**234,547**	261,429	**47,314**	52,396
USA	**227,523**	237,702	**77,243**	76,706
UK	**186,146**	236,323	**35,057**	43,817
Japan	**7,044**	9,000	**5,899**	7,812
RoW[1]	**211,103**	237,904	**46,196**	55,785
	1,202,622	1,324,703	**308,575**	337,996

1. RoW (Rest of World) includes all countries other than listed.

2 Segmental analysis continued

	Non-current assets	
	30 November 2020 £'000	30 November 2019 £'000
UK	**16,255**	11,160
Germany	**10,725**	949
USA	**6,466**	600
Netherlands	**3,928**	596
Japan	**118**	43
RoW[1]	**7,736**	1,500
	45,228	14,848

1. RoW (Rest of World) includes all countries other than listed.

Non-current assets from discontinued operations included in RoW amount to £nil (2019: £0.2 million).

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

	Revenue		Net fees	
	2020 £'000	2019 restated £'000	2020 £'000	2019 restated £'000
Brands				
Computer Futures	**376,053**	400,184	**95,530**	103,533
Progressive	**372,568**	430,390	**92,295**	101,234
Real Staffing Group	**253,682**	255,951	**75,884**	76,473
Huxley Associates	**200,319**	238,178	**44,866**	56,756
	1,202,622	1,324,703	**308,575**	337,996

Other brands, including Global Enterprise Partners, JP Gray, Madison Black, Newington International and Orgtel, are rolled into the above brands.

	Revenue		Net fees	
	2020 £'000	2019 restated £'000	2020 £'000	2019 restated £'000
Recruitment classification				
Contract	**1,124,817**	1,236,459	**233,343**	251,410
Permanent	**77,805**	88,244	**75,232**	86,586
	1,202,622	1,324,703	**308,575**	337,996
Sectors				
Technology	**591,333**	630,369	**138,234**	150,602
Engineering	**271,861**	308,286	**68,083**	72,985
Life Sciences	**223,655**	207,738	**71,604**	67,841
Banking & Finance	**101,196**	147,631	**25,760**	36,611
Other	**14,577**	30,679	**4,894**	9,957
	1,202,622	1,324,703	**308,575**	337,996

Other includes Procurement & Supply Chain and Sales & Marketing. Engineering includes Energy.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

3 Administrative expenses

(a) Operating profit from continuing operations is stated after charging/(crediting):

	2020 £'000	2019 £'000
Staff costs (note 4)	**209,397**	211,029
Depreciation (note 10)	**16,285**	3,000
Amortisation (note 11)	**2,786**	2,982
Loss/(gain) on disposal of property, plant and equipment (note 10)	**14**	(3)
Impairment of intangible assets (note 11)	**1,124**	–
Loss on disposal of intangible assets (note 11)	**-**	51
Impairment of financial assets	**1,689**	2,376
Service lease charges (2019: operating lease charges)		
– Buildings	**1,892**	12,415
– Cars	**402**	1,843
Foreign exchange losses/(gains)	**677**	(518)
Other operating expenses (see note 3(b))	**1,666**	2,273

(b) Other operating expenses

	2020 30 November £'000	2019 30 November £'000
1. Net exceptional (income)/expense	**(468)**	2,273
2. Impact of COVID-19:		
– Business optimisation expense	**3,300**	–
– Government assistance income	**(1,166)**	–
Total	**1,666**	2,273

Net exceptional income/expense
In line with the Group's prior year practice and accounting policy, the following items of material or non-recurring nature were excluded from the directly reconcilable IFRS measures.

Support function relocation
This is a legacy programme, which was partially funded by a grant receivable from Scottish Enterprise. The Group is entitled to the grant over several years until 2021, subject to the terms of the grant being met. In 2020, the Group recognised £0.5 million in grant income (2019: net exceptional income of £0.1 million, comprising £0.6 million in personnel and property costs less government grant income of £0.7 million).

Senior leadership restructuring
In 2019, several key changes were made to the senior leadership structure within the EMEA excluding DACH region. In 2020, true-up of £0.1 million (2019: £1.2 million) in remaining charges was recognised.

CEO change
In the prior period, operating expenses classified as exceptional also included costs of £1.2 million associated with the appointment of the new CEO.

Impact of COVID-19
The COVID-19 had implications on certain items of income and expense in the Consolidated Financial Statements, affecting the profit before tax for the year ended 30 November 2020.

3 Administrative expenses continued

Business optimisation expense
In response to the significantly changed economic environment and increased risk and uncertainty caused by COVID-19, the Directors took relevant steps to right-size the structure and strategy of certain local businesses. These changes resulted in a one-off charge of £3.3 million (2019: £nil) that was recognised in the current year.

Government assistance income
The Group took advantage of job retention schemes launched by local national governments in Belgium, France, Hong Kong, Japan, Luxembourg, Singapore, and Spain, whereby it was reimbursed for a portion of salaries of furloughed staff. In 2020, the Group recognised a total benefit, including the associated payroll savings, of £1.2 million (2019: £nil). The compensation was presented as a deduction in reporting the related staff expense.

The Group decided to repay UK furlough money as performance exceeded the Directors' expectations.

(c) Auditors' remuneration
During the year, the Group (including its subsidiaries) obtained the following services from the Company's auditors and its associates:

Amounts payable to PricewaterhouseCoopers LLP and its associates:	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements:		
– recurring and non-recurring audit fees	**449**	163
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	**292**	252
– audit-related assurance services	**11**	11
– all other non-audit services including PwC Inform subscription	**1**	2
Fees charged to operating profit	**753**	428

4 Directors and employees

Aggregate remuneration of employees, including Directors, in continuing operations was:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries (including bonuses)	**182,240**	181,336	**1,313**	2,386
Social security costs	**22,634**	24,604	**(344)**	490
Other pension costs	**2,439**	2,139	**5**	(8)
Temporary staff costs	**1,014**	830	**-**	–
Share-based payments(1)	**1,070**	2,120	**(211)**	370
	209,397	211,029	**763**	3,238

(1) Excludes charge classified as exceptional.

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the above amounts were £0.3 million (2019: £0.3 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

4 Directors and employees continued

The average monthly number of employees (including Executive Directors), in continuing operations during the year was:

	2020					
	EMEA excluding DACH	**DACH**	**USA**	**APAC**	**Group total**	**Company total**
Sales	**1,019**	**859**	**380**	**88**	**2,346**	**-**
Non-sales	**682**	**110**	**112**	**23**	**927**	**9**
	1,701	**969**	**492**	**111**	**3,273**	**9**

	2019					
	EMEA excluding DACH	DACH	USA	APAC	Group total	Company total
Sales	1,216	842	388	150	2,596	–
Non-sales	668	98	101	32	899	9
	1,884	940	489	182	3,495	9

The average number of employees is derived by dividing the sum of the number of employees employed under contracts of service in each month (whether throughout the month or not) by the number of months in the financial year, irrespective of whether they are full-time or part-time.

There were also 2,647 (2019: 2,549) 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 (section 1.1).

Directors' compensation for loss of office was £nil (2019: £0.9 million).

5 Finance income and costs

Continuing operations only	**2020 £'000**	2019 £'000
Finance income		
Bank interest receivable	**105**	13
Interest accrued on convertible bonds	**-**	32
Other interest	**9**	10
	114	55
Finance costs		
Interest on lease liability	**(683)**	–
Bank loans and overdrafts	**(596)**	(1,009)
	(1,279)	(1,009)
Net finance costs from continuing operations	**(1,165)**	(954)

6 Taxation

(a) Analysis of tax charge for the year

	2020			2019		
	Before exceptional items £'000	**Exceptional items £'000**	**Total £'000**	Before exceptional items £'000	Exceptional items £'000	Total £'000
Current income tax						
Corporation tax charged/(credited) on profits for the year	**8,651**	**89**	**8,740**	15,917	(428)	15,489
Adjustments in respect of prior periods	**438**	**-**	**438**	1,110	–	1,110
Total current tax charge/(credit)	**9,089**	**89**	**9,178**	17,027	(428)	16,599
Deferred income tax						
Origination and reversal of temporary differences	**2,582**	**-**	**2,582**	(678)	–	(678)
Adjustments in respect of prior periods (note 18)	**73**	**-**	**73**	(441)	–	(441)
Total deferred tax charge/(credit)	**2,655**	**-**	**2,655**	(1,119)	–	(1,119)
Total income tax charge/(credit) in the Consolidated Income Statement	**11,744**	**89**	**11,833**	15,908	(428)	15,480

The total income tax charge relates to continuing operations.

