CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 2018

	Note	2018 Before exceptional items £'000	2018 Exceptional items £'000	2018 Total £'000	2017 Before exceptional items £'000	2017 Exceptional items £'000	2017 Total £'000
Continuing operations							
Revenue	2	1,258,152	–	1,258,152	1,114,530	–	1,114,530
Cost of sales		(937,026)	–	(937,026)	(826,858)	–	(826,858)
Gross profit	2	**321,126**	**-**	**321,126**	**287,672**	**-**	**287,672**
Administrative expenses	3	(267,211)	(6,397)	(273,608)	(242,752)	(6,741)	(249,493)
Operating profit	4	**53,915**	**(6,397)**	**47,518**	**44,920**	**(6,741)**	**38,179**
Finance income	6	75	–	75	124	–	124
Finance costs	6	(743)	–	(743)	(439)	–	(439)
Gain on disposal/(Share of losses) of associate	12	146	–	146	(147)	–	(147)
Profit before taxation		**53,393**	**(6,397)**	**46,996**	**44,458**	**(6,741)**	**37,717**
Taxation	7	(13,851)	1,127	(12,724)	(11,392)	1,303	(10,089)
Profit for the year attributable to owners of the Company		**39,542**	**(5,270)**	**34,272**	**33,066**	**(5,438)**	**27,628**
Earnings per share	9	**pence**	**pence**	**pence**	**pence**	**pence**	**pence**
Basic		30.7	(4.1)	26.6	25.7	(4.2)	21.5
Diluted		29.7	(4.0)	25.7	24.9	(4.1)	20.8

The accompanying notes on pages 125 to 157 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2018

	2018 £'000	2017 £'000
Profit for the year	**34,272**	**27,628**
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on retranslation of foreign operations	2,572	(1,083)
Total other comprehensive income/(loss) for the year (net of tax)	2,572	(1,083)
Total comprehensive income for the year attributable to owners of the Company	36,844	26,545

The accompanying notes on pages 125 to 157 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 2018

	Note	Consolidated 30 November 2018 £'000	Consolidated 30 November 2017 £'000	Company 30 November 2018 £'000	Company 30 November 2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	6,915	6,746	–	–
Intangible assets	11	9,609	11,386	–	–
Investment in associate	12	–	655	–	–
Other investments	12	1,977	1,110	213,916	206,831
Deferred tax assets	18	2,750	4,199	295	298
		21,251	24,096	214,211	207,129
Current assets					
Trade and other receivables	13	285,618	226,558	18,857	5,188
Current tax assets		2,751	1,534	6,187	14,207
Cash and cash equivalents	14	50,844	21,338	4,859	6,985
		339,213	249,430	29,903	26,380
Total assets		**360,464**	**273,526**	**244,114**	**233,509**
Equity and Liabilities					
Equity attributable to owners of the Company					
Share capital	19	1,319	1,317	1,319	1,317
Share premium		30,511	28,806	30,511	28,806
Other reserves		(5,275)	(8,556)	(6,780)	(7,489)
Retained earnings		75,116	59,138	156,486	179,906
Total equity		**101,671**	**80,705**	**181,536**	**202,540**
Non-current liabilities					
Provisions for liabilities and charges	17	1,569	2,172	–	–
Current liabilities					
Borrowings	16	37,428	12,000	37,428	12,000
Bank overdraft	14	17,521	3,717	–	–
Provisions for liabilities and charges	17	9,614	12,352	32	–
Trade and other payables	15	191,742	159,556	25,118	18,969
Current tax liabilities		919	3,024	–	–
		257,224	190,649	62,578	30,969
Total liabilities		**258,793**	**192,821**	**62,578**	**30,969**
Total equity and liabilities		**360,464**	**273,526**	**244,114**	**233,509**

The accompanying notes on pages 125 to 157 are an integral part of these financial statements.

The Company's loss after tax for the year was £8.7 million (2017: loss of £69.7 million).

The financial statements on pages 120 to 124 were approved by the Board of Directors on 25 January 2019 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 2018

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 1 December 2016		**1,312**	**27,406**	**168**	**878**	**(6,443)**	**16**	**52,333**	**75,670**
Profit for the year		–	–	–	–	–	–	27,628	27,628
Other comprehensive loss for the year		–	–	–	–	–	(1,083)	–	(1,083)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(1,083)**	**27,628**	**26,545**
Dividends paid to equity holders	8	–	–	–	–	–	–	(17,994)	(17,994)
Distributions to tracker shareholders		–	–	–	–	–	–	(115)	(115)
Settlement of vested tracker shares	19(a)	4	1,185	–	–	2,746	–	(3,060)	875
Settlement of share-based payments		1	215	–	–	2,959	–	(2,972)	203
Purchase of own shares	19(a)	–	–	–	–	(4,618)	–	–	(4,618)
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(3,179)	–	–	(3,179)
Credit to equity for equity-settled share-based payments	19(a)	–	–	–	–	–	–	3,256	3,256
Current and deferred tax on share-based payment transactions	7	–	–	–	–	–	–	62	62
Total movements in equity		**5**	**1,400**	**–**	**–**	**(2,092)**	**(1,083)**	**6,805**	**5,035**
Balance at 30 November 2017		**1,317**	**28,806**	**168**	**878**	**(8,535)**	**(1,067)**	**59,138**	**80,705**
Profit for the year		–	–	–	–	–	–	34,272	34,272
Other comprehensive income for the year		–	–	–	–	–	2,572	–	2,572
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**2,572**	**34,272**	**36,844**
Dividends paid to equity holders	8	–	–	–	–	–	–	(18,007)	(18,007)
Distributions to tracker shareholders		–	–	–	–	–	–	(124)	(124)
Settlement of vested tracker shares	19(a)	4	1,306	–	–	2,124	–	(3,306)	128
Settlement of share-based payments		2	399	–	–	65	–	(65)	401
Cancellation of share capital	19(a)	(4)		4	–	–	–	(1,468)	(1,468)
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(1,484)	–	–	(1,484)
Credit to equity for equity-settled share-based payments	19(b)	–	–	–	–	–	–	4,697	4,697
Current and deferred tax on share-based payment transactions	7	–	–	–	–	–	–	(21)	(21)
Total movements in equity		**2**	**1,705**	**4**	**–**	**705**	**2,572**	**15,978**	**20,966**
Balance at 30 November 2018		**1,319**	**30,511**	**172**	**878**	**(7,830)**	**1,505**	**75,116**	**101,671**

The accompanying notes on pages 125 to 157 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2018

	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 2016		**1,312**	**27,406**	**168**	**878**	**(6,443)**	**267,294**	**290,615**
Total comprehensive loss for the year	1	**–**	**–**	**–**	**–**	**–**	**(69,743)**	**(69,743)**
Dividends paid to equity holders	8	–	–	–	–	–	(17,994)	(17,994)
Settlement of vested tracker shares	19(a)	4	1,185	–	–	2,746	52	3,987
Settlement of share-based payments		1	215	–	–	2,959	(2,972)	203
Purchase of own shares	19(a)	–	–	–	–	(4,618)	–	(4,618)
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(3,179)	–	(3,179)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	3,256	3,256
Current and deferred tax on share-based payment transactions		–	–	–	–	–	13	13
Total movements in equity		**5**	**1,400**	**–**	**–**	**(2,092)**	**(87,388)**	**(88,075)**
Balance at 30 November 2017		**1,317**	**28,806**	**168**	**878**	**(8,535)**	**179,906**	**202,540**
Total comprehensive loss for the year	1	**–**	**–**	**–**	**–**	**–**	**(8,733)**	**(8,733)**
Dividends paid to equity holders	8	–	–	–	–	–	(18,007)	(18,007)
Settlement of vested tracker shares	19(a)	4	1,306	–	–	2,124	167	3,601
Settlement of share-based payments		2	399	–	–	65	(65)	401
Cancellation of share capital	19(a)	(4)	–	4	–	–	(1,468)	(1,468)
Purchase of own shares by Employee Benefit Trust	19(a)	–	–	–	–	(1,484)	–	(1,484)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	4,697	4,697
Deferred tax on share-based payment transactions		–	–	–	–	–	(11)	(11)
Total movements in equity		**2**	**1,705**	**4**	**–**	**705**	**(23,420)**	**(21,004)**
Balance at 30 November 2018		**1,319**	**30,511**	**172**	**878**	**(7,830)**	**156,486**	**181,536**

Of the above reserves, retained earnings of £156,486,000 (2017: £179,906,000) are assessed by the Directors as being distributable.

The accompanying notes on pages 125 to 157 are an integral part of these financial statements.

