INTERIM STATEMENT **2012**




A HISTORY OF PERFORMANCE

s|three

SThree plc
Company Information and Corporate Advisers

Executive Directors

Russell Clements, Chief Executive Officer
Gary Elden, Deputy Chief Excutive Officer
Justin Hughes, MD Asia Pacific, wef 1 June 2012
Steve Quinn, Chief Operating Officer, wef 1 June 2012
Alex Smith, Chief Financial Officer

Non-Executive Directors

Clay Brendish, Chairman
Paul Bowtell
Alicja Lesniak
Tony Ward, Senior Independent Director
Nadhim Zahawi

Group Company Secretary & Registered Office

Steve Hornbuckle, Group Company Secretary
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Financial PR

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3 London Wall Buildings
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London EC2M 5SY

The Company has taken advantage of current regulations which permit it not to have to send copies of its interim report to shareholders. Accordingly, this document will not be sent to shareholders, but will be available on the Company's website www.sthree.com or can be inspected at the registered office of the Company.

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Russell Clements
Chief Executive Officer

"The Group traded satisfactorily and in line with management's expectations in the first half, particularly given the deterioration in the macro-economic situation seen during the second quarter. Despite this softening in demand, overall GP grew by 11% to £99.9m and, once again, our discipline on deal values was rewarded with strong improvements in average permanent fees and a robust performance in terms of contract day rates.

Against a background of continuing solid demand, both Engineering & Energy and Pharmaceuticals & Biotechnology are making an increasingly significant contribution to Group performance, and this trend is mirrored in our more recent international office openings, including those in Oslo, San Diego, Rio de Janeiro and Brisbane.

Looking ahead, in our seasonally more important second half we see the Group's balanced business model and in particular its significant presence in Contract as an undoubted strength in these more difficult trading conditions. Our strong net cash position will allow us to continue to invest in the Group's future growth while also underpinning our commitment to a robust dividend policy. With a seasoned and strengthened senior management team, we look forward to the future confident that we can optimise our performance whatever the prevailing market opportunity."

Russell Clements, Chief Executive Officer

OPERATIONAL HIGHLIGHTS

- Satisfactory first half performance with Gross Profit (GP) up 11.0% year on year ("YoY") to £99.9m (H1 2011: £90.0m). Like for like ("LFL") GP up 12.2%.
- Profit before tax reduced by 16.9% to £9.3m (H1 2011: £11.2m) reflecting costs of expanding the international network and relative immaturity of newer international teams which are yet to achieve full productivity.
- Permanent placements up by 3.5% to 3,572 (H1 2011: 3,450) – average Permanent placement fee up 8.2% LFL to a record £13,712 (H1 2011: £12,672).
- Number of active contractors at period end up by 8.6% YoY to 4,757 (H1 2011: 4,381) – average GP per day rates increased by 2.2% LFL to £87.88 (H1 2011: £86.03). Average Contract margin achieved of 21.6% (H1 2011: 21.4%).
- Permanent versus Contract mix of GP now 51:49 in favour of Permanent (FY 2011: 52:48).
- Non-UK&I GP for the period represented 66% of the Group total (FY 2011: 63%).
- Rest of World (excluding UK and Europe) GP grew to 16% of mix (FY 2011:13%), up 42% LFL.
- Non–ICT business segments grew by 24% YoY LFL, now representing 44% of total GP (FY 2011: 40%).
- Sales headcount up 14.8% YoY and down 2.2% versus year end 2011 position, as certain of the Group's markets have right sized to match macroeconomic conditions. Average sales headcount up 24% YoY, reflecting the impact of hiring that took place largely in H2 2011.
- New offices opened in Oslo, San Diego, Rio de Janeiro and Brisbane.
- Net cash position remains strong at £31.0m (FY 2011: £55.6m), after payment of a special dividend of £13.2m in December 2011.
- Management succession plan initiated – Gary Elden to succeed Russell Clements as CEO in 2013 and other Board level appointments made.