(b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2019: exceeds) the UK statutory rate and can be reconciled as follows:

	2020			2019		
	Before exceptional items £'000	**Exceptional items £'000**	**Total £'000**	Before exceptional items £'000	Exceptional items £'000	Total £'000
Profit before income tax from continuing operations	**30,127**	**468**	**30,595**	59,074	(2,273)	56,801
Loss before income tax from discontinued operations	**(1,809)**	**-**	**(1,809)**	(2)	–	(2)
Profit before income tax for the Group	**28,318**	**468**	**28,786**	59,072	(2,273)	56,799
Profit before income tax multiplied by the standard rate of corporation tax in the UK at 19.0% (2019: 19.0%)	**5,380**	**89**	**5,469**	11,223	(432)	10,791
Effects of:						
Disallowable items	**2,183**	**-**	**2,183**	756	4	760
Differing tax rates on overseas earnings	**2,576**	**-**	**2,576**	4,369	–	4,369
Adjustments in respect of prior periods	**511**	**-**	**511**	669	–	669
Adjustment due to tax rate changes	**115**	**-**	**115**	(246)	–	(246)
Tax losses for which deferred tax asset was not recognised or derecognised	**979**	**-**	**979**	(863)	–	(863)
Total tax charge/(credit) for the year	**11,744**	**89**	**11,833**	15,908	(428)	15,480
At the effective tax rate	**41.5%**	**19.0%**	**41.1%**	26.9%	18.8%	27.3%
Effective tax rate attributable to continuing operations	**39.0%**	**-**	**38.7%**	26.9%	18.8%	27.3%
Effective tax rate attributable to discontinued operations	**-**	**-**	**-**	–	–	–

6 Taxation continued

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

	2020 £'000	2019 £'000
Equity-settled share-based payments:		
Current tax	**192**	–
Deferred tax	**(350)**	351
Current tax adjustment on transition to IFRS 15	**-**	814
Deferred tax adjustment on transition to IFRS 16	**342**	–
	184	1,165

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 2020, a deferred tax asset of £0.7 million (2019: £1.9 million) was recognised in respect of these options (note 18).

Prior to the adoption of IFRS 15, income of £3.1 million was recognised and taxed. On transition to IFRS 15 this income was reversed via the opening balance of retained earnings, and hence a tax deduction was due on this reversal. This tax deduction resulted in a tax credit of £0.8 million at 30 November 2019.

On transition to IFRS 16 an adjustment to retained earnings at 1 December 2019 was made, and a corresponding tax credit was booked to equity of £0.3 million.

7 Discontinued operations

On 1 September 2020, the Group announced its intention to liquidate the Australian subsidiary ('SThree Australia'), the operations of which represented a separate major line of business for SThree. As a result, SThree Australia was treated as discontinued operations for the year ended 30 November 2020.

A single amount was shown on the face of the Consolidated Income Statement comprising the post-tax result of discontinued operations. That is, the income and expenses of SThree Australia were reported separately from the continuing operations of the Group. With SThree Australia being classified as discontinued operations, the APAC segment no longer includes its results in the segment note. Financial information for SThree Australia operations after intra-group eliminations is presented on the next page.

7 Discontinued operations continued

	2020 £'000	2019 £'000
Revenue	**11,538**	20,318
Cost of sales	**(9,361)**	(15,962)
Administrative expenses	**(3,972)**	(4,358)
Operating loss	**(1,795)**	(2)
Net finance cost	**(14)**	–
Loss before income tax from discontinued operations	**(1,809)**	(2)
Loss for the year from discontinued operations	**(1,809)**	(2)
Exchange differences on retranslation of discontinued operations	**(228)**	(312)
Total comprehensive loss from discontinued operations	**(2,037)**	(314)
The net cash flows generated/(used) by discontinued operations are as follows:		
Operating activities	**291**	452
Investing activities	**(16)**	(32)
Financing activities	**(343)**	–
Net cash (outflow)/inflow	**(68)**	420

Closure-related costs
Closure-related costs of £1.1 million (2019: £nil) are included in administrative expenses in profit or loss.

Write-down of property, plant and equipment
Following the classification of SThree Australia as discontinued operations, certain items of property, plant and equipment were disposed of, resulting in a net loss on disposal at £0.1 million (2019: £nil) recognised within administrative expenses.

8 Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year excluding shares held as treasury shares (note 19(a)) and those held in the EBT, which for accounting purposes are treated in the same manner as shares held in the treasury reserve.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares. Potential dilution resulting from tracker shares takes into account profitability of the underlying tracker businesses and SThree plc's earnings per share. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

8 Earnings per share continued

The following table reflects the income and share data used in the basic and diluted EPS calculations.

	2020 £'000	2019 £'000
Earnings		
Continuing operations before exceptional items	**18,383**	43,166
Exceptional items	**379**	(1,845)
Discontinued operations	**(1,809)**	(2)
Profit for the year attributable to owners of the Company	**16,953**	41,319

	million	million
Number of shares		
Weighted average number of shares used for basic EPS	**132.1**	129.9
Dilutive effect of share plans	**4.3**	3.7
Diluted weighted average number of shares used for diluted EPS	**136.4**	133.6

	2020 pence	2019 pence
Basic EPS		
Continuing operations before exceptional items	**13.9**	33.2
Exceptional items	**0.3**	(1.4)
Discontinued operations	**(1.4)**	–
Basic EPS	**12.8**	31.8
Diluted EPS		
Continuing operations before exceptional items	**13.5**	32.3
Exceptional items	**0.3**	(1.4)
Discontinued operations	**(1.3)**	–
Diluted EPS	**12.5**	30.9

9 Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 5.1 pence (2018: 4.7 pence) per share[1]	**6,659**	6,056
Final dividend of nil pence (2018: 9.8 pence) per share[2]	**-**	12,722
	6,659	18,778
Amounts proposed as distributions to equity holders		
Interim dividend of nil pence (2019: 5.1 pence) per share[3]	**-**	6,661
Final dividend of 5.0 pence (2019: nil pence) per share[4]	**6,645**	–

1. 2019 interim dividend of 5.1 pence (2018: 4.7 pence) per share was paid on 6 December 2019.
2. No final dividend for 2019 was approved by shareholders at the Annual General Meeting on 20 April 2020 (2018: 9.8 pence) as this was withdrawn by the Company in response to the COVID-19 health crisis.
3. No interim 2020 dividend was proposed due to continuation of COVID-19 health crisis (2019: 5.1 pence).
4. The Board has proposed a 2020 final dividend of 5.0 pence (2019: nil pence) per share, to be paid on 4 June 2021 to shareholders on record at 7 May 2021. This proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 22 April 2021, and therefore has not been included as a liability in these financial statements.

10 Property, plant and equipment

	Right-of-use assets £'000	Computer equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 December 2018	–	10,919	10,104	5,057	26,080
Additions	–	1,555	965	582	3,102
Disposals	–	–	(3)	(59)	(62)
Exchange differences	–	(169)	(225)	(128)	(522)
At 30 November 2019	–	12,305	10,841	5,452	28,598
Adjustments due to IFRS 16	42,835	–	–	–	42,835
At 1 December 2019	42,835	12,305	10,841	5,452	71,433
Additions	5,198	4,070	403	149	9,820
Disposals	(2,923)	(301)	(828)	(147)	(4,199)
Reclassification	–	272	–	–	272
Exchange differences	76	(20)	93	103	252
At 30 November 2020	**45,186**	**16,326**	**10,509**	**5,557**	**77,578**
Accumulated depreciation					
At 1 December 2018	–	9,466	6,017	3,682	19,165
Depreciation charge for the year					
– continuing operations	–	973	1,465	562	3,000
– discontinued operations	–	16	36	6	58
Disposals	–	–	(3)	(50)	(53)
Exchange differences	–	(138)	(148)	(90)	(376)
At 30 November 2019	–	10,317	7,367	4,110	21,794
Depreciation charge for the year					
– continuing operations	12,739	1,746	1,282	518	16,285
– discontinued operations	310	22	32	5	369
Disposals	(749)	(278)	(739)	(123)	(1,889)
Exchange differences	8	86	43	64	201
At 30 November 2020	**12,308**	**11,893**	**7,985**	**4,574**	**36,760**
Net book value					
At 30 November 2020	**32,878**	**4,433**	**2,524**	**983**	**40,818**
At 30 November 2019	–	1,988	3,474	1,342	6,804

A depreciation charge of £16.7 million (2019: £3.1 million) was recognised in administrative expenses.

During the year, certain assets with a net book value of £0.1 million (2019: £0.01 million) were disposed of, incurring a loss on disposal of £0.1 million (2019: generating a small gain).