	Notes	Consolidated 2018 £'000	Consolidated 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities					
Profit/(loss) before taxation after exceptional items		46,996	37,717	(8,776)	(70,397)
Adjustments for:					
Depreciation and amortisation charge[1]	10,11	6,145	5,744	–	–
Accelerated amortisation and impairment of intangible assets	11	709	309	–	–
Finance income	6	(75)	(124)	(77)	(14)
Finance costs	6	743	439	825	601
Loss on disposal of property, plant and equipment	4	8	110	–	–
(Gain on disposal)/Share of losses of associate	12	(146)	147	–	–
Loss on disposal of subsidiaries	4	70	144	–	1,142
Impairment of investments	12	–	–	–	88,048
FX revaluation gain on other investments	12	(26)	–	–	–
Non-cash charge for share-based payments	19(b)	4,697	3,256	1,187	667
Operating cash flows before changes in working capital and provisions		**59,121**	**47,742**	**(6,841)**	**20,047**
Increase in receivables		(55,372)	(35,712)	(1,599)	(6,860)
Increase in payables		30,116	19,291	4,898	7,694
(Decrease)/increase in provisions		(3,796)	8,758	32	–
Cash generated from operations		30,069	40,079	(3,510)	20,881
Interest received	6	35	124	77	14
Income tax paid – net		(14,391)	(10,921)	(2,942)	(3,306)
Net cash generated from/(used in) operating activities		15,713	29,282	(6,375)	17,589
Cash generated from/(used in) operating activities before exceptional items		26,208	30,273	(6,375)	17,589
Net cash outflow from recognised exceptional items		(10,495)	(991)	–	–
Net cash generated from/(used in) operating activities		15,713	29,282	(6,375)	17,589
Cash flows from investing activities					
Purchase of property, plant and equipment[2]	10	(3,161)	(2,374)	–	–
Purchase of intangible assets	11	(2,043)	(3,392)	–	–
Investments designated as available for sale	12	–	(383)	–	–
Investment in associate	12	–	(802)	–	–
Net cash used in investing activities		(5,204)	(6,951)	–	–
Cash flows from financing activities					
Proceeds from borrowings	16	25,428	12,000	25,428	12,000
Interest paid		(540)	(431)	(621)	(601)
Proceeds from exercise of share options		401	215	401	215
Employee subscriptions for tracker shares		644	98	–	–
Cancellation of share capital	19(a)	(1,468)	–	(1,468)	–
Purchase of own shares	19(a)	(1,484)	(7,797)	(1,484)	(4,618)
Dividends paid to equity holders	8	(18,007)	(17,994)	(18,007)	(17,994)
Distributions to tracker shareholders		(116)	(115)	–	–
Net cash generated from/(used in) financing activities		4,858	(14,024)	4,249	(10,998)
Net increase/(decrease) in cash and cash equivalents		**15,367**	**8,307**	**(2,126)**	**6,591**
Cash and cash equivalents at beginning of the year		17,621	10,022	6,985	394
Exchange gains/(losses) relating to cash and cash equivalents		335	(708)	–	–
Net cash and cash equivalents at end of the year	14	**33,323**	**17,621**	**4,859**	**6,985**

1. Includes the impact of £0.2 million in accelerated depreciation classified as exceptional.
2. Includes the impact of £1.0 million in capital expenditure classified as exceptional.

The accompanying notes on pages 125 to 157 are an integral part of these financial statements.

1. Accounting policies

SThree plc ('the Company') and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom & Ireland, Continental Europe, the USA and Asia Pacific & Middle East. The Group consists of different brands and provides both Permanent and Contract specialist staffing services, primarily in the Information & Communication Technology, Banking & Finance, Energy, Engineering and Life Sciences sectors. The Group's activities and business are set out further in the Strategic section and Directors' Report of this Annual Report.

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

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

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

The consolidated and Company only financial statements have been prepared under the historical cost convention with the exception of certain financial instruments classified as available for sale. The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent Company. The loss after tax for the parent Company for the year was £8.7 million (2017: £69.7 million).

Adoption of new and revised Standards
There are no new or amended IFRSs or IFRS IC interpretations adopted during the year that have a significant impact on these financial statements.

As at the date of authorisation of these financial statements, the following key standards and amendments were in issue but not yet effective. The Group has not applied these standards and interpretations in the preparation of these financial statements.

IFRS 2 (amendments) 'Share Based Payments'
IFRS 9 'Financial Instruments'
IFRS 15 'Revenue from Contracts with Customers'
IFRS 16 'Leases'
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
IFRIC 23 'Uncertainty over Income Tax Treatments'

The impact of IFRS 9, IFRS 15 and IFRS 16 is set out below. The Directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on Group operations or results.

IFRS 9 Financial Instruments
The standard is effective for annual periods beginning on or after 1 January 2018. It introduces new classification and impairment models for financial assets. Whilst financial assets will be reclassified into the categories required by IFRS 9, the Directors have not identified any significant impacts on the measurement of its financial assets as a result of the classification and measurement requirements of the new standard.

IFRS 9 also requires all investments in equity instruments, including those issued by an unlisted entity, to be measured at fair value. The Directors elected to apply the market approach, under which a price generated by a market transaction for an identical or similar instrument will be used to value the equity instrument from the date of initial application of IFRS 9. The new policy of fair valuing equity instruments is expected to increase the value of equity investments by an immaterial amount once IFRS 9 becomes effective. The Directors intend to recognise fair value gains and losses for existing equity instruments classified as available for sale financial assets under IAS 39 in other comprehensive income. Prospectively, fair value gains and losses on new equity instruments may be recognised either in the income statement or in other comprehensive income as an election on an instrument-by-instrument basis on initial recognition.

The impact of the financial asset impairment requirements of IFRS 9 is immaterial due to the short-term nature of SThree's financial assets, and historically low level of trade receivables impairment due to strict treasury policy that stipulates a list of approved counterparties, with reference to their high credit standing.

The Group will adopt IFRS 9 in the financial reporting period commencing 1 December 2018 and has elected to apply the 'fully prospective' transition approach to the implementation.

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. It introduces the concept of distinct performance obligations; revenue is recognised once performance obligations are satisfied and a client starts benefiting from the transferred goods or service.

Under IFRS 15, revenue from Permanent placements will continue to be recognised on the day a recruited employee commences their placement and will be based on a fixed percentage of the candidate's remuneration package. Contract revenue, which represents amounts billed or accrued for the services of temporary staff, will continue to be recognised when the service has been provided.

1. Accounting policies continued

The Group also earns revenue from retained assignments. The amount of retainer revenue recognised to date depicts the amount of retained search service performed to date by SThree plc on behalf of the client, towards complete satisfaction of the bundled retained search service.

As part of the ongoing impact assessment, the Directors have considered new requirements in respect of the effects of variable consideration and the application of a constraint on the variable consideration, and determined that the recognition of a portion of Contract accrued income that is not highly probable will be deferred. The Directors expect that the new policy of estimating contract accrued income will result in the reduction of gross profit within the range of approximately £2 million to £3 million once IFRS 15 becomes effective. Upon application of IFRS 15 in 2019, the Directors will continue to review the impact of IFRS 15 on SThree.

SThree will adopt IFRS 15 in the financial reporting period commencing 1 December 2018 and has elected to apply the 'modified retrospective' transition approach to implementation. On 1 December 2018, an adjustment of approximately £2 million to £3 million will be made to the opening balance of retained earnings, to reflect a new policy of estimating Contract accrued income.

IFRS 16 Leases
The new leasing standard is effective for the annual periods beginning on or after 1 January 2019.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17. For every lease brought onto the balance sheet, lessees will recognise a right-of-use asset and a lease liability.

Within the income statement, operating lease rental payment will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

The Group will adopt IFRS 16 in the financial reporting period commencing 1 December 2019. At present, there is no plan for the Group to adopt this standard early. The Directors expect to be able to provide an indication of the impact on the Group's results in the 31 May 2019 Interim Results.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance, its financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic section of the Annual Report. In addition, note 23 to these financial statements includes details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance, and the Group's available banking facilities. Based on this review, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing these financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company, all its subsidiaries and the Group's share of its interests in associate.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which that control ceases. Uniform accounting policies are adopted across the Group. All intra-group balances and transactions, including unrealised profits and losses arising from intra-group transactions, are eliminated on consolidation.

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

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

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

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

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

1. Accounting policies continued

A provision is established for non-fulfilment of Permanent placement and Contract revenue obligations, which is offset within trade and other receivables on the face of the Consolidated Statement of Financial Position and offset against revenue in the Consolidated Income Statement.

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

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

Exceptional items
Exceptional items, as disclosed on the face of the Consolidated Income Statement, are items which due to their size and non-recurring nature are classified separately in order to draw them to the attention of the reader of the financial statements and to provide an alternative performance measure ('APM') of the underlying profits of the Group.

These APMs, adjusted operating profit, adjusted earnings per share and adjusted profit before tax, provide the reader with a clear and consistent view of the business performance of the Group. When applicable, these items include the costs of any fundamental restructuring where they represent a strategic change in the operations of the Group, and are not expected to recur.

Government Grant Income
Government grants represent assistance by government in the form of transfers of resources to SThree in return for a certain number of full time roles created in the Centre of Excellence over the next two-year period.

Government grants are recognised in profit or loss in the same period as the corresponding gross wage expenses that the grants are intended to compensate. Government grants are recognised only when there is reasonable assurance that (i) SThree will comply with conditions attached to the grant and (ii) the grants will be received. The Directors elected to present grant income as a deduction in reporting the related expense.

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

Finance interest
Interest income is recognised as the interest accrues to the net carrying amount of the financial asset. Interest costs are recognised in the income statement in the period in which they are incurred.

Taxation
The tax expense comprises both current and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Where an entity has been loss-making, deferred tax assets are only recognised if there is convincing evidence supporting its future utilisation.

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

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

1. Accounting policies continued

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

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

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

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

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

Computer equipment	three years
Leasehold improvements	lower of five years and lease period
Fixtures and fittings	five years

Assets' residual values and useful lives are reviewed at the end of the reporting period and, if appropriate, changes are accounted for prospectively.

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

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

Intangible assets
Goodwill
Goodwill arising on consolidation represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries has an indefinite useful life and is included in intangible assets. Goodwill arising on the acquisition of associates is included within the carrying value of the investment. If the goodwill balance is material, it is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

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

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

1. Accounting policies continued

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

Trademarks
Trademarks are initially recognised at cost. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (up to 12 years).

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

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

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

An investment is deemed to be impaired when it has been determined that its carrying value will not be recovered either through actual cash flows or operating profit generation or selling it. If circumstances arise that indicate that investments might be impaired, the recoverable amount of the investment is estimated. The recoverable amount is the higher of the entity's fair value less costs of disposal or its value in use. To the extent that the carrying value exceeds the recoverable amount, the investment is impaired to its recoverable amount.

The investments in shares in the undertakings outside of the Group, in particular where the Group does not have significant influence or control, are considered to be available for sale financial assets. Since they are investments in unlisted entities where fair value cannot be readily determined, they are initially recognised at cost with subsequent measurement at cost less provision for impairment.

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

Associate
The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

Under the equity method, the investment in associate is carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of the investment.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Disposal of investments
The Group derecognises investments in associates and discontinues the use of the equity method, when the investment is classified as held for sale or the investment ceases to be an associate. On disposal, only the difference between the fair value of any retained interest and any proceeds is recognised in the profit or loss.