FINANCIAL HIGHLIGHTS

	Six months ended		
	27 May 2012	**29 May 2011**	**% change**
Revenue	£278.4m	£254.9m	+9.2%
Gross profit	£99.9m	£90.0m	+11.0%
Operating profit	£9.1m	£11.0m	–16.7%
Profit before taxation	£9.3m	£11.2m	–16.9%
Basic earnings per share	5.2p	6.2p	–16.1%
Interim dividend per share	4.7p	4.7p	–

OPERATING REVIEW – unaudited

Russell Clements
Chief Executive Officer

Alex Smith
Chief Financial Officer

Introduction

Given the deteriorating macro economic situation during the second quarter we have seen a slowing of the rate of growth in Gross Profit ("GP") in Q2 versus Q1 but nonetheless GP in Q2 was 9% ahead of the same period last year. Pleasingly, we once again performed robustly in terms of the value of the business written up with strong improvements in average Permanent fees. As a result, a satisfactory result was recorded for H1, with GP increasing by 11.0% to £99.9m (H1 2011: £90.0m).

Overview and Business Mix

In line with our strategy, H1 2012 saw the Group become more international. Overall GP derived outside of the UK&I increased to 66% (FY 2011: 63%). The Group's segmental diversification also increased with overall Group GP generated from non-ICT sectors up by 24% on a LFL basis, to represent 44% of total GP (FY 2011: 40%). The Group now derives only 20% of its GP from the UK ICT market, its longest established franchise (H1 2011: 22%; FY 2011: 22%). The Group's exposure to Public Sector clients represented 6% of total transactions, up from 5% in the full year 2011. This figure has been broadly stable for some time and it appears likely it will remain so for the foreseeable future.

During the period the Group's Contract business performed pleasingly and the proportion of Group GP attributable to Contract increased marginally to 49% in the period compared to 48% in the full year to November 2011. Remixing in favour of Contract is to be expected in a more uncertain economic environment, although this effect was offset to some degree by the geographical remixing of the business away from the UK which has a higher proportion of Contract business than the Group average, with UK Contract representing 62% of total UK GP during H1 2012.

The headline number of Group contractors increased to 4,757 at the period end from 4,381 at the end of H1 2011, an increase of 8.6%. The Group experienced the usual seasonal reduction and rebuild in Contract numbers from the end of the previous financial year, but active contractors were also up 1.4% at the end of half year compared to the end of 2011 (27 November 2011: 4,692). The Group made 3,572 Permanent placements in the first half, an increase of 3.5% (H1 2011: 3,450).

Breakdown of GP	Six months ended 27 May 2012 %	Year ended 27 Nov 2011 %	Six months ended 29 May 2011 %
Contract	49%	48%	50%
Permanent	51%	52%	50%
Total	100%	100%	100%
Continental Europe	50%	50%	50%
Rest of World	16%	13%	12%
UK&I	34%	37%	38%
Total	100%	100%	100%
Non ICT	44%	40%	40%
ICT	56%	60%	60%
Total	100%	100%	100%

Strategy

The Group has a well-established strategy based on rolling out the SThree model to an increasing number of geographies and across a range of complementary, largely technical, specialist staffing disciplines. The success of the Group's strategy is reflected in the fact that our businesses outside of the UK ICT sector represented 80% of Group GP in H1 2012 (H1 2011: 78%; H1 2010:75%; H1 2009: 68%). However, we continue to believe that the UK ICT market has strong long term growth characteristics in itself and we would expect it to perform robustly in more normal conditions.

The Group's strategy will continue to be based on organic growth, although acquisitions may be considered on a selective basis if these would expedite our development in a strategically attractive market. These would most likely mean "bolt-ons" capable of offering niche expertise in a particular sector and/or geography. In parallel, we are on occasion appointing senior management from competitor/comparator companies where the individuals would bring valuable new market knowledge to the Group. In this respect we believe that the Group's Tracker Share model (previously referred to as the "Minority Interest model") is a key differentiator in terms of attracting senior talent to the business as well as a significant retention tool for existing management.

Board changes

During the period the Group announced that Russell Clements, CEO, will retire from the Board at the conclusion of the next Annual General Meeting in April 2013 after more than twenty six years with the Group. He will be succeeded as CEO by Gary Elden, who joined the SThree Board in 2008 and has over twenty two years service with the Group, latterly as Group Chief Strategy Officer. Gary has been appointed as Deputy CEO and is working closely with Russell to effect a progressive transition of responsibilities over the coming months.