The Company has no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

11 Intangible assets

	Goodwill £'000	Computer software £'000	Internally generated: Assets under construction £'000	Internally generated: Software and system development costs £'000	Trade-marks £'000	Total £'000
Cost						
At 1 December 2018	206,313	9,079	1,319	40,173	71	256,955
Additions	–	–	1,161	294	–	1,455
Disposals	–	–	–	(51)	–	(51)
Reclassification	–	–	(1,743)	1,743	–	–
Exchange differences	–	(1)	–	–	–	(1)
At 30 November 2019	206,313	9,078	737	42,159	71	258,358
Additions	–	–	98	510	–	608
Disposals	–	(2)	–	(1,737)	–	(1,739)
Reclassification	–	–	(663)	391	–	(272)
Exchange differences	–	–	–	(1)	–	(1)
At 30 November 2020	**206,313**	**9,076**	**172**	**41,322**	**71**	**256,954**
Accumulated amortisation and impairment						
At 1 December 2018	205,480	8,973	–	32,822	71	247,346
Amortisation charge for the year	–	94	–	2,888	–	2,982
Exchange differences	–	(1)	–	–	–	(1)
At 30 November 2019	205,480	9,066	–	35,710	71	250,327
Amortisation charge for the year	–	8	–	2,778	–	2,786
Accelerated amortisation and impairment charge	–	–	–	1,124	–	1,124
Disposals	–	(2)	–	(1,737)	–	(1,739)
Reclassification	–	–	–	47	–	47
Exchange differences	–	–	–	–	–	–
At 30 November 2020	**205,480**	**9,072**	**-**	**37,922**	**71**	**252,545**
Net book value						
At 30 November 2020	**833**	**4**	**172**	**3,400**	**-**	**4,409**
At 30 November 2019	833	12	737	6,449	–	8,031

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 £2.8 million (2019: £3.0 million) was included in administrative expenses.

Fair values of certain internally developed assets were assessed as no longer recoverable and impairment was required. Within the year to 30 November 2020, an impairment charge of £1.1 million was recognised (2019: £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.

The Company has no intangible assets.

12 Investments

Group

The following tables provide summarised information of the Group's investment in unlisted technology start-up RoboRecruiter.

		30 November 2020 £'000	30 November 2019 £'000
Equity investments	**Current shareholding**		
RoboRecruiter	<1% (2019: <1%)	**1**	13

Movement in carrying value of the Group's investment	RoboRecruiter £'000
At 1 December 2019	13
Fair valuation loss	(12)
At 30 November 2020	**1**

RoboRecruiter is a company that builds automated multichannel platforms connecting candidates with recruiters and employers in real time.

The Group's minority shareholding in RoboRecruiter is less than 1% of the total share capital issued. The investment is a financial asset classified as measured at fair value through other comprehensive income. The fair value was determined based on the recent transaction price and is considered a level 1 valuation under the fair value hierarchy.

Company

Cost	£'000
At 1 December 2018	348,896
Additions	
– Settlement of vested tracker shares	3,744
– Settlement of unvested tracker shares	645
– Capital contribution relating to share-based payments	1,649
– Purchase of shares in a Group entity	345
At 30 November 2019	355,279
Additions	
– Settlement of vested tracker shares	123
– Settlement of unvested tracker shares	75
– Capital contribution relating to share-based payments	1,018
– Disposal of investments	(282)
At 30 November 2020	**356,213**
Provision for impairment	
At 1 December 2018	134,980
Provision made during the year	8,159
At 30 November 2019	143,139
Provision made during the year	12,931
At 30 November 2020	**156,070**
Net carrying value	
At 30 November 2020	**200,143**
At 30 November 2019	212,140

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

12 Investments continued

Company

Only an immaterial number of tracker shares were settled in the year as the annual buy-out process was postponed due to COVID-19. The Company settled tracker shares by awarding SThree plc shares (note 19(b)), resulting in an increase in the Company's investment in relevant subsidiary businesses.

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

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 by the subsidiary, increase the carrying value of the investment held in the subsidiaries. In 2020, the Company recognised a net increase in investments in its subsidiaries of £1.0 million (2019: £1.7 million) relating to such share options and awards.

Investment impairment

Due to a significant reduction in the trading activity caused by the health crisis in 2020, the UK's performance did not fully support the recoverability of SThree plc's investment in SThree UK Holdings Limited. As such, an impairment loss of £12.9 million (2019: £8.2 million) was recognised, based on value in use ('VIU') of the UK trading business at £89.1 million. For more details refer to the Strategic report, Business review of UK & Ireland.

The VIU valuation was determined from the pre-tax cash flows forecast to be generated by the UK entity in the next five years and into perpetuity. Cash flows were discounted to present value using a pre-tax weighted average cost of capital ('WACC') of 10.3% (2019: 12.2%) and a long-term growth rate of 2.0% (2019: 2.0%).

The impairment charge involves judgements and estimates prevailing at the time of the test. The actual outcomes may differ from the assumptions made. The Group considered reasonably possible changes to assumptions:

(i) apply a 5% reduction in forecast net fees. This would result in a further impairment of £22.1 million.
(ii) apply a 5% reduction to forecast EBITDA. This would result in a further impairment of £6.1 million.
(iii) increase pre-tax WACC by 10% (from 10.3% to 11.3%). This would result in a further impairment of £10.8 million.

A full list of the Company's subsidiaries that existed as at 30 November 2020 is provided in note 25.

13 Trade and other receivables

	Group		Company	
	30 November 2020 £'000	30 November 2019 £'000	**30 November 2020 £'000**	30 November 2019 £'000
Trade receivables	**173,083**	194,448	**-**	–
Less allowance for expected credit losses and revenue reversals	**(4,013)**	(3,965)	**-**	–
Trade receivables – net	**169,070**	190,483	**-**	–
Other receivables	**3,226**	5,975	**169**	95
Amounts due from subsidiaries	**-**	–	**-**	8
Prepayments	**6,984**	8,199	**283**	392
Contract assets	**57,762**	65,693	**-**	–
Other taxes and social security	**-**	–	**8,347**	3,422
	237,042	270,350	**8,799**	3,917

Trade receivables are non-interest bearing current financial assets.

Other receivables include £0.6 million (2019: £0.6 million) for loans given to certain employees in previous years towards their subscription for tracker shares (note 23(d)). Tracker share loans are unsecured and charged interest at a rate of 3% (2019: 3%). No such new tracker share loans were given to employees during the current year.

13 Trade and other receivables continued

Contract assets represent the Contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the contractors for the services provided up to the year end. The corresponding costs are shown within trade payables (where the contractor has submitted an invoice) and within accruals (in respect of unsubmitted and unapproved timesheets) (note 15). Contract assets declined 12% year on year mainly due to the slowdown in the trading performance caused by the health crisis.

Amounts due from subsidiaries are subject to annual interest at a rate of 15 basis points in excess of the Group's external borrowing costs under its Revolving Credit Facility.

The Group establishes an allowance for doubtful accounts that represents an estimate of expected credit losses in respect of trade and other receivables. Movements in the impairment provision for trade receivables are shown in the table below.

Provision for impairment of trade receivables	**30 November 2020 £'000**	30 November 2019 £'000
At the beginning of the year	**3,965**	2,699
Charge for the year	**2,944**	2,261
Bad debts written off	**(1,254)**	(483)
Reversed as amounts recovered	**(1,752)**	(432)
Exchange differences	**110**	(80)
At the end of the year	**4,013**	3,965

Other classes within trade and other receivables do not contain impaired assets. The Directors consider 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 23 for further information.

14 Cash and cash equivalents

	Group		Company	
	30 November 2020 £'000	30 November 2019 £'000	**30 November 2020 £'000**	30 November 2019 £'000
Cash at bank	**50,363**	15,093	**893**	633
Bank overdraft	**(468)**	(4,538)	**-**	–
Net cash and cash equivalents per the statements of cash flows	**49,895**	10,555	**893**	633

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 approximate their fair values. Substantially all of these assets are categorised within level 1 of the fair value hierarchy.

The Group has four cash pooling arrangements in place at HSBC US (USD), HSBC UK (GBP), NatWest (GBP) and Citibank (EUR).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

15 Trade and other payables

	Group		Company	
	30 November 2020 £'000	30 November 2019 £'000	**30 November 2020 £'000**	30 November 2019 £'000
Trade payables	**44,528**	54,424	**-**	–
Amounts due to subsidiaries (note 22)	**-**	–	**97,296**	73,526
Other taxes and social security	**13,855**	13,515	**269**	842
Other payables	**13,040**	11,948	**3,982**	1,353
Accruals	**86,076**	92,470	**442**	1,277
	157,499	172,357	**101,989**	76,998

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade and other payables are predominantly interest free.

Trade payables are unsecured and are usually paid within 15 days of recognition.

Amounts due to subsidiaries are subject to annual interest at a rate of 15 basis points below the Group's external borrowing costs under its Revolving Credit Facility.