Financial instruments
Financial assets and liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

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

Available for sale financial assets
Available for sale financial assets are measured at fair value, with gains or losses recognised within other comprehensive income, except for impairment losses, and for available for sale debt instruments, foreign exchange gains or losses. When relevant, interest on available for sale financial assets is recognised using the effective interest method. Any changes in fair value arising from revised estimates of future cash flows are recognised in the income statement. If the investment is made in shares or debt instruments issued by an unlisted entity, and where fair value cannot be readily determined, the investment is initially recognised at cost, and on subsequent measurement dates at cost less provision for impairment.

1. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

The shares in the EBT are held to satisfy awards and grants under certain employee share schemes. For accounting purposes, shares held in the EBT are treated in the same manner as treasury shares and are, therefore, included in the consolidated financial statements as treasury shares. Consideration, if any, received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares held by the EBT.

In the separate financial statements of the Company, the EBT is treated as an agent acting on behalf of the Company. Funding provided by the Company to the EBT is accounted for as the issue of treasury shares.

Dividends

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

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

Employee benefits

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

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

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

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

Share-based payments

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

No expense is recognised for awards that do not ultimately vest.

For the awards with non-vesting conditions (awards that do not have an explicit or implicit service requirement), the full cost of the award is recognised on the grant date, i.e. they are treated as fully vested irrespective of whether or not the market condition is satisfied.

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

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

Tracker share arrangements

The Group invites selected senior individuals to invest in the businesses they manage, sharing in both the risk and reward. These individuals are offered equity ('tracker shares') in those businesses in return for making an investment. The amount of equity offered varies in different circumstances but is never over 25% of the overall equity of the business in question. The equity stake tracks the performance of the underlying business and the individuals receive dividends (if declared) by the 'tracked' business.

If an individual remains a holder of the tracker shares for a pre-agreed period, typically three to five years depending on the vesting period applied to the tracker shares, they may then offer their vested tracker shares for sale to the Group, but there is no obligation on the Group to settle the arrangement. 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.

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

1. Accounting policies continued

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 judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may differ from the estimates and assumptions used. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year this is specifically noted in the section 'Estimation uncertainty'.

Critical accounting judgments

The following are the critical accounting judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(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. As described in the accounting policy, the Company settles tracker shares through either treasury shares or the issue of new shares in SThree plc. The Companies Act 2006 does not specify whether the issue of treasury shares to settle share-based payments should be accounted for in share premium or elsewhere. The Company has taken legal advice which confirms this is judgemental and therefore the approach taken by the Company is to include differences between the fair value of the tracker shares settled and the weighted average cost of treasury shares in retained earnings.

Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company's discretion. The Company's policy and intention is to settle tracker shares using SThree plc shares. Therefore the judgement of the Directors is that this share based-payment scheme is treated as equity settled.

(ii) Exceptional items

Exceptional items are disclosed separately on the face of the Consolidated Income Statement. In addition to statutory measures of performance, the Directors measure underlying performance by excluding material non-recurring items or items which are not considered to be reflective of the underlying trading performance of the Group. This alternation performance measure of profit is described as 'on an adjusted basis' ('before exceptional items') and is used by the Directors to measure and monitor performance. The excluded items are referred to as exceptional items.

The term 'Exceptional items' is not separately defined within IFRS but is widely used for material items which require a separate disclosure. Judgement is therefore required in assessing which costs qualify as exceptional, and that disclosure of this alternative performance measure is useful for readers of the Annual Report. This is therefore a critical judgement as to which items satisfy this criteria.

Exceptional items may include material impairments, expenditure on major restructuring programmes, litigation and insurance settlements, amounts relating to acquisitions and disposals, and other particularly significant or unusual non-recurring items. One-off gains or income are similarly considered.

On 1 November 2017, the Group announced a strategic relocation of the majority of its central support functions from London to the Centre of Excellence in Glasgow. Since the announcement, costs and certain income associated with the restructuring activities have been classified as exceptional. The restructuring activities involved the set-up of the Centre of Excellence in Glasgow resulting in the redundancy of approximately 242 support roles in London and the consolidation of our London property portfolio. Due to the material size and nature of this restructuring, it is deemed to meet the requirements to be separately disclosed as an exceptional item on the face of the Consolidated Income Statement. The cost and income items associated with this restructuring cover more than one financial reporting period due to the timing for this to be implemented and complete. The Directors consider there is a clear completion point established for this restructuring following which the costs will not be recurring and therefore it is considered non-recurring.

1. Accounting policies continued

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. Revenue is accrued for Contractors where no timesheet has been received, but the individual is 'live' on the Group's systems, or where a client has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained. The amount of Contractor revenue that is accrued rather than billed at each period end is significant. The value of unsubmitted timesheets for each individual Contractor is system generated and estimation is applied principally to the number of hours worked. The number of hours worked is system generated based on the contractual hours and working days for each Contractor and adjusted for expected holidays or other events that could reduce the revenue.

At the year end, the accrued revenue has been adjusted to reflect actual data from Contractor timesheets received two to three weeks after the year end and where timesheets are not submitted. The key estimation uncertainty arises in the time period of three months between accrual of a timesheet and the write-off of this revenue if a timesheet is not received and approved. Any difference compared to the actual time worked by the Contractor would result in the amount payable to the Contractor and accrued revenue receivable from the client being adjusted in the next financial year. The assumptions underlying this estimate are considered appropriate and continue to be in line with IFRS requirements.

(ii) Tracker Shares Arrangements

There are certain estimates involved in determining the fair value of tracker shares at the time of initial subscription. The grant date fair valuation, which is performed by an independent third party valuer, is based on information provided by the Directors and their own analysis. The estimates pertain to the forecast growth of the businesses, the operational and geographical risks relevant to those businesses and other similar areas. Most other aspects of the tracker share arrangements follow a rule based approach, e.g. vesting period or settlement formula.

(iii) Impairment of investments in subsidiaries (Company only)

In the previous two years, an impairment charge was recognised in respect of the Company's carrying value of investments in subsidiaries. This was primarily in respect of the Group's UK operations. In 2018, the Directors considered whether there were new indicators of impairment and did not identify any circumstances or triggers which would require a formal impairment test to be performed. However, as set out in the Strategic Report, at the date of signing the financial statements, there is ongoing uncertainty surrounding the potential outcomes of Brexit. This is being monitored and there remains a risk that Brexit outcome could trigger an impairment risk in 2019 or future periods.

During the year, the Directors reassessed the critical accounting judgements and key sources of estimation uncertainty, and resolved that the following was no longer considered critical.

(i) Capitalisation of the software and system development project costs – estimation is required in respect of future economic benefits associated with system development projects and particularly that internal costs being incurred satisfy the IAS 38 Intangible assets criteria for capitalisation. In the current year such costs were not material and therefore this is not considered a critical estimate.

2. Segmental analysis

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

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, the Chief People Officer and the Chief Sales Officer, with other senior management attending via invitation. Operating segments have been identified based on reports reviewed by the Executive Committee, which consider the business primarily from a geographical perspective. The Group segments the business into four regions: the United Kingdom & Ireland ('UK&I'), Continental Europe, the USA and Asia Pacific & Middle East ('APAC & ME').

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

Revenue and Gross Profit by reportable segment

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

2. Segmental analysis continued

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

	Revenue		Gross profit	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Continental Europe	716,058	576,018	183,367	150,636
UK&I	268,031	269,777	53,144	55,687
USA	215,099	212,737	66,654	64,369
APAC & ME	58,964	55,998	17,961	16,980
	1,258,152	**1,114,530**	**321,126**	**287,672**

Continental Europe primarily includes Austria, Belgium, France, Germany, Luxembourg, the Netherlands, Spain and Switzerland.

APAC & ME mainly includes Australia, Dubai, Hong Kong, Japan, Malaysia and Singapore.

Other information

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

	Revenue		Gross profit	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Germany	310,399	256,825	93,701	78,021
UK	256,056	259,028	48,814	51,922
Netherlands	237,904	180,602	48,563	38,039
USA	215,099	212,737	66,654	64,369
Other	238,694	205,338	63,394	55,321
	1,258,152	**1,114,530**	**321,126**	**287,672**

	Non-current assets	
	30 November 2018 £'000	30 November 2017 £'000
UK	14,354	15,702
USA	1,136	1,608
Germany	1,060	1,132
Netherlands	803	431
Other	1,148	1,024
	18,501	**19,897**

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		Gross profit	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Brands				
Progressive	401,959	344,537	92,064	77,105
Computer Futures	362,958	311,134	96,672	83,700
Huxley Associates	254,119	228,529	60,128	56,183
Real Staffing Group	239,116	230,330	72,262	70,684
	1,258,152	**1,114,530**	**321,126**	**287,672**

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

2. Segmental analysis continued

Recruitment classification

	Revenue 2018 £'000	Revenue 2017 £'000	Gross profit 2018 £'000	Gross profit 2017 £'000
Contract	1,169,141	1,030,359	232,115	203,501
Permanent	89,011	84,171	89,011	84,171
	1,258,152	**1,114,530**	**321,126**	**287,672**
Sectors				
Information & Communication Technology	580,732	502,299	141,970	124,746
Life Sciences	195,102	176,870	66,250	62,351
Banking & Finance	180,122	181,007	42,454	43,502
Energy	169,018	142,822	33,452	26,494
Engineering	111,608	97,469	30,618	25,851
Other	21,570	14,063	6,382	4,728
	1,258,152	**1,114,530**	**321,126**	**287,672**

Other includes Procurement & Supply Chain and Sales & Marketing.

3. Administrative expenses – Exceptional items

A strategic relocation of the majority of our central support functions away from our London headquarters to a new facility located within Glasgow was announced on 1 November 2017. The transition to the Glasgow Centre of Excellence is now substantially complete and we anticipate that this restructuring will realise cost savings ahead of expectations, in excess of £5 million per annum.