Two further Board appointments were also announced as part of the managed succession process - Steve Quinn, previously Group Managing Director Benelux & Middle East, who joins the Board as Chief Operating Officer, and Justin Hughes, who joins as Group Managing Director Asia Pacific.

Gary, Steve and Justin are all talented executives with long and successful track records with the Group and their appointments will help ensure that the Board retains the right mix of skills and experience for what is an increasingly diverse and international business.

Margins and Value

A further key element of our strategy is to remain highly selective regarding the quality of the business we undertake. The Group aims to fully leverage its niche specialist proposition to engage with clients which value our services and remunerate our expertise accordingly. This is further underpinned by our multi-brand approach which allows the Group to segregate the market around specific niches, establishing its consultants as market experts who can justify premium pricing compared to the "generalist specialist" approach applied by some peers.

Our customer base is wide and varied, with a relatively high percentage of SMEs, particularly in the UK. This reduces the Group's exposure to a limited number of price sensitive customers and therefore reduces our exposure to the margin pressure associated with "wholesale" buyers such as the major systems integration companies. This is reflected by the fact that in H1 2012 56% of the candidates we placed were ICT professionals but only approximately 18% of all transactions were in the ICT sector per se.

Our strict client selection and clear focus on highly specialised niche markets allows us to defend our margins. Overall Group gross margin grew to 35.9% (H1 2011: 35.3%) supported by a shift in the business towards Permanent and a slight improvement in the Contract margin to 21.6% (2011: 21.4%). Pleasingly, we saw an 8.2% LFL improvement in the average Permanent fee to £13,712 (H1

2011: £12,672) and a 2.2% increase in the LFL average GP Profit per Day to £87.88 (H1 2011: £86.03) during the first half.

Performance by Geography

UK&I GP at £34.8m was up 2% LFL (H1 2011: £34.1m), which was a very respectable performance given the overall softening of the market in the UK. Permanent placements were down 4.4% and period end contractors were also down 2.1% YoY. In terms of value, however, Permanent fees and GP day rates increased by 4.2% and 2.7% respectively. The robustness of overall UK fees was again helped by a strong performance from sectors such as Pharmaceuticals & Biotechnology and Engineering & Energy. Mainland Europe GP of £49.4m was up 13% LFL (H1 2011: £45.0m). Market conditions in Benelux remained challenging with GP for the region up 2% LFL. France delivered a GP increase of 23% LFL. Our well established teams in Germany continued to benefit from the relatively immature staffing market in Germany, with GP up 17% LFL.

Rest of the World ("ROW") GP was up 42% LFL, notably with a strong performance in Australia (up 42% LFL) helped by the continued healthy state of the resources market. USA was up 68% LFL with notable contributions from the San Francisco (Pharmaceuticals) and Houston (Oil & Gas) offices, somewhat diluted by continued weakness in the Banking market.

Geographical and Sector Expansion

Of the Group's total of 64 offices in 18 countries, 42 are outside the UK with 25 in Europe and 17 in the ROW. In H1 the Group continued its roll out of international offices, opening in Oslo, San Diego, Rio de Janeiro and Brisbane. These latest openings reflect the increasing importance of Oil & Gas placements to our international strategy with three of the four focusing on this market. The fourth, San Diego, focuses on Life Sciences, a robust market which is also growing in importance for the Group. That said, much of the Group's international growth will come from achieving scale in locations and sectors in which we already have a presence. The Group has substantial capacity to scale up in many of its territories, when market conditions permit, without the need to add to the existing office footprint.

Staffing Levels

At the end of the half-year total headcount for the Group was 2,269, a slight decrease on the previous year end (FY 2011 year end: 2,272). Relative to the year end 2011 position, UK sales headcount fell by 9.3%, Continental Europe sales headcount was down 1.6% and ROW was up 11.3%. Overall, average sales headcount was up 24% YoY, reflecting the second half weighting in hiring last year.

The Group continues to hire sales consultants highly selectively into teams where there is clear market-based evidence to support the investment and to staff the opening of our new international offices. However, where the market demand is weaker we are currently prepared to allow natural attrition to rightsize teams. As such we do not anticipate meaningful increases in headcount until the overall state of the market shows signs of sustainable improvement.

Operating profit

Operating profit declined by 16.7% to £9.1m (H1 2011: £11.0m) as a result of increased costs of new sales heads and property costs exceeding the growth in GP.

Cash Flow