Accruals include amounts payable to contractors in respect of unsubmitted and unapproved timesheets (note 13).

16 Other financial liabilities

The Group maintains a committed Revolving Credit Facility ('RCF') of £50.0 million along with an uncommitted £20.0 million accordion facility, with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC. The Group has access to the Bank of England's COVID-19 Corporate Financing Facility, a £50.0 million committed Commercial Paper facility, until 22 March 2021.

At the year end, the Group and the Company had drawn down £nil (2019: £nil) on these facilities, and the borrowed funds bear interest at a minimum annual rate of 1.3% (2019: 1.3%) above a three-month Sterling LIBOR. The average interest rate paid on the RCF during the year was 1.3% (2019: 2.0%).

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover (note 23(c)). The Group has complied with these covenants throughout the year. The RCF facility is available under these terms and conditions until April 2023.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in note 23.

16 Other financial liabilities continued

Reconciliation of financial liabilities to cash flows arising from financing activities:

	£'000
Balance at 1 December 2018	37,428
Cash flows:	
Repayments of borrowings	(37,428)
Interest paid on borrowings	(894)
Total cash flows	**(38,322)**
Other non-cash movements	894
Balance at 30 November 2019	**-**
Recognition of leases on adoption of IFRS 16	43,019
Cash flows:	
Proceeds from borrowings	50,000
Repayments of borrowings	(50,000)
Interest paid on borrowings	(481)
Principal repayments of lease obligations	(13,579)
Total cash flows	**(14,060)**
Lease increases	5,848
Other non-cash movements[1]	697
Balance at 30 November 2020	**35,504**

1. Other non-cash movements in 2020 primarily comprise unwind of the discount on lease liabilities.

Leases

Adoption of IFRS 16

The Group applied the modified retrospective transition approach on adoption of IFRS 16 and recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases ('IAS 17'). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 December 2019 was 1.7%.

The table below shows the reconciliation of operating leases commitments previously recognised under IAS 17 and lease liabilities initially recognised under IFRS 16:

	£'000
Operating lease commitments at 30 November 2019	55,562
Non-lease payments	(1,910)
Effect of discounting at the date of initial application	(10,633)
Lease liabilities recognised at 1 December 2019	**43,019**
Of which are:	
Current lease liabilities	11,627
Non-current leases liabilities	31,392

In line with IFRS 16 transition options, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of accrued lease incentives relating to those leases, recognised in the Consolidated Statement of Financial Position at 30 November 2019. An immaterial amount of an onerous lease provision required an adjustment to the right-of-use assets at the date of initial application.

16 Other financial liabilities continued

Leasing activities

The leases which are recorded in the Consolidated Statement of Financial Position following implementation of IFRS 16 are principally in respect of buildings and cars.

The Group's right-of-use assets and lease liabilities are presented below:

	30 November 2020 £'000
Buildings	30,819
Cars	1,936
IT equipment	123
Total right-of-use assets	**32,878**
Current lease liabilities	12,078
Non-current lease liabilities	23,426
Total lease liabilities	**35,504**

17 Provisions

(a) Movements in each class of provision during the financial year are set out below:

Group	Dilapidations £'000	Restructuring & termination payments £'000	Tracker share liability £'000	Legal £'000	Onerous contract £'000	Total £'000
At 1 December 2018	1,762	1,508	3,306	4,379	228	11,183
Charged/(released) to the income statement	289	289	(110)	(233)	–	235
Utilised during the year	(198)	(1,461)	(269)	–	(184)	(2,112)
New tracker share consideration	–	–	536	–	–	536
Revaluation	(42)	(4)	–	(115)	(3)	(164)
At 30 November 2019	1,811	332	3,463	4,031	41	9,678
Adjustments due to IFRS 16	1,177	–	–	–	(41)	1,136
At 1 December 2019	2,988	332	3,463	4,031	–	10,814
(Released)/charged to the income statement	(140)	5,169	(65)	(376)	–	4,588
Utilised during the year	(160)	(380)	(332)	(2,436)	–	(3,308)
New tracker share consideration	–	–	291	–	–	291
Revaluation	17	–	–	102	–	119
At 30 November 2020	**2,705**	**5,121**	**3,357**	**1,321**	**–**	**12,504**

Analysis of total provisions	2020 £'000	2019 £'000
Current	**9,915**	8,275
Non-current	**2,589**	1,403
	12,504	9,678

Provisions are not discounted as the Directors believe 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.

17 Provisions continued

(b) Information about individual provisions and significant estimates

Dilapidations

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision was made based on independent professional estimates of the likely costs on vacating properties based on the current conditions of the properties. The provision is captured within the carrying value of the lease asset and depreciated to profit or loss over the lease term.

Restructuring and termination payments

At 30 November 2020, the provision comprised primarily future staff termination payments related to a number of employees who will exit the business in early 2021. Termination payments are provided for staff exiting SThree in the normal course of business. In the prior year, the outstanding balance of the provision was attributable mainly to senior leadership restructuring costs classified as exceptional.

The liability in regard to dilapidation, restructuring and termination payments provisions is expected to crystallise as follows:

	2020 £'000	2019 £'000
Within one year	**5,237**	740
One to five years	**1,977**	1,056
After five years	**612**	347
	7,826	2,143

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, £0.3 million (2019: £0.3 million) of the provision was utilised, principally in relation to settled tracker shares. New consideration of £0.3 million (2019: £0.5 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.

Onerous contract

The provision related to a property lease in New York which was vacated by the Group in 2018. Sublease of the property ended in August 2019 and the property remained unoccupied until the lease expired in December 2019. On transition to IFRS 16, the outstanding amount of onerous provision reduced the initial recognition value of the corresponding lease asset.

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18 Deferred tax

Group

	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Provisions £'000	Total £'000
At 1 December 2018	22	882	174	1,672	2,750
Credit/(charge) to income statement for the year	108	689	395	(757)	435
Prior year credit/(charge) to income statement for the year	104	–	(62)	399	441
Adjustment due to tax rate changes	(4)	12	36	202	246
Credit directly to equity	–	351	–	–	351
Exchange differences	(3)	(15)	1	(39)	(56)
At 30 November 2019	**227**	**1,919**	**544**	**1,477**	**4,167**
Adjustment due to IFRS 16	–	–	–	342	342
At 1 December 2019	**227**	**1,919**	**544**	**1,819**	**4,509**
(Charge)/credit to income statement for the year	(119)	(758)	633	(2,223)	(2,467)
Prior year (charge)/credit to income statement for the year	(30)	–	(286)	243	(73)
Adjustment due to tax rate changes	(4)	(35)	–	(76)	(115)
(Charge)/credit directly to equity	–	(356)	–	6	(350)
Exchange differences	2	–	7	(31)	(22)
Discontinued operations	–	–	–	–	–
At 30 November 2020	**76**	**770**	**898**	**(262)**	**1,482**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 November 2020 £'000	30 November 2019 £'000
Deferred tax assets:		
Continuing operations	**5,378**	4,537
Discontinued operations	**-**	–
Deferred tax liabilities	**(3,896)**	(370)
Net deferred tax assets	**1,482**	4,167

Deferred tax assets that are expected to be recovered within one year are £2.8 million (2019: £2.4 million) and deferred tax liabilities that are expected to be settled within one year are £0.7 million (2019: £0.2 million).

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 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 £34.2 million (2019: £24.0 million) available for offset against future profits. A deferred tax asset of £0.9 million (2019: £0.5 million) was recognised in respect of losses of £4.7 million (2019: £1.7 million). No deferred tax asset was recognised in respect of the remaining £29.5 million (2019: £22.3 million) losses. The increase in losses arises from expiration, recognition, exchange differences, and utilisation.

18 Deferred tax continued

Included in unrecognised tax losses are losses of £0.7 million (2019: £0.8 million) subject to expiry. Of this amount, £nil expires over the course of the next five years and the balance of £0.7 million up to 2038. A regional summary of our loss profile in 2020 is shown below.

	Operating losses recognised £'000	**Operating losses not recognised £'000**	**Total £'000**
Europe	**4,743**	**12,714**	**17,457**
Asia Pacific	**-**	**6,983**	**6,983**
Rest of World	**-**	**9,758**	**9,758**
	4,743	**29,455**	**34,198**

Uncertain tax positions

An uncertain tax position in relation to transfer pricing risks increased during the year by £0.6 million to £1.3 million (2019: £0.7 million). In 2019 the Group also noted a contingent liability of £3.2 million in respect of the European Commission's decision of April 2019 that certain parts of the UK's controlled foreign company legislation gave rise to state aid. Whilst an annulment application was filed in October 2019, ongoing correspondence with HMRC has led the Group to reassess the probability of success. Whilst the position remains finely balanced, the Group considers it now more appropriate to recognise a provision of £1.3 million based on our assessment of the potential liability should the matter be settled.