In line with the project implementation timescale, benefits started to be realised in the second half of this financial year and led to the recognition of £2.6 million in savings in 2018. The trajectory of the realised savings is expected to result in additional savings of £2.9 million in support costs in 2019.

We continue to anticipate that one-off restructuring costs will be in the region of £14.0 million, with circa £12.9 million of operating expenses, including personnel costs and professional advisor fees, and circa £1.1 million of property related costs. The project is being partially funded by a grant receivable from Scottish Enterprise of circa £2.1 million which is receivable and recognisable over several years, subject to the terms of the grant being met within a fixed timeframe.

Net exceptional costs of £6.4 million have been charged to the Consolidated Income Statement during the year, bringing the total costs recognised to date to £13.1 million (2017: £6.7 million). The exceptional charge in the year included personnel costs of £4.1 million and other costs of £2.7 million (primarily professional and property costs). During the year, the grant income of £0.4 million was recognised as an offset to the exceptional costs of an agreed percentage of gross wages for each full time role created in the Centre of Excellence in the year.

A restructuring provision can only include the direct expenditure arising from the announced strategic restructuring, which are costs that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Restructuring items related to the transition, design and set up of the new support function for which there is no constructive obligation at year end have not been included within the restructuring provision and will be recognised as incurred. The remaining balance of the provision for redundancy costs for employees, who will leave the business post the year end date, amounted to £1.1 million (2017: £5.6 million).

Due to the material size and non-recurring nature of this strategic restructuring project, the associated costs have been separately disclosed as exceptional items in the Consolidated Income Statement in line with their treatment in 2017. Disclosure of items as exceptional, highlights them and provides a clearer, comparable view of underlying earnings.

3. Administrative expenses – Exceptional items continued

Items classified as exceptional were as follows:

	2018 £'000	2017 £'000
Exceptional items – charged to operating profit		
Staff costs and redundancy	4,075	5,709
Professional advisor fees	1,050	1,017
Property costs	898	–
Travel	496	–
Recruitment	282	–
Other	14	15
Total exceptional costs	**6,815**	**6,741**
Grant income	(418)	–
Total net exceptional costs	**6,397**	**6,741**

4. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation (note 10)	2,852	2,516
Amortisation (note 11)	3,049	3,228
Accelerated depreciation (note 10)	244	–
Accelerated amortisation and impairment of intangible assets (note 11)	709	309
Foreign exchange gains	(644)	(345)
Staff costs (note 5)	206,713	187,419
Movement in bad debt provision and debts directly written off	1,279	496
Loss on disposal of property, plant and equipment (note 10)	8	110
Loss on disposal of intangible assets (note 11)	62	66
Net exceptional restructuring costs (note 3)	6,397	6,741
Net (gain)/loss on disposal of subsidiaries and associate[1]	(76)	144
Operating lease charges		
– Motor vehicles	1,771	1,790
– Land and buildings	12,647	12,005

1. The net gain on disposal of £76k comprises (i) £70k in the accumulated foreign exchange net loss reclassified from Currency Translation Reserve to the Consolidated Income Statement on liquidation of subsidiary companies; and (ii) £146k gain on disposal of associate.

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:	2018 £'000	2017[2] £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements		
– recurring audit fee	131	72
– non-recurring audit fee	130	–
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	226	293
– Audit related assurance services	10	11
– All other non-audit services	27	8
Fees charged to operating profit	**524**	**384**

2. After the reporting period end date, the Group incurred £0.1 million in additional audit fee due for the 2017 year end audit.

5. Directors and employees

Aggregate remuneration of employees including Directors was:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Wages and salaries (including bonuses)	174,593	157,972	2,572	2,095
Social security costs	23,797	22,599	599	495
Other pension costs	1,932	1,810	–	–
Temporary staff costs	2,149	1,727	–	–
Share-based payments	4,242	3,311	1,187	667
	206,713	**187,419**	**4,358**	**3,257**

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the above amounts were £1.0 million (2017: £2.2 million).

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

2018	UK&I	Continental Europe	USA	APAC & ME	Group Total	Company Total
Sales	532	1,346	350	172	2,400	496
Non-sales	430	247	91	29	797	62
	962	**1,593**	**441**	**201**	**3,197**	**558**

2017	UK&I	Continental Europe	USA	APAC & ME	Group Total	Company Total
Sales	535	1,183	336	166	2,220	518
Non-sales	366	167	75	28	636	68
	901	**1,350**	**411**	**194**	**2,856**	**586**

Included in the headcount numbers above were 83 (2017: 110) temporary full time employees.

There were also 2,359 (2017: 1,909) 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 is £0.9 million (2017: £0.6 million).

6. Finance income and costs

	2018 £'000	2017 £'000
Finance income		
Bank interest receivable	18	101
Interest accrued on convertible bonds (note 12)	40	–
Other interest	17	23
	75	**124**
Finance costs		
Bank loans and overdrafts	(743)	(439)
Net finance costs	**(668)**	**(315)**

7. Taxation

(a) Analysis of tax charge for the year

	2018			2017		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Current taxation						
Corporation tax charged/(credited) on profits for the year	12,862	(1,127)	11,735	13,520	(946)	12,574
Adjustments in respect of prior periods	(541)	–	(541)	(758)	–	(758)
Total current tax charge/(credit)	12,321	(1,127)	11,194	12,762	(946)	11,816
Deferred taxation						
Origination and reversal of temporary differences	2,308	–	2,308	(743)	(357)	(1,100)
Adjustments in respect of prior periods (note 18)	(778)	–	(778)	(627)	–	(627)
Total deferred tax charge/(credit)	1,530	–	1,530	(1,370)	(357)	(1,727)
Total income tax charge/(credit) in the income statement	**13,851**	**(1,127)**	**12,724**	**11,392**	**(1,303)**	**10,089**

(b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2017: exceeds) the UK statutory rate and can be reconciled as follows:

	2018			2017		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Profit before taxation	53,393	(6,397)	46,996	44,458	(6,741)	37,717
Profit before taxation multiplied by the standard rate of corporation tax in the UK at 19.00% (2017: 19.33%)*	10,144	(1,215)	8,929	8,594	(1,303)	7,291
Effects of:						
Disallowable items	988	88	1,076	847	–	847
Differing tax rates on overseas earnings	3,029	–	3,029	2,725	–	2,725
Adjustments in respect of prior periods	(1,319)	–	(1,319)	(1,385)	–	(1,385)
Adjustment due to tax rate changes	816	–	816	33	–	33
Tax losses for which deferred tax asset was derecognised	193	–	193	578	–	578
Total tax charge/(credit) for the year	**13,851**	**(1,127)**	**12,724**	**11,392**	**(1,303)**	**10,089**
Effective tax rate	**25.9%**	**17.6%**	**27.1%**	**25.6%**	**19.3%**	**26.7%**

* The tax rate used for the 2018 reconciliation above is the corporate tax rate of 19.00% (2017: 19.33%) with effect from 1 April 2018.

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

	2018 £'000	2017 £'000
Equity-settled share-based payments	(2)	–
Current tax	(19)	(62)
Deferred tax	**(21)**	**(62)**

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 2018, a deferred tax asset of £0.9 million (2017: £1.0 million) has been recognised in respect of these options (note 18).

8. Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 4.7p (2017: 4.7p) per share[1]	6,041	6,052
Final dividend of 9.3p (2017: 9.3p) per share[2]	11,966	11,942
	18,007	**17,994**
Amounts proposed as distributions to equity holders		
Interim dividend of 4.7p (2017: 4.7p) per share[3]	6,077	6,038
Final dividend of 9.8p (2017: 9.3p) per share[4]	12,819	12,086

1. 2017 interim dividend of 4.7 pence (2016: 4.7 pence) per share was paid on 8 December 2017 to shareholders on record at 3 November 2017.
2. 2017 final dividend of 9.3 pence (2016: 9.3 pence) per share was paid on 8 June 2018 to shareholders on record at 27 April 2018.
3. 2018 interim dividend of 4.7 pence (2017: 4.7 pence) per share was paid on 7 December 2018 to shareholders on record at 2 November 2018.
4. The Board has proposed a 2018 final dividend of 9.8 pence (2017: 9.3 pence) per share, to be paid on 7 June 2019 to shareholders on record at 26 April 2019. This proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 24 April 2019, and therefore, has not been included as a liability in these financial statements.

9. Earnings per share

The calculation of the basic and diluted earnings per share ('EPS') is set out below:

Basic EPS is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held as treasury shares (note 19(a)) and those held in the EBT, which 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.

	2018 £'000	2017 £'000
Earnings		
Profit for the year after tax before exceptional items	39,542	33,066
Exceptional items net of tax	(5,270)	(5,438)
Profit for the year attributable to owners of the Company	34,272	27,628

	million	million
Number of shares		
Weighted average number of shares used for basic EPS	128.7	128.6
Dilutive effect of share plans	4.4	4.0
Diluted weighted average number of shares used for diluted EPS	133.1	132.6

	2018 pence	2017 pence
Basic		
Basic EPS before exceptional items	30.7	25.7
Impact of exceptional items	(4.1)	(4.2)
Basic EPS after exceptional items	26.6	21.5
Diluted		
Diluted EPS before exceptional items	29.7	24.9
Impact of exceptional items	(4.0)	(4.1)
Diluted EPS after exceptional items	25.7	20.8

10. Property, plant and equipment

	Computer equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 December 2016	10,528	8,402	4,166	23,096
Additions	541	1,236	597	2,374
Disposals	(901)	(1,456)	(272)	(2,629)
Exchange differences	(45)	(145)	(27)	(217)
At 30 November 2017	10,123	8,037	4,464	22,624
Additions	748	1,855	558	3,161
Disposals	(74)	(11)	(59)	(144)
Exchange differences	122	223	94	439
At 30 November 2018	**10,919**	**10,104**	**5,057**	**26,080**
Accumulated depreciation				
At 1 December 2016	8,664	4,369	2,963	15,996
Depreciation charge for the year	793	1,271	452	2,516
Disposals	(901)	(1,352)	(266)	(2,519)
Exchange differences	(27)	(79)	(9)	(115)
At 30 November 2017	8,529	4,209	3,140	15,878
Depreciation charge for the year	905	1,421	526	2,852
Accelerated depreciation[1]	–	241	3	244
Disposals	(73)	(7)	(56)	(136)
Exchange differences	105	153	69	327
At 30 November 2018	**9,466**	**6,017**	**3,682**	**19,165**
Net book value				
At 30 November 2018	**1,453**	**4,087**	**1,375**	**6,915**
At 30 November 2017	1,594	3,828	1,324	6,746

1. £0.2 million in accelerated depreciation is in relation to one of our London offices, closed following the relocation of support service function. The entire amount has been classified as exceptional item.

A depreciation charge of £2.9 million (2017: £2.5 million) is recognised in administrative expenses.

Disposals included assets with a net book value of £0.01 million (2017: £0.1 million) that were disposed of during the year for £nil (2017: £nil).

The Group has not leased any assets under finance lease obligations.

11. Intangible assets

	Goodwill £'000	Computer software £'000	Internally generated: Assets under construction £'000	Internally generated: Software and system development costs £'000	Trademarks £'000	Total £'000
Cost						
At 1 December 2016	206,313	9,049	406	35,811	71	251,650
Additions	–	9	3,383	–	–	3,392
Disposals	–	–	–	(68)	–	(68)
Reclassification	–	–	(1,477)	1,477	–	–
At 30 November 2017	206,313	9,058	2,312	37,220	71	254,974
Additions	–	21	2,031	(9)	–	2,043
Disposals	–	–	–	(62)	–	(62)
Reclassification	–	–	(3,024)	3,024	–	–
At 30 November 2018	**206,313**	**9,079**	**1,319**	**40,173**	**71**	**256,955**
Accumulated amortisation and impairment						
At 1 December 2016	205,480	8,424	–	26,079	70	240,053
Amortisation charge for the year	–	318	–	2,909	1	3,228
Accelerated amortisation and impairment charge	–	–	–	309	–	309
Disposals	–	–	–	(2)	–	(2)
At 30 November 2017	205,480	8,742	–	29,295	71	243,588
Amortisation charge for the year	–	231	–	2,818	–	3,049
Accelerated amortisation and impairment charge	–	–	–	709	–	709
Disposals	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
At 30 November 2018	**205,480**	**8,973**	**–**	**32,822**	**71**	**247,346**
Net book value						
At 30 November 2018	**833**	**106**	**1,319**	**7,351**	**–**	**9,609**
At 30 November 2017	833	316	2,312	7,925	–	11,386

Additions to internally generated assets included the development of key operational systems to improve the customer experience and the enhancement of existing assets. Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the strict criteria under IAS 38.

An amortisation charge of £3.0 million (2017: £3.2 million) is included in administrative expenses.

Management performed an annual impairment review of all internally generated assets currently in use or still under construction, and determined that the carrying value of certain assets is no longer recoverable and impairment is required. The amount of impairment in the current year is £0.7 million (2017: £0.3 million).

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.

12. Investments

The Group holds minority shareholdings in a number of innovation start-ups. The following tables provide summarised information on the carrying value of the Group's investments in unlisted technology start-ups.

	Current shareholding	30 November 2018 £'000	30 November 2017 £'000
Equity investments			
HRecTech[1]	0% (2017: 30%)	–	655
Sandpit[2]	7.2% (2017: nil)	802	–
Ryalto	11.3% (2017: 17.8%)	727	727
RoboRecruiter	6.8% (2017: 19.7%)	13	13
		1,542	**1,395**

1. In the previous year, investment in HRecTech was classified as an associate and was carried at the value of £0.7 million, post the Group's share of losses.
2. On 3 January 2019, The Sandpit Limited, the company in which the Group held a 7.2% shareholding valued at £0.8 million at 30 November 2018, announced a plan to discontinue its operations. As a result, the Group's shareholding will be converted into a minority shareholding in The Sandpit Ventures Limited, which has direct holdings in a portfolio of companies. The conversion will be recognised as an asset swap transacted between the Group and The Sandpit Ventures Limited. The transaction will be accounted for under the new IFRS 9 'Financial Instruments' accounting standard, effective from 1 December 2018 (note 24).

	30 November 2018 £'000	30 November 2017 £'000
Debt investments		
Convertible bonds issued by Ryalto	435	370

All investments have been designated as available for sale financial assets, and since companies are unlisted, the fair value of the investments cannot be readily determined. Accordingly, these investments are initially recognised at cost with subsequent measurement at cost less provision for impairment.

Group

Analysis of movement in carrying value of the Group's investments in innovation starts-ups is set out below.

	HRecTech £'000	Sandpit £'000	Ryalto £'000	Robo Recruiter £'000	Total £'000
At 1 December 2016	–	–	727	–	727
Additions					
30% shareholding	802	–	–	–	802
19.7% shareholding	–	–	–	13	13
Convertible bonds[3]	–	–	370	–	370
Group's share of losses of associate	(147)	–	–	–	(147)
At 30 November 2017	655	–	1,097	13	1,765
Additions					
Interest accrued on convertible bonds	–	–	40	–	40
FX revaluation gain	–	–	26	–	26
Asset swap[4]	(655)	801	–	–	146
At 30 November 2018	**-**	**801**	**1,163**	**13**	**1,977**

3. Ten convertible bonds, with a principal amount of $50,000 each. The bonds carry an interest rate of 10% per annum and mature on 31 December 2019. The conversion rights can be exercised when the bonds mature or, if earlier, after Ryalto successfully completes the Qualifying Fund Raising of $5.0 million (£3.9 million).
4. Sandpit (conversion of shareholding)
During the year, the Directors reached an agreement with The Sandpit Limited to convert its shareholding in HRecTech into a minority shareholding in The Sandpit Limited. The conversion was an asset swap transacted between SThree Overseas Holdings Limited (one of SThree Group's subsidiaries) and The Sandpit Limited. Consequently, SThree's share of the associate was derecognised at its carrying amount of £0.7 million and a new minority shareholding in The Sandpit Limited (with no significant influence) was recognised at a fair value of £0.8 million, resulting in a net gain in other income of £0.1 million. The fair value of one share represented a price paid by multiple other investors for identical shares in The Sandpit Limited.

12. Investments continued

Company

	£'000
Cost	
At 1 December 2016	337,165
Additions	
– Settlement of vested tracker shares	3,253
Capital contribution relating to share-based payments (IFRS 2)	2,589
Disposal of investments	(1,196)
At 30 November 2017	341,811
Additions	
– Settlement of vested tracker shares	3,439
– Settlement of unvested tracker shares	241
Capital contribution relating to share-based payments (IFRS 2)	3,486
Disposal of investments	(81)
At 30 November 2018	**348,896**
Provision for impairment	
At 1 December 2016	46,932
Provision made during the year	88,048
At 30 November 2017	134,980
Provision made during the year	–
At 30 November 2018	**134,980**
Net carrying value	
At 30 November 2018	**213,916**
At 30 November 2017	206,831

During the year, the Company settled a number of vested tracker shares by awarding SThree plc shares (note 19(b)), resulting in an increase in the Company's investment in relevant subsidiary businesses.

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

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 2018, the Company recognised an increase in investments in its subsidiaries of £3.5 million (2017: £2.6 million) relating to such share options and awards.

Investment impairment

During the year, the Company performed an investment impairment review and no significant indicators of impairment have been identified. In the prior year, the Company recognised an impairment charge of £88.1 million in relation to its investment in SThree UK Holdings Limited. The impairment in the prior year was mainly attributable to our UK trading business, SThree Partnership LLP, controlled by SThree UK Holdings Limited, as its trading performance deteriorated.

In 2017, the impairment charge represented a difference between the recoverable amount and the carrying value of the investment as at the date of assessment. The recoverable amount was calculated as the higher of SThree Partnership LLP's 'fair value less costs of disposal' ('FVLCD') and its 'value in use' ('VIU'). The FVLCD valuation was based on an EBITDA multiple of 6.0.

In the prior year, the SThree Partnership LLP VIU valuation was determined from the calculated pre-tax cash flows forecast to be generated by the UK entity in the next five years and in perpetuity. Cash flows were discounted to present value using a pre-tax weighted average cost of capital ('WACC') of 11.6% and a long-term growth rate of 2.0%. In the current year, a pre-tax WACC of 11.1% has been used.

A full list of the Company's subsidiaries that existed as at 30 November 2018 is provided in note 25.

13. Trade and other receivables

	Group		Company	
	30 November 2018 £'000	30 November 2017 £'000	30 November 2018 £'000	30 November 2017 £'000
Trade receivables	198,523	154,308	–	–
Provision for impairment	(2,699)	(1,555)	–	–
Trade receivables – net	195,824	152,753	–	–
Other receivables	3,552	2,889	8,413	1,132
Amounts due from subsidiaries	–	–	9,947	3,891
Prepayments	7,501	5,935	497	165
Accrued income	78,741	64,981	–	–
	285,618	**226,558**	**18,857**	**5,188**

Other receivables include £0.7 million (2017: £0.8 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% (2017: 3%). No such new tracker share loans were given to employees during the current year.

Accrued income represents the Contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the Contractors for the services provided up to the year end. The corresponding costs are shown within trade payables (where the Contractor has submitted an invoice) and within accruals (in respect of unsubmitted and unapproved timesheets) (note 15).

Trade receivables and cash and cash equivalents are deemed to be current loans and receivables for disclosure under IFRS 7 'Financial Instruments' – Disclosures (note 23). No interest is charged on trade receivables.

Amounts due from subsidiaries are subject to annual interest at a rate of 1.3% (2017: 1.3%) above three month LIBOR of the respective currencies in which balances are denominated.