Company

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

	£'000
At 1 December 2018	295
Credit to income statement for the year	164
Credit directly to equity	23
At 30 November 2019	482
Credit to income statement for the year	570
Charge directly to equity	(23)
At 30 November 2020	**1,029**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

19 Share capital

Group and Company
(a) Share capital

Issued and fully paid	Number of ordinary shares	Share capital £'000	Capital redemption reserve £'000	Treasury reserve £'000
At 1 December 2018	130,809,154	1,319	172	(7,830)
Issue of new shares	636,595	7	–	–
Repurchase of shares by Employee Benefit Trust	–	–	–	(2,506)
Utilisation of shares held by Employee Benefit Trust	–	–	–	2,086
Utilisation of treasury shares	974,583	–	–	3,245
At 30 November 2019	132,420,332	1,326	172	(5,005)
Issue of new shares	441,306	4	–	–
Repurchase of shares by Employee Benefit Trust	–	–	–	(2,031)
Utilisation of shares held by Employee Benefit Trust	–	–	–	5,437
Utilisation of treasury shares	34,984	–	–	103
At 30 November 2020	**132,896,622**	**1,330**	**172**	**(1,496)**

Share capital
The nominal value per ordinary share is £0.01 (2019: £0.01).

The Company does not have a limited amount of authorised share capital.

During the year 441,306 (2019: 636,595) new ordinary shares were issued, resulting in a share premium of £0.9 million (2019: £1.7 million). All new shares were issued pursuant to the exercise of share awards under the Save As You Earn ('SAYE') scheme. In the current year, no shares (2019: 475,738 shares) were issued on settlement of vested tracker shares.

Employee Benefit Trust
The Group holds shares in the Employee Benefit Trust ('EBT'). The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy future requirements of the employee share-based payment schemes. For accounting purposes, shares held in the EBT are treated in the same manner as shares held in the treasury reserve and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

During the year, the EBT purchased 645,122 (2019: 860,000) SThree plc shares. The average price paid per share was 315 pence (2019: 291 pence). The total acquisition cost of these shares was £2.0 million (2019: £2.5 million), for which the treasury reserve was reduced. During the year, the EBT utilised 1,723,288 (2019: 654,994) shares on settlement of Long Term Incentive Plan ('LTIP') awards. At the year end, the EBT held 634,386 (2019: 1,712,522) shares.

Treasury reserve
Treasury shares represent SThree plc shares repurchased and available for specific and limited purposes.

During the year, 33,949 (2019: 974,583) shares were utilised from treasury reserve on settlement of vested tracker shares.

At the year end, 35,767 (2019: 70,751) shares were held in treasury.

(b) Share-based payments
Tracker share awards in subsidiary companies
As described in note 1, the Group makes tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £0.01 million (2019: £4.4 million) using treasury shares purchased from the market. This resulted in a credit to capital reserves for treasury shares, with a corresponding debit to the Group's retained earnings and provision for tracker share liability.

19 Share capital continued

The Group also issued new tracker share awards during the year for subscription value of £0.3 million (2019: £0.5 million).

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 Share Incentive Plans ('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 2020** Charge (£'000)	**30 November 2020** Number of share options	30 November 2019 Charge (£'000)	30 November 2019 Number of share options	Vesting period	Expiry date	Valuation method	Performance metrics
LTIP	**729**	**4,458,174**	2,429	5,629,434	3 years	10 years	Monte Carlo model	Incremental EPS growth/ TSR ranking against comparator group
SAYE	**187**	**585,449**	252	980,444	3 years	6 months after 3-year vesting period	Binomial	None
Sub-total	**916**	**5,043,623**	2,681	6,609,878				
SIP	**34**	**n/a**	21	n/a	1 year	n/a	n/a	None
Total	**950**	**5,043,623**	2,702	6,609,878				

LTIP
The conditions of the LTIP are provided in the Directors' remuneration report.

	Number of options
At 1 December 2019	5,629,434
Granted	1,514,564
Exercised	(1,499,122)
Forfeited	(1,186,702)
At 30 November 2020	**4,458,174**

Out of the 4,458,174 options outstanding (2019: 5,629,434), 194,547 options were exercisable (2019: 518,443). 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 £2.79 (2019: £2.86). The related transaction costs were negligible. The share options had a weighted average exercise price of £nil (2019: £nil).

The 2020 share options granted in 2020 under the Group LTIP scheme were valued as follows:

	2020	2019
Weighted average fair value (£)	**3.35**	2.44
Key assumptions used:		
Share price at grant date (£)	**3.41**	2.74
Expected volatility[1]	**29.7%**	30.8%
Annual risk-free interest rate	**0.44%**	0.84%
Expected life (years)	**3**	3

1. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

19 Share capital continued

Other schemes
The SAYE and SIP arrangements are not deemed material for further disclosure.

20 Contingencies

Legal
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 were not provided against at the date of these financial statements.

21 Commitments

Capital commitments
At the year end, the Group had capital commitments for property, plant and equipment amounting to £0.8 million (2019: £0.6 million).

Guarantees
At the year end, the Group/SThree plc had bank guarantees in issue for commitments which amounted to £3.6 million (2019: £3.6 million).

Company
In 2020, selected UK subsidiaries (see note 25) were exempt from the requirements of the UK Companies Act 2006 ('the Act') relating to the audit of individual accounts by virtue of s479A of the Act. The Company provides a guarantee concerning the outstanding liabilities of these subsidiaries under Section 479C of the Act.

22 Related party transactions

Group
Balances and transactions with subsidiaries were eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and members of the Executive Committee, who are deemed to be key management personnel, are disclosed below.

Remuneration of key management personnel ('KMP')
The Group's KMP comprises members of the Executive Committee, other members of the Board of Directors and key managers who are deemed to influence the day-to-day activities. Details of Directors' remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors' remuneration report.

The total number of KMP for the year was 18 (2019: 13). Total remuneration for members of KMP is detailed below:

	2020 £'000	2019 £'000
Short-term employee benefits	**5,267**	5,967
Share-based payments	**62**	1,752
Post-employment benefits	**166**	331
Termination benefits	**244**	488
	5,739	8,538

22 Related party transactions continued

Company
The Company has related party relationships with its subsidiaries, with members of its Board and key managers. The Directors' remuneration which they receive from the Company is disclosed in the Directors' remuneration report. The Company did not have any transactions with the Directors during the financial year other than those disclosed in the Directors' remuneration report and below. Details of transactions between the Company and other related parties are disclosed below.

Transactions with the related parties during the year	**2020 £'000**	2019 £'000
Investments in subsidiaries (note 12)	**(934)**	(6,383)
Impairment of investments in subsidiaries (note 12)	**(12,931)**	(8,159)
Loans and advances received from subsidiaries	**23,770**	51,119
Loans and advances repaid by subsidiaries	**(8)**	(9,939)
Loans repaid by Directors	**46**	1
Loans repaid by other KMP	**-**	4
Interest income received from subsidiaries	**-**	36
Interest paid by subsidiaries	**(1,105)**	(708)

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

Year-end balances arising from transactions with related parties	**30 November 2020 £'000**	30 November 2019 £'000
Investments in subsidiaries	**200,143**	212,140
Amounts due to subsidiaries	**(97,296)**	(73,526)
Amounts receivable from subsidiaries – net	**-**	8
Amounts receivable from Directors	**10**	186
Amounts receivable from other KMP	**169**	169

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

23 Financial instruments and financial risk management

Financial instruments

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, revenue and borrowings.

The accounting classification of each category of financial instruments and their carrying amounts are set out below.

At 30 November 2020	Note	Measured at amortised cost £'000	Elected to be measured at FV through OCI £'000	Total carrying amount £'000
Financial assets				
Investments	12	**–**	**1**	**1**
Trade receivables and accrued income	13	**226,832**	**–**	**226,832**
Other receivables[1]	13	**3,219**	**–**	**3,219**
Cash and cash equivalents	14	**50,363**	**–**	**50,363**
Financial liabilities				
Bank overdraft	14	**(468)**	**–**	**(468)**
Trade payables and accruals	15	**(130,604)**	**–**	**(130,604)**
Other payables[2]	15	**(9,943)**	**–**	**(9,943)**
Lease liabilities	16	**(35,504)**	**–**	**(35,504)**

At 30 November 2019	Note	Measured at amortised cost £'000	Elected to be measured at FV through OCI £'000	Total carrying amount £'000
Financial assets				
Investments	12	–	13	13
Trade receivables and accrued income	13	256,176	–	256,176
Other receivables[1]	13	4,327	–	4,327
Cash and cash equivalents	14	15,093	–	15,093
Financial liabilities				
Bank overdraft	14	(4,538)	–	(4,538)
Trade payables and accruals	15	(146,894)	–	(146,894)
Other payables[2]	15	(9,902)	–	(9,902)

1. Other receivables comprise mainly rental deposits and staff loans and exclude non-financial assets.
2. Other payables comprise mainly cash in transit and other trade creditors and exclude non-financial liabilities.