Provision for impairment of trade receivables	30 November 2018 £'000	30 November 2017 £'000
At the beginning of the year	1,555	1,789
Charge for the year	1,512	339
Bad debts written off	(169)	(250)
Reversed as amounts recovered	(237)	(314)
Exchange differences	38	(9)
At the end of the year	**2,699**	**1,555**

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 2018 £'000	30 November 2017 £'000	30 November 2018 £'000	30 November 2017 £'000
Cash at bank	50,844	21,338	4,859	6,985
Bank overdraft	(17,521)	(3,717)	–	–
Net cash and cash equivalents per the statements of cash flows	**33,323**	**17,621**	**4,859**	**6,985**

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

The Group has cash pooling arrangements in place which allow any one account to be overdrawn up to £50 million, so long as the overall pool of accounts does not exceed a net overdrawn position of £5 million.

15. Trade and other payables

	Group		Company	
	30 November 2018 £'000	30 November 2017 £'000	30 November 2018 £'000	30 November 2017 £'000
Trade payables	58,060	55,054	–	–
Amounts due to subsidiaries (note 22)	–	–	22,407	17,183
Other taxes and social security	10,761	12,604	657	356
Other payables	15,816	3,439	823	299
Accruals	107,105	88,459	1,231	1,131
	191,742	**159,556**	**25,118**	**18,969**

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

Trade and other payables are predominantly interest free.

Amounts due to subsidiaries are subject to annual interest at a rate of 1.3% (2017: 1.3%) above 3 month LIBOR of the respective currencies in which balances are denominated.

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

16. Borrowings

The Group has access to a committed RCF of £50 million along with an uncommitted £20 million accordion facility in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70 million. The funds borrowed under the facility bear interest at a minimum annual rate of 1.3% (2017: 1.3%) above the appropriate Sterling LIBOR. The average interest rate paid on the RCF during the year was 1.8% (2017: 1.5%). The Group also has an uncommitted £5 million overdraft facility with NatWest and a £5 million overdraft facility with HSBC.

At the year end, the Group and the Company had drawn down £37.4 million (2017: £12 million) on these facilities.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover (note 23(c)). The Group has been in compliance with these covenants throughout the year.

In May 2018, the Directors successfully renegotiated the RCF with its key terms and conditions (including the total amount available under the facility and interest margin) remaining unchanged and the term of the facility having been extended until 2023. Since there was no substantial modification to the underlying terms and conditions, the refinancing of the existing facility did not qualify for derecognition, hence no modification gain or loss was recognised in the Consolidated Income Statement.

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

Analysis of movements in borrowings is set out below.

	£'000
At 1 December 2017	12,000
Net drawings during the year	25,967
Changes to carrying amount due to RCF refinancing[1]	(539)
At 30 November 2018	**37,428**

1. £0.5 million represents the unamortised amount of transaction costs including those incurred on renegotiating the facility.

17. Provisions for liabilities and charges

Group	Dilapidations £'000	Restructuring £'000	Tracker share liability £'000	Legal £'000	Onerous contract £'000	Total £'000
At 1 December 2016	1,784	104	3,192	780	–	5,860
Reclassified from accruals	–	–	–	794	–	794
Charged/(released) to the income statement	32	6,740	(167)	1,636	–	8,241
Utilised during the year	(355)	(78)	(352)	(3)	–	(788)
New tracker share consideration	–	–	417	–	–	417
At 30 November 2017	1,461	6,766	3,090	3,207	–	14,524
Charged/(released) to the income statement	349	802	(168)	1,302	228	2,513
Utilised during the year	(69)	(6,060)	(263)	(201)	–	(6,593)
New tracker share consideration	–	–	647	–	–	647
Revaluation	21	–	–	71	–	92
At 30 November 2018	**1,762**	**1,508**	**3,306**	**4,379**	**228**	**11,183**

Analysis of total provisions	30 November 2018 £'000	30 November 2017 £'000
Current	9,614	12,352
Non-current	1,569	2,172
	11,183	**14,524**

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.

Dilapidations
The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision has been made based on independent professional estimates of the likely costs on vacating properties based on the current conditions of the properties. The provision has been spread over the relevant lease term.

Restructuring
The provision relates to restructuring exercises undertaken by the Group, including the following:

a) Relocation and restructuring of central support functions from London to Glasgow (see note 3): £1.1 million (2017: £5.6 million).

b) Restructure of our Hong Kong office: £0.01 million (2017: £0.4 million).

c) Management restructuring: £0.3 million (2017: £0.7 million).

The provisions have been made primarily to cover future redundancy payments.

The liability in regards to dilapidation and restructuring provisions is expected to crystallise as follows:

	30 November 2018 £'000	30 November 2017 £'000
Within one year	1,701	6,055
One to five years	726	1,344
After five years	843	828
	3,270	**8,227**

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 (2017: £0.4 million) of the provision was utilised, principally in relation to settled tracker shares. New consideration of £0.6 million (2017: £0.4 million) represents subscriptions received against the allotment of new tracker share awards in the year.

Legal
The provision relates to various ongoing legal and other disputes including employee litigation, compliance with employment laws and regulations, and open enquiries with tax and pension authorities. The provision relates to separate claims in a number of different geographic regions and represents our most probable estimate of the likely outcome of each of the disputes. The timing of economic outflow is subject to the factors governing each case.

Onerous contract
The provision relates to a property lease in New York which was vacated by the Group during the year, and is currently sublet to a third party. The lease is due to expire in 2019.

18. Deferred tax

Group	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Provisions £'000	Total £'000
At 1 December 2016	(453)	615	855	1,484	2,501
Credit/(charge) to income statement for the year	309	374	(190)	640	1,133
Prior year credit to income statement for the year	42	–	270	315	627
Adjustment due to tax rate changes	8	(5)	(6)	(30)	(33)
Credit directly to equity	–	62	–	–	62
Exchange differences	20	(19)	14	(106)	(91)
At 30 November 2017	**(74)**	**1,027**	**943**	**2,303**	**4,199**
Credit/(charge) to income statement for the year	212	(50)	(229)	(1,425)	(1,492)
Prior year (charge)/credit to income statement for the year	(169)	1	(524)	1,470	778
Adjustment due to tax rate changes	52	(87)	(21)	(760)	(816)
Charge directly to equity	–	(19)	–	–	(19)
Exchange differences	1	10	5	84	100
At 30 November 2018	**22**	**882**	**174**	**1,672**	**2,750**

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

	30 November 2018 £'000	30 November 2017 £'000
Deferred tax assets	3,596	4,460
Deferred tax liabilities	(846)	(261)
Net deferred tax assets	**2,750**	**4,199**

Deferred tax assets that are expected to be recovered within one year are £2.6 million (2017: £2.9 million) and deferred tax liabilities that are expected to be settled within one year are £13,000 (2017: £26,000).

Deferred tax assets are recognised for carry-forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits from the respective jurisdictions is probable. In assessing whether to recognise deferred tax assets, the Group has considered both current and the forecast trading performance in these territories and the expectations regarding the levels of profitability that can be achieved.

At the reporting date, the Group has unused tax losses of £29.6 million (2017: £28.8 million) available for offset against future profits. A deferred tax asset of £0.2 million (2017: £0.9 million) was recognised in respect of losses of £0.7 million (2017: £2.9 million). No deferred tax asset was recognised in respect of the remaining £28.9 million (2017: £25.9 million) losses.

Included in unrecognised tax losses are losses of £3.5 million (2017: £4.6 million) subject to expiry. Of this amount, £2.8 million expires over the course of the next five years and the balance of £0.7 million up to 2036. A regional summary of our loss profile is shown below.

	Operating losses recognised 2018 £'000	Operating losses not recognised 2018 £'000	Total £'000
Europe	680	13,461	14,141
Asia Pacific	–	14,776	14,776
Rest of World	7	737	744
	687	28,974	29,661

The reduction in the deferred tax asset of £0.8 million arising from changes in tax rates is primarily driven by the reduction in US taxes. This occurred due to US Tax Reform legislation passed on 20 December 2017, which saw the federal rate reduce from 35% to 21%.

Uncertain tax positions

Several jurisdictions have now implemented domestic legislation in line with the OECD Base Erosion and Profit Shifting (BEPS) recommendations which result in increased transparency, reporting requirements and information sharing amongst tax authorities. As such, the Group considers that transfer pricing risks have increased and a provision for uncertain tax positions of £0.7 million has been recognised during the year.

18. Deferred tax continued

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

	£'000
At 1 December 2016	229
Credited to income statement for the year	56
Credited directly to equity	13
At 30 November 2017	298
Credited to income statement for the year	8
Charged directly to equity	(11)
At 30 November 2018	**295**

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 2016	129,058,903	1,312	168	(6,443)
Issue of new shares	473,334	5	–	–
Repurchase of own shares	(1,478,788)	–	–	(7,797)
Utilisation of treasury shares	1,899,032	–	–	5,705
At 30 November 2017	129,952,481	1,317	168	(8,535)
Issue of new shares	546,525	6	–	–
Cancellation of share capital	(411,354)	(4)	4	–
Repurchase of shares by Employee Benefit Trust	–	–	–	(1,484)
Utilisation of treasury shares	721,502	–	–	2,189
At 30 November 2018	**130,809,154**	**1,319**	**172**	**(7,830)**

Share capital
The nominal value per ordinary share is £0.01 (2017: £0.01).

During the year 546,525 (2017: 473,334) new ordinary shares were issued, resulting in a share premium of £1,705,000 (2017: £1,400,000). Of the shares issued, 398,298 (2017: 394,988) were issued to tracker shareholders on settlement of vested tracker shares, with the remaining issued pursuant to the exercise of share awards under the Save As You Earn ('SAYE') scheme.

Capital redemption reserve
The Company, when cancelling its ordinary shares, transfers amounts equivalent to the nominal value of the cancelled shares into the capital redemption reserve so as to maintain the level of non-distributable reserves in shareholders' equity. During the year, 411,354 (2017: nil) SThree Plc's shares were cancelled.

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

During the year, SThree plc treasury purchased none of its own shares to be held as treasury shares (2017: 1,478,788). The average price paid per share was nil pence(2017: 312 pence) with a total consideration amounting to £nil (2017: £4,618,000). During the year, no shares (2017: 1,000,000) were utilised from treasury on settlement of Long Term Incentive Plan ('LTIP') awards. 21,302 (2017: nil) shares were utilised on settlement of SAYE and Share Incentive Plan ('SIP') awards. 700,200 (2017: 899,032) shares were utilised on settlement of vested tracker shares. At the year end, 1,045,334 (2017: 1,766,836) shares were held in treasury.

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 by SThree plc and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

At the year end, the EBT held 1,355,091 (2017: 1,644,589) shares. During the year, the EBT purchased 430,000 (2017: 923,000) of SThree plc shares. The average price paid per share was 345 pence (2017: 344 pence). The total acquisition cost of these shares was £1,484,000 (2017: £3,179,000), for which the treasury reserve was reduced.

19. Share capital continued

(b) Share-based payments

Tracker share awards in subsidiary companies

As described in note 1, the Group makes tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £3.7 million (2017: £3.3 million) by issue of new shares or using treasury shares purchased from the market. This resulted in a credit to share capital and share premium for new issue, and credit to capital reserves for treasury shares, with a corresponding debit to the Group's retained earnings and provision for tracker share liability.

The Group also issued new tracker share awards during the year for subscription value of £644,000 (2017: £417,000), of this £nil remained unpaid at the year end (2017: £152,000).

LTIP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except SIP) as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

	30 November 2018		30 November 2017					
Scheme	Charge (£'000)	Number of share options	Charge (£'000)	Number of share options	Vesting period	Expiry date	Valuation method	Performance metrics
LTIP	4,455	5,877,073	3,010	5,725,469	3 years	10 years	Monte carlo model	Incremental EPS growth/ TSR ranking against comparator group
SAYE	242	966,583	246	1,187,298	3 years	6 months after 3 year vesting period	Binomial	None
Sub-total	**4,697**	**6,843,656**	**3,256**	**6,912,767**				
SIP	7	N/A	55	N/A	1 year	N/A	N/A	None
Total	**4,704**	**6,843,656**	**3,311**	**6,912,767**				

LTIP

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

	Number of options
At 1 December 2017	5,725,469
Granted	2,265,550
Exercised	(571,793)
Forfeited	(1,542,153)
At 30 November 2018	**5,877,073**

Out of the 5,877,073 options outstanding (2017: 5,725,469), 566,124 options were exercisable (2017: 666,912). Options exercised during the year under the LTIP were satisfied by shares held in the EBT. The related weighted average share price at the time of exercise was £3.57 (2017: £3.21) per share. The related transaction costs were negligible. The share options had a weighted average exercise price of £nil (2017: £nil).

The 2018 share options granted in 2018 under the Group LTIP scheme were valued as follows:

	2018	2017
Weighted average fair value (£)	3.21	2.86
Key assumptions used:		
Share price at grant date (£)	3.57	3.12
Expected volatility*	29.9%	30.7%
Annual risk-free interest rate	0.85%	0.14%
Expected life (years)	3	3

* Expected volatility is determined by using the historic daily volatility of SThree plc's shares as measured over a period commensurate with the expected life of the share options, i.e. three years.

Other schemes

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

20. Contingencies

State Aid
In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in controlled foreign company rules, introduced by the UK Government in 2013. The Group has historically relied on this exemption in certain jurisdictions and we are therefore monitoring the investigation. If the preliminary findings of the European Commission are upheld, we calculate our maximum potential liability to be £3.2 million. Our current assessment is that no provision is required in respect of this issue.

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 have not been provided against at the date of these financial statements.

21. Commitments

Operating leases
The Group leases various office properties under non-cancellable operating lease arrangements. The lease terms are between one to ten years, and the majority of the lease arrangements are renewable at the end of the lease period at market rate.

The Group also leases motor vehicles and printers under non-cancellable operating leases which are included in the 'other' category below. The lease term is typically three years for motor vehicles and four years for printers.

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

	Land and Buildings		Other	
	30 November 2018 £'000	30 November 2017 £'000	30 November 2018 £'000	30 November 2017 £'000
Within one year	13,891	12,963	1,128	1,321
One to five years	37,196	39,297	861	1,432
After five years	10,809	13,910	–	–
	61,896	**66,170**	**1,989**	**2,753**

Capital commitments
At the end of the reporting year, the Group contracted capital expenditure but not yet incurred of £0.1 million (2017: £0.4 million).

Guarantees
At the end of the reporting year, the Group/SThree plc has bank guarantees in issue for commitments which amounted to £3.1 million (2017: £3.6 million).

22. Related party transactions

Group
Balances and transactions with subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and members of the 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.

Total number of KMPs for the year was 19 (2017: 21). Total remuneration for members of KMP is detailed below:

	2018 £'000	2017 £'000
Short-term employee benefits	5,719	7,950
Share-based payments	2,611	2,169
Post-employment benefits	308	324
Termination benefits	476	891
	9,114	**11,334**

During the year, there were no related party transactions between the Group and HRecTech.

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	2018 £'000	2017 £'000
Investments in subsidiaries (note 12)	(7,085)	(4,646)
Impairment of investments in subsidiaries (note 12)	(20)	(88,048)
Loans and advances received from subsidiaries	5,224	7,044
Loans and advances given to subsidiaries	6,056	3,891
Loans repaid by Directors	1	1
Loans repaid by other KMP	65	18
Interest income received from subsidiaries	77	16
Interest paid by subsidiaries	(133)	(202)
Dividend income received from subsidiaries	–	22,544

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 2018 £'000	30 November 2017 £'000
Investments in subsidiaries	213,916	206,831
Amounts due to subsidiaries	(22,407)	(17,183)
Amounts receivable from subsidiaries – net	9,947	3,891
Amounts receivable from Directors	187	188
Amounts receivable from other KMP	173	238

23. Financial instruments and financial risk management

Financial risk factors
The Group reports in Sterling and pays dividends out of Sterling profits. The role of the Group's corporate treasury function is to manage and monitor external and internal funding requirements and financial risks in support of corporate objectives. Treasury activities are governed by policies and procedures approved by the Board. A treasury management committee, chaired by the Chief Financial Officer, meets on a monthly basis to review treasury activities and its members receive management information relating to treasury activities. The Group's internal auditors periodically review the treasury internal control environment and compliance with policies and procedures.

Each year, the Board reviews the Group's currency hedging strategy to ensure it is appropriate. The Group does not hold or issue derivative financial instruments for speculative purposes and its treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Group treasury enters into a limited amount of derivative transactions, principally currency swaps and forward currency contracts, with the purpose of managing the currency risks arising from operations and financing of subsidiaries. At the year end, the Group had net foreign exchange swaps of: AED 8.4 million, AUD (1.7 million), CAD (0.2 million), CHF 2.1 million, EUR (9.5 million), HKD (7.3 million), JPY 48.8 million, SGD (0.4 million) and USD 8.4 million, being an overall equivalent of £39.9 million (2017: overall equivalent of £0.3 million). The contracts were mainly taken out close to the year end date for a period of 28 to 31 days (2017: 3 to 31 days) and they had net fair value of circa £(47,900) (2017: £(5,768)) 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.

23. Financial instruments and financial risk management continued

(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)).

The capital structure of the Group consists of equity attributable to owners of the parent of £101.7 million (2017: £80.7 million), comprising share capital, share premium, other reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and net cash of £33.3 million (2017: £17.6 million), comprising cash and cash equivalents (note 14).

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

(b) Foreign currency risk management

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

The Group is also exposed to foreign currency risks from the value of net investments outside the United Kingdom. The intercompany loans which are treated as net investments in foreign operations are not planned to be settled in the foreseeable future as they are deemed to be a part of the investment. Therefore, exchange differences arising from the translation of the net investment loans are taken into equity.

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

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar. If the Euro or US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group's results in terms of translational exposure would be an increase in profit before taxation of £6.4 million and £2.0 million (2017: £4.7 million and £1.7 million) respectively, with a similar decrease if the Euro or US Dollar weakened against Sterling by 10%.

(c) Liquidity risk management

The Group's treasury function centrally co-ordinates relationships with banks, manages borrowing requirements, foreign exchange needs and cash management. The Group has access to a committed RCF of £50 million along with an uncommitted £20 million accordion facility in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70 million. The Group also has an uncommitted £5 million overdraft facility with NatWest and a £5 million overdraft facility with HSBC.

At the year end, £37.4 million (2017: £12 million) was drawn down on these facilities.

In May 2018, the Directors successfully renegotiated the RCF with its key terms and conditions (including the total amount available under the facility and interest margin) remaining unchanged and the term of the facility having been extended until 2023. Since there was no substantial modification to the underlying terms and conditions, the refinancing of the existing facility did not qualify for derecognition, hence no modification gain/loss was recognised in the Consolidated Income Statement.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group has been in compliance 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.

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

	Trade and other payables	
	Group £'000	Company £'000
At 30 November 2018		
Within one year	180,981	24,461
At 30 November 2017		
Within one year	146,952	18,613

(d) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In the normal course of business, the Group participates in cash pooling arrangements with its counterparty bank. The maximum exposure to a single banking group for deposits and funds held on account at the year end was £11.2 million (2017: £9.3 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 are monitored daily.

The Group mitigates its credit risk from available for sale financial investments by keeping the value of the investments very low and periodically reviewing the financial performance of the relevant undertakings.

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

Trade receivables of the Group are analysed in the Table in note 23(d). With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

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

Trade receivables of £148.9 million (2017: £124.7 million) were neither past due nor impaired.

At 30 November 2018, trade receivables of £40.7 million (2017: £26.3 million) were past due but not impaired. These pertain to a number of unrelated customers for whom there is no recent history of default. Trade receivables of £8.9 million (2017: £3.4 million) were impaired, against which a provision of £2.7 million (2017: £1.6 million) was recorded.