23 Financial instruments and financial risk management continued

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.

The Group corporate treasury function enters into a limited number of derivative transactions, principally currency swaps and forward currency contracts, with the purpose of managing the currency risks arising from operations and financing of subsidiaries.

At the year end, the Group had net foreign exchange swaps of:

Currency	2020 local currency	2020 £'000	2019 local currency	2019 £'000
United Arab Emirates Dirham (AED)	**5,785**	**1,182**	(5,680)	(1,196)
Australian Dollar (AUD)	**699**	**385**	1,619	847
Canadian Dollar (CAD)	**(150)**	**(87)**	(200)	(116)
Swiss Franc (CHF)	**(2,103)**	**(1,736)**	(1,902)	(1,470)
Euro (EUR)	**18,480**	**16,541**	(4,663)	(3,972)
Hong Kong Dollar (HKD)	**9,385**	**909**	14,126	1,395
Japanese Yen (JPY)	**15,253**	**110**	224,170	1,583
Singapore Dollar (SGD)	**(2,600)**	**(1,454)**	(924)	(522)
US Dollar (USD)	**15,997**	**12,006**	10,719	8,289
Total		**27,856**		**4,838**

The contracts were mainly taken out close to the year-end date for a period of 31 to 37 days (2019: 32 to 36 days), and they had net positive fair value of £0.1 million (2019: immaterial net positive fair value) at the year end.

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 the previous year. The Group's objective and strategy in responding to these risks are set out below and did not change materially from the 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 19(a)).

23 Financial instruments and financial risk management continued

The capital structure of the Group consists of equity attributable to owners of the parent of £128.5 million (2019: £116.8 million), comprising share capital, share premium, other reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and cash of £49.9 million (2019: £10.6 million), comprising cash and cash equivalents less bank overdraft (note 14).

In 2020, the Group reported net cash of £49.9 million (2019: net cash of £10.6 million).

Except for compliance with certain bank covenants (note 23(c)), the Group is not subject to any externally imposed capital requirements.

(b) Foreign currency exchange 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 the US Dollar. If the Euro or the 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 income tax of £4.4 million and £2.4 million (2019: £5.9 million and £2.3 million) respectively, with a similar decrease if the Euro or the 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 £50.0 million along with an uncommitted £20.0 million accordion facility in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC. The Group has access to the Bank of England's COVID-19 Corporate Financing Facility, a £50.0 million committed Commercial Paper facility, until 22 March 2021. At the year end, £nil (2019: £nil) was drawn down on these facilities.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group complied with these covenants throughout the year.

(i) Interest cover: interest cover shall not be less than the ratio of 4:1 at any time;
(ii) Leverage: the ratio of total net debt on the last day of a period to the adjusted EBITDA in respect of that period shall not exceed the ratio of 3:1; 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.

23 Financial instruments and financial risk management continued

The table below shows the maturity profile of the financial liabilities which are held at amortised cost based on the contractual amounts payable on the date of repayment:

	Lease liabilities		Trade and other payables, including bank overdrafts	
	Group £'000	Company £'000	Group £'000	Company £'000
At 30 November 2020				
Within one year	**12,078**	**-**	**141,015**	**101,720**
More than one year	**23,426**	**-**	**-**	**-**
	35,504		**141,015**	**101,720**
At 30 November 2019				
Within one year	–	–	161,334	76,156

(d) Credit risk management
(i) 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 at the year end was £26.7 million (2019: £5.3 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 is monitored daily.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to consider further credit extensions to existing clients. In addition, the spread of the client base (over 9,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group.

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.

The Group's credit risk from loans given to certain tracker shareholders (note 13) is mitigated by the fact that the loans are spread over a number of individuals (2020: 13 individuals; 2019: 14 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.

(ii) Credit rating
The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the three-stage general approach. These categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis of recognition of expected credit losses
Performing	Clients have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses
Underperforming/ non-performing	Clients negotiating for new credit terms, default in repayment and other relevant indicators that showed customers' deteriorating financial condition	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 90 days past due	Lifetime expected credit losses
Write-off	Clients with no reasonable expectation of recovery	Asset is written off

23 Financial instruments and financial risk management continued

(iii) Impairment of financial assets

The Company has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for trade receivables and contract assets.

At 30 November 2020, cash and cash equivalents, other receivables and refundable deposits are rated with a 'performing' internal credit rating. The credit risks on bank balances, other receivables and deposits are low as these balances are placed with reputable financial institutions or companies with good collection track records with the Group.

To measure the expected credit losses, the Group considers historical payment patterns and credit characteristics of each customer and adjusts for forward-looking information such as future prospects of the clients' core operating industries, the political and economic environment in which the Group's clients operate, and other information and factors on the clients' financial condition.

Notwithstanding the above, the Group evaluates the expected credit loss on clients in financial difficulties and who have defaulted on payments separately. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables and contract assets as at 30 November 2020 and 30 November 2019 is set out in the provision matrix as follows:

30 November 2020	Current £'000	1-30 days past due £'000	31-60 days past due £'000	61-120 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rates	0.005%	0.06%	0.50%	5.49%	55.00%	
Gross trade receivables	134,027	21,104	6,627	4,589	6,736	173,083
Contract assets	57,762	-	-	-	-	57,762
Other assets	3,219	-	-	-	-	3,219
Loss allowances	10	13	33	252	3,705	4,013

30 November 2019	Current £'000	1-30 days past due £'000	31-60 days past due £'000	61-120 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rates	0.00%	0.00%	0.00%	2.45%	35.90%	
Gross trade receivables	149,025	24,069	6,653	3,924	10,777	194,448
Contract assets	65,693	–	–	–	–	65,693
Other assets	4,327	–	–	–	–	4,327
Loss allowances	–	–	–	96	3,869	3,965

23 Financial instruments and financial risk management continued

(e) Interest rate risk management

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally financial liabilities. The Group finances its operations through a mixture of retained profit and the RCF.

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 2020, 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. The only financial assets which accrued interest were cash and cash equivalents (note 14) with maturity of less than a year and were subject to floating interest income.

(g) Currency profile of net cash and cash equivalents (including bank overdrafts)

Functional currency of Group operations:

	Net cash and cash equivalents				
At 30 November 2020	Sterling £'000	Euro £'000	US Dollar £'000	Other currencies £'000	Total £'000
Functional currency					
Sterling	17,461	10,331	9,556	117	37,465
Euro	71	5,122	-	-	5,193
US Dollar	-	-	7	-	7
Other	6	6	634	6,584	7,230
Total	17,538	15,459	10,197	6,701	49,895

At 30 November 2019					
Functional currency					
Sterling	989	(802)	836	188	1,211
Euro	72	4,619	–	–	4,691
US Dollar	–	–	566	–	566
Other	26	–	308	3,753	4,087
Total	1,087	3,817	1,710	3,941	10,555

Other foreign currencies held by the Group include Australian Dollar, Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, Indian Rupee, Japanese Yen, Malaysian Ringgit, Norwegian Krone, Qatari Riyal, Singapore Dollar, Saudi Arabia Riyal, Swiss Franc and United Arab Emirates Dirham.

The Company does not have a material exposure to other currencies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

23 Financial instruments and financial risk management continued

(h) Fair value
For all financial instruments, the carrying amount is either the fair value, or approximates the 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 relevant, market values were used to determine fair values. Where market values were not available, fair value was calculated by discounting expected cash flows at prevailing interest rates and by applying year-end exchange rates.

The following table shows the fair value of financial assets within the Group, including their level in the fair value hierarchy. It does not include fair value information for financial assets or financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level in fair value hierarchy	30 November 2020 £'000	30 November 2019 £'000
Financial assets			
Equity rights	Level 1	**1**	13

The following table shows the changes during the year in the net fair value of investments within level 1 of the fair value hierarchy. The fair valuation of investments in equity rights started on the date of initial application of IFRS 9.

	Equity rights £'000
At 1 December 2019	13
Losses recognised in other comprehensive income	(12)
At 30 November 2019	**1**

Summary of methods and assumptions

Receivables and payables	Due to the short-term nature of the current receivables and payables, their carrying amount is considered to be the same as their fair value.
Cash and cash equivalents, including short-term deposits	Approximates the carrying amount because of the short maturity of these instruments.
Investments	Market valuation at the end of the reporting year.
Borrowings	The carrying amount of the Group's borrowings, primarily the RCF, approximates their fair value. The fair value of the RCF is estimated using discounted cash flow analysis based on the Group's current incremental borrowing rates for similar types and maturities of borrowing and is consequently categorised in level 2 of the fair value hierarchy.