Trade receivables	30 November 2018 £'000	30 November 2017 £'000
Neither impaired nor past due	148,947	124,654
Ageing of past due but not impaired		
under 30 days	27,089	19,070
31 to 60 days	8,869	5,271
61 to 90 days	4,698	1,930
Ageing of impaired		
under 90 days	17	593
over 90 days	8,903	2,790
Provision for impairment	(2,699)	(1,555)
Total	**195,824**	**152,753**

The majority of the accrued income balance is less than 60 days old and nothing is over 90 days past due.

The Group's credit risk from loans given to certain tracker shareholders (note 13) is mitigated by the fact that the loans are spread over a number of individuals (2018: 16 individuals; 2017: 22 individuals) and none of the individuals hold loans of material amounts. Exposure to loans from individuals is regularly monitored and the individuals are asked to settle all or a portion of their outstanding balances when their first tracker share is settled, when they receive dividends or if they leave the business.

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

The Group does not hedge the exposure to variations in interest rates.

Taking into consideration all variable rate borrowings and bank balances at 30 November 2018, 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.

23. Financial instruments and financial risk management continued

(f) Interest rate profile of financial assets/(liabilities)
At the reporting date, the Group and the Company did not have any significant financial liabilities exposed to interest rate risk except for the revolving credit facility (note 16). The only financial assets which accrued interest were cash and cash equivalents (note 14) with maturity of less than a year and were subject to floating interest income.

As part of the presentation of market risks, IFRS 7 requires disclosure on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices. At 30 November 2018, the Group and the Company do not hold any investments to be classified as available for sale or as held for trading that are measured at fair value. Three investments in unlisted entities, Sandpit, Ryalto and RoboRecruiter, (note 12) are held at cost less any impairment. Therefore there are no financial instruments which would be materially impacted by risk variables affecting the price of financial instruments.

(g) Currency profile of net cash and cash equivalents (including bank overdrafts)
Functional currency of Group operations:

	Net cash and cash equivalents				
At 30 November 2018	Sterling £'000	Euro £'000	US Dollar £'000	Other currencies £'000	Total £'000
Functional currency					
Sterling	1,213	14,710	1,054	2,889	19,866
Euro	928	3,943	708	–	5,579
US Dollar	–	–	1,012	–	1,012
Other	50	–	1,158	5,658	6,866
Total	**2,191**	**18,653**	**3,932**	**8,547**	**33,323**

At 30 November 2017	£'000	£'000	£'000	£'000	£'000
Functional currency					
Sterling	15,190	(18,417)	2,993	8,656	8,422
Euro	1,358	2,231	199	–	3,788
US Dollar	–	–	2,762	–	2,762
Other	36	–	827	1,786	2,649
Total	**16,584**	**(16,186)**	**6,781**	**10,442**	**17,621**

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

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

(h) Fair values of financial assets and liabilities
The carrying amount of the Group financial assets and financial liabilities approximates their fair value.

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

Where available, market values have been used to determine fair values. Where market values are not available, the investments are held at the initial cost less accumulated impairment or at fair value that has been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. A summary of the assumptions used for each category of financial instrument is set out below.

Summary of methods and assumptions

Short-term deposits and borrowings	Approximates to the carrying amount because of the short maturity of these instruments.
Cash and cash equivalents	Approximates to the carrying amount.
Receivables and payables	Approximates to the carrying amount for current balances; there are no material longer-term balances.
Financial instruments	Original cost or market valuation at the end of the reporting year.

24. Events after the reporting date

On 3 January 2019, The Sandpit Limited, the company in which the Group held a 7.2% shareholding valued at £0.8 million at 30 November 2018, announced a plan to discontinue its operations.

As a result, the Group's shareholding will be converted into a minority shareholding in The Sandpit Ventures Limited, which has direct holdings in portfolio of companies. The conversion will be recognised as an asset swap transacted between the Group and The Sandpit Ventures Limited. The transaction will be accounted for under the new IFRS 9 'Financial Instruments' accounting standard, effective from 1 December 2018.

25. List of subsidiaries

Full list of SThree plc's subsidiaries at 30 November 2018 and the Group percentage of ordinary share capital is as follows:

Name of undertaking	%	Country of incorporation	Principal activities	Registered office
SThree Australia Pty Limited	100	Australia	Recruitment	Level 9, 1 Market Street, Sydney, NSW 2000, Australia
SThree Austria GmbH	100	Austria	Recruitment	Mooslackengasse 17, 1190, Vienna, Austria
Computer Futures Solutions NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium
Huxley Associates Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium
SThree Services NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium
SThree Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium
SThree Canada Limited	100	Canada	Recruitment	Sun Life Plaza West Tower, 144-4 Avenue SW, Suite 1600, Calgary AB T2P 3N4, Canada
SThree SAS	100	France	Recruitment	20 Avenue André Prothin, La defense 4 – Europlaza 92400 Courbevoie, Paris, France
SThree Holdings GmbH	100	Germany	Holding company	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany
SThree GmbH	100	Germany	Recruitment	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany
SThree Temp Experts GmbH	100	Germany	Recruitment	Goetheplatz 5-11, 60313, Frankfurt am Main, Germany
SThree Limited	100	Hong Kong	Recruitment	10th Floor, MassMutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong
SThree India Private Limited	100	India	Under liquidation	511 The Corporate Centre. irmal Lifestyle Mall, LBS Road, Mulund (West). Mumbai. Maharashtra-MH. 400080, India
SThree Staffing Ireland Limited	100	Ireland	Recruitment	3rd Floor, 80, Harcourt Street, Dublin, Ireland
SThree Ireland Dollar Limited	100	Ireland	Holding company	3rd Floor, 80, Harcourt Street, Dublin, Ireland
SThree K.K.	100	Japan	Recruitment	Ginza Wall Building, 13-16 Ginza 6-Chome, Chuo-ku, Tokyo, Japan
SThree Finance Euro S.à r.l.	100	Luxembourg	Holding company	5th Floor, 2 rue de Fosse, L-1536, Luxembourg
SThree Dollar S.à r.l.	100	Luxembourg	Holding company	5th Floor, 2 rue de Fosse, L-1536, Luxembourg
SThree S.à r.l.	100	Luxembourg	Recruitment	5th Floor, 2 rue de Fosse, L-1536, Luxembourg
Progressive Global Energy Sdn. Bhd.	49	Malaysia	Recruitment	10th Floor, Menara Hap Seng, No 1&3 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia
SThree Holdings BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands
Huxley BV	100	Netherlands	Recruitment	De 5 Keizers, Keizersgracht 281, 5th floor. 1016 ED Amsterdam, Netherlands
SThree Interim Services BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands
SThree LLC	–	Russia	Liquidated	Floor 8, Building 1, 16A, Leningradskoe Shosse, 125171, Moscow, Russia
SThree Pte. Ltd.	100	Singapore	Recruitment	#09-02, 18 Cross Street, China Square Central, Singapore, 48423, Singapore
SThree Business Services Ibérica, S.L.	100	Spain	Recruitment	WeWork, Glories, Carrer Tànger 86, 08018 Barcelona, Spain

25. List of subsidiaries continued

Name of undertaking	%	Country of incorporation	Principal activities	Registered office
SThree Switzerland GmbH	100	Switzerland	Recruitment	3rd Floor, Claridenstrasse 34, 8002 Zürich, Switzerland
SThree Holdings (Thailand) Company Limited	–	Thailand	Liquidated	Zen World Building, 12th Floor, No. 4, 4/5, Rajadamri Road, Patumwan Sub-District, Patumwan District, Bangkok, 10330, Thailand
Progressive Global Energy Manpower Limited	–	Thailand	Liquidated	Zen World Building, 12th Floor, No. 4, 4/5, Rajadamri Road, Patumwan Sub-District, Patumwan District, Bangkok, 10330, Thailand
Cavendish Directors Limited*	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree UK Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Overseas Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree UK Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Overseas Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree UK Operations Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Consultancy Services Limited*	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree IP Limited*	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Management Services Limited*	100	UK	Management services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Partnership LLP	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Huxley Associates Global Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Progressive Global Energy Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Progressive Global Energy Kurdistan Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Progressive GE Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Huxley Associates Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
Huxley Associates Banking & Finance Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
Orgtel Contract Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
Orgtel Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
SThree Staffing UK Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
SThree Staffing France Limited	–	UK	Liquidated	Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom
HireFirst Limited	100	UK	Recruitment Technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Talent Deck Limited	100	UK	Recruitment Technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
Showcaser Limited	100	UK	Recruitment Technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom
SThree Ventures Limited	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom

25. List of subsidiaries continued

Name of undertaking	%	Country of incorporation	Principal activities	Registered office
Specialist Staffing Holdings Inc	100	USA	Holding company	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States
Specialist Staffing Solutions Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States
Specialist Staffing Services Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States
Newington International Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States
Progressive Global Energy Inc	100	USA	Dormant	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States

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

All figures are reported figures before exceptional items in £'m unless stated otherwise

	30 November 2018	30 November 2017	30 November 2016	30 November 2015	30 November 2014
Financial Performance					
Revenue	1,258.2	1,114.5	959.9	848.8	746.9
Gross profit	321.1	287.7	258.7	235.7	218.2
Operating profit	53.9	44.9	37.8	38.4	29.8
Total assets	360.5	273.5	231.5	204.9	203.4
Total equity	101.7	80.7	75.7	59.4	51.3
Net (debt)/cash	(4.1)	5.6	10.0	6.2	(9.9)
Cash from operations	40.6	41.1	43.1	60.3	20.1
Financial Ratios					
Conversion ratio (%)	16.8	15.6	14.6	16.3	13.7
Cash conversion (%)	67.0	78.6	95.0	134.4	47.8
Adjusted basic EPS (pence)	30.7	25.7	21.2	20.8	16.3
Dividends per share (pence)	14.5	14.0	14.0	14.0	14.0
Operational Statistics					
Average total headcount*	2,926	2,668	2,675	2,607	2,487
Average sales headcount*	2,254	2,090	2,113	2,086	2,002
Active Contractors at year end	11,203	10,197	9,078	8,412	7,573

* 2018, 2017, 2016 and 2015 are based on Full Time Equivalents.