24 Events after the reporting date

The Group is affected by the European Commission's investigation of the state aid received by foreign subsidiaries controlled by the Company. In 2020 it was determined that it was no longer probable that the uncertain tax treatment surrounding this issue will be accepted. As such, a provision for £1.3 million was recognised in the current year.

On 17 December 2020, the Taxation (Post-Transition Period) 2019-21 Act received Royal Assent. Following this, HMRC have now notified the Group that it intends to issue an assessment recovering unlawful state aid in relation to the issue referred to above and separately in note 18 Uncertain tax provisions. The Directors' best estimate of this assessment is the amount we have provided in the accounts, and such payment of £1.3 million would fall due within 30 days of issue of the assessment. Payment of this amount does not affect the legal cases in process at the ECJ and, as such, the final liability will not be determined until the legal process is complete.

25 List of subsidiaries

The full list of SThree plc's subsidiaries at 30 November 2020 and the Group percentage of ordinary share capital and voting rights is as follows:

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
SThree Australia Pty Limited	100	Australia	Recruitment	DLA Piper Australia, Level 17, 140 William Street, Melbourne VIC 3000, Australia	126 409 103
SThree Austria GmbH	100	Austria	Recruitment	Wiedner Gürtel 13, Turm 24, 10 OG. 1100 Wien, Austria	FN 447727 y
SThree Temp Experts Österreich GmbH	100	Austria	Recruitment	Wiedner Gürtel 13, Turm 24, 10 OG. 1100 Wien, Austria	FN 520633
Computer Futures Solutions NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium	BE 0461.883.118
Huxley Associates Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium	BE 0886.778.156
SThree Services NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium	BE 0889.572.251
SThree Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium	BE 0892.363.574
SThree Canada Limited	100	Canada	Recruitment	Sun Life Plaza West Tower, 144-4 Avenue SW, Suite 1600, Calgary AB T2P 3N4, Canada	810508-1
SThree SAS	100	France	Recruitment	170 Boulevard de la Villette, 75019, Paris, France	502 095 094 00053
SThree Holdings GmbH	100	Germany	Holding company	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany	HRB 96507
SThree GmbH	100	Germany	Recruitment	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany	HRB 78875
SThree Temp Experts GmbH	100	Germany	Recruitment	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany	HRB 103758
SThree Limited	100	Hong Kong	Recruitment	10th Floor, MassMutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong	1113048
SThree India Private Limited	100	India	Under liquidation	511 The Corporate Centre. Nirmal Lifestyle Mall, LBS Road, Mulund (West), Mumbai. Maharashtra-MH. 400080, India	200224
SThree Staffing Ireland Limited	100	Ireland	Recruitment	3rd Floor, 80 Harcourt Street, Dublin, Ireland	283856
SThree K.K.	100	Japan	Recruitment	Ginza Wall Building, 13-16 Ginza 6-Chome, Chuo-ku, Tokyo, Japan	0100-01-147559
SThree S.à r.l.	100	Luxembourg	Recruitment	5th Floor, 2 rue de Fosse, L-1536, Luxembourg	B160680
Progressive Global Energy Sdn. Bhd.	49	Malaysia	Recruitment	10th Floor, Menara Hap Seng, No 1&3 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	1033845-D

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

25 List of subsidiaries continued

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
SThree Holdings BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands	24295090
Huxley BV	100	Netherlands	Recruitment	De 5 Keizers, Keizersgracht 281, 5th floor. 1016 ED Amsterdam, Netherlands	54742730
SThree Interim Services BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands	58612122
SThree Pte. Ltd.	100	Singapore	Recruitment	#09-02, 18 Cross Street, China Square Central, Singapore, 48423, Singapore	200720126E
SThree Business Services Ibérica, S.L.	100	Spain	Recruitment	WeWork, Glories. Carrer Tànger 86, 08018 Barcelona, Spain	B87900593
SThree Switzerland GmbH	100	Switzerland	Recruitment	3rd Floor, Claridenstrasse 34, 8002 Zürich, Switzerland	CH-020.4.044.653-4
Cavendish Directors Limited*	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04326888
SThree UK Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03804468
SThree Overseas Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03247281
SThree UK Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	07509542
SThree Overseas Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	07846499
SThree UK Operations Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	08628611
SThree Euro UK Limited	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04632138
SThree IP Limited*	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03682824
SThree Management Services Limited*	100	UK	Management services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04255086
SThree Partnership LLP	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	OC387148
Huxley Associates Global Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	05908145
Progressive Global Energy Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04883344
Progressive Global Energy Kurdistan Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	08286247
Progressive GE Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03561279

25 List of subsidiaries continued

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
HireFirst Limited	100	UK	Recruitment technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11050648
Talent Deck Limited	100	UK	Recruitment technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	10841039
Showcaser Limited	100	UK	Recruitment technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	10873444
SThree Ventures Limited	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11047674
SThree Dollar UK Limited	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11740244
Specialist Staffing Holdings Inc	100	USA	Holding company	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5692896
Specialist Staffing Solutions Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	4367091
Specialist Staffing Services Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5134909
Newington International Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5222208
Progressive Global Energy Inc	100	USA	Dormant	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5387733

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

Audit exemptions:
The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006:

SThree Euro UK Limited	Huxley Associates Global Limited	Talent Deck Limited
SThree IP Limited	Progressive Global Energy Limited	Showcaser Limited
SThree Dollar UK Limited	Progressive Global Energy Kurdistan Limited	SThree Ventures Limited
SThree UK Operations Limited	HireFirst Limited	SThree Management Services Limited

Statutory guarantees:
SThree plc has provided statutory guarantees to the following entities in accordance with Section 479A of the Companies Act 2006:

SThree Euro UK Limited	Huxley Associates Global Limited	Talent Deck Limited
SThree IP Limited	Progressive Global Energy Limited	Showcaser Limited
SThree Dollar UK Limited	Progressive Global Energy Kurdistan Limited	SThree Ventures Limited
SThree UK Operations Limited	HireFirst Limited	SThree Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

26 Alternative performance measures ('APMs'): definitions and reconciliations

Adjusted APMs
In discussing the performance of the Group, 'comparable' measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, which are considered as items impacting comparability, due to their nature.

Restructuring costs
Support function relocation
This category comprises (income)/costs arising from a strategic relocation of SThree's central support functions away from the London headquarters to the Centre of Excellence located in Glasgow, further explained in note 3.

Senior leadership restructuring
This category of costs is attributable to several key changes made to the regional leadership structure within the EMEA excluding DACH region in the prior year, further explained in note 3.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both years for which these measures are presented. The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of adjusted financial indicators for continuing operations

2020	Revenue £'000	Net fees £'000	Administrative expenses, incl. impairment loss £'000	Operating profit £'000	Profit before tax £'000	Tax £'000	Profit after tax £'000	Basic EPS pence
As reported	1,202,622	308,575	(276,815)	31,760	30,595	(11,833)	18,762	14.2
Exceptional items	-	-	(468)	(468)	(468)	89	(379)	(0.3)
Adjusted	1,202,622	308,575	(277,283)	31,292	30,127	(11,744)	18,383	13.9

2019	Revenue £'000	Net fees £'000	Administrative expenses, incl. impairment loss £'000	Operating profit £'000	Profit before tax £'000	Tax £'000	Profit after tax £'000	Basic EPS pence
As reported	1,324,703	337,996	(280,241)	57,755	56,801	(15,480)	41,321	31.8
Exceptional items	–	–	2,273	2,273	2,273	(428)	1,845	1.4
Adjusted	1,324,703	337,996	(277,968)	60,028	59,074	(15,908)	43,166	33.2

APMs in constant currency
As we are operating in 15 countries and with many different currencies, we are affected by foreign exchange movements, and we report our financial results to reflect this. However, we manage the business against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine our ability to drive the business forward and control it. Within this report, we highlighted comparable results on a constant currency basis as well as the audited results ('on a reported basis') which reflect the actual foreign currency effects experienced.

The Group evaluates its operating and financial performance on a constant currency basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from year to year). Constant currency APMs are calculated by applying the prior year foreign exchange rates to the current and prior financial year results to remove the impact of exchange rate.

Measures on a constant currency basis enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from year to year.

26 Alternative performance measures ('APMs'): definitions and reconciliations continued

The calculations of the APMs on a constant currency basis and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows:

2020	Revenue £'000	Net fees £'000	Operating profit £'000	Operating profit conversion ratio*	Profit before tax £'000	Basic EPS pence
Adjusted	1,202,622	308,575	31,292	10.1%	30,127	13.9
Currency impact	3,119	970	206	0.1%	203	0.1
Adjusted in constant currency	1,205,741	309,545	31,498	10.2%	30,330	14.0

2019	Revenue £'000	Net fees £'000	Operating profit £'000	Operating profit conversion ratio*	Profit before tax £'000	Basic EPS pence
Adjusted	1,324,703	337,996	60,028	17.8%	59,074	33.2
Currency impact	(12,817)	(4,419)	(1,239)	(0.2%)	(1,239)	(0.7)
Adjusted in constant currency	1,311,886	333,577	58,789	17.6%	57,835	32.5

* Operating profit conversion ratio represents operating profit over net fees.

Other APMs
Net cash excluding lease liabilities
Net cash is an APM used by the Directors to evaluate the Group's capital structure and leverage. Net cash is defined as cash and cash equivalents less current and non-current borrowings excluding lease liabilities, less bank overdraft, as illustrated below:

	2020 £'000	2019 £'000
Cash and cash equivalents	50,363	15,093
Bank overdraft	(468)	(4,538)
Net cash	49,895	10,555

Adjusted EBITDA
Adjusted EBITDA is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and exceptional costs. See the table on page 207 illustrating how free cash conversion ratio is calculated. EBITDA is the sum of operating profit and operating non-cash items. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. The Group also uses adjusted EBITDA to measure the level of financial leverage of the Group by comparing adjusted EBITDA to net debt.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

26 Alternative performance measures ('APMs'): definitions and reconciliations continued

Dividend cover

The Group uses dividend cover as an APM to ensure that its dividend policy is sustainable and in line with the overall strategy for the use of cash. Dividend cover is defined as the number of times the Company is capable of paying dividends to shareholders from the profits earned during a financial year, and it is calculated as the Group's profit for the year attributable to owners of the Company over the total dividend paid to ordinary shareholders.

		2020	2019
Profit for the year attributable to owners of the Company (£'000)	A	**16,953**	41,319
Dividend proposed to be paid to shareholders (£'000) (note 9)	B	**6,645**	20,168
Dividend cover	(A ÷ B)	**2.6**	2.0

Net fees margin for continuing operations

The Group uses net fees margin as an APM to evaluate business quality and the service offered to customers. Net fees margin is defined as total net fees as a percentage of total revenue.

		2020	2019
Total net fees (£'000)	A	**308,575**	337,996
Total revenue (£'000)	B	**1,202,622**	1,324,703
Net fees margin	(A ÷ B)	**25.7%**	25.5%

Consultant yield for continuing operations

The Group uses consultant yield as an APM to assess the productivity of the sales teams. Consultant yield is defined as Group net fees divided by Group average sales headcount over a factor of 12.

		2020	2019
Total net fees (£'000)	A	**308,575**	337,996
Average sales headcount	B	**2,193**	2,384
Consultant yield (£'000)	(A ÷ B) ÷ 12	**11.7**	11.8

Total shareholder return ('TSR')

The Group uses TSR as an APM to measure the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. The TSR is calculated by the external independent data-stream party.

	2020	2019
SThree plc TSR return index value: three-month average to 30 Nov 2017 (2019: 30 Nov 2016) (pence)	**285.77**	197.00
SThree plc TSR return index value: three-month average to 30 Nov 2020 (2019: 30 Nov 2019) (pence)	**240.74**	262.41
Total shareholder return	**(15.8%)**	33.2%

26 Alternative performance measures ('APMs'): definitions and reconciliations continued

Free cash conversion ratio

This year the Directors have replaced the previously reported cash conversion ratio with the free cash conversion ratio to better align to the Group's evolving strategy and remuneration policy.

The Group uses the free cash conversion ratio as an APM to measure a business's ability to convert profit into cash. It represents cash generated from operations for the year after deducting tax, net interest cost and rent payments, stated as a percentage of operating profit. The free cash flow can then be used to fund Group operations such as capex, share buy-backs, dividends, etc.

The following table illustrates how adjusted free cash conversion ratio is calculated.

2020	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid C £'000	Rent payments D £'000	Free cash conversion ratio (B+C+D) ÷ A
As reported	**29,965**	**21,616**	**25,312**	**76,893**	**(10,871)**	**(13,579)**	**175.0%**
Exceptional items	**(468)**	**-**	**468**	**-**	**-**	**-**	**n/a**
Adjusted	**29,497**	**21,616**	**25,780**	**76,893**	**(10,871)**	**(13,579)**	**177.8%**

2019	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid C £'000	Rent payments D £'000	Free cash conversion ratio (B+C+D) ÷ A
As reported	57,753	8,718	(13,321)	53,150	(13,829)	–	68.1%
Exceptional items	2,273	(518)	(79)	1,676	–	–	n/a
Adjusted	60,026	8,200	(13,400)	54,826	(13,829)	–	68.3%

* Operating non-cash items represent primarily depreciation, amortisation and impairment of intangible assets, and employee share option and performance share costs as presented in the line 'Non-cash charge for share-based payments' of the Consolidated Cash Flow Statement.

FIVE-YEAR FINANCIAL SUMMARY

Financial metrics presented for continuing operations only	**30 November 2020**	30 November 2019	30 November 2018	30 November 2017	30 November 2016
Financial metrics					
Revenue (£'m)	**1,202.6**	1,324.7	1,235.8	1,089.2	939.1
Net fees (£'m)	**308.6**	338.0	316.5	281.9	253.3
Adjusted operating profit (£'m)	**31.3**	60.0	53.8	43.7	36.5
Adjusted operating profit conversion ratio	**10.1%**	17.8%	17.0%	15.5%	14.4%
Adjusted basic EPS (pence)	**13.9**	33.2	30.7	24.7	20.3
Other Group ratios					
Total assets (£'m)	**334.5**	305.1	360.5	273.5	231.5
Total equity (£'m)	**128.5**	116.5	101.7	80.7	75.7
Net cash/(debt) (£'m)	**49.9**	10.6	(4.1)	5.6	10.0
Adjusted cash from operations (£'m)	**76.9**	54.8	40.6	41.1	42.2
Adjusted free cash conversion ratio	**177.8%**	68.3%	47.7%	66.5%	88.0%
Dividends per share (pence)	**5.0**	15.3	14.5	14.0	14.0
Group operational statistics					
Average total headcount[1]	**2,894**	3,109	2,926	2,668	2,675
Average sales headcount[1]	**2,219**	2,423	2,254	2,090	2,113
Active contractors at year end	**9,523**	11,110	11,203	10,197	9,078

1. Based on full-time equivalents.

ANNOUNCEMENT TIMETABLE

SThree plc confirms the following forthcoming dates in the Group's financial calendar:

25 January 2021	Annual results for the year ended 30 November 2020
15 March 2021	Q1 Trading Statement
22 April 2021	Annual General Meeting*
14 June 2021	Trading update for the six months ended 31 May 2021
19 July 2021	Interim results for the six months ended 31 May 2021
13 September 2021	Q3 Trading Statement
13 December 2021	Trading update for the year ended 30 November 2021
31 January 2022	Annual results for the year ended 30 November 2021

* The Group does not normally provide a trading update at the time of its AGM.

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.sthreeshares.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 email 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 between 9.00am and 5.30pm, Monday to Friday) or +44 371 664 0300 (non-UK) or register online at: www.sthreeshares.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 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 FCA using the share fraud reporting form at www.fca.org.uk/scams. You can also call the Consumer Helpline on 0800 111 6768. Details of share dealing facilities that the Company endorses will only be included in publications issued by the Company.

More detailed information on this or similar activity can be found on the FCA website at www.fca.org.uk/consumer.

Share price information

Information on the Company's share price can be found via: www.sthree.com.

Share dealing service

For further information on this service, or to buy and sell shares visit, www.linksharedeal.com or call 0371 6640445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 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 FCA. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Dividend reinvestment plan (non-sponsored)

For any shareholders who wish to reinvest 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 and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Email: 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:

Website: www.sharegift.org

Tel: 0207 930 3737

COMPANY INFORMATION AND CORPORATE ADVISORS

Executive Directors
Mark Dorman
Chief Executive Officer

Alex Smith
Chief Financial Officer

Whistleblowing hotline
Tel: (UK) 0800 915 1571
Website: www.safecall.co.uk/report

Financial advisors and stockbrokers
Liberum
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EC2Y 9LY

Panmure Gordon
1 New Change
London
EC4M 9AF

Financial PR
Alma PR
71-73 Carter Lane
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Auditors
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Registrars (ordinary shares)
Link Asset Services
The Registry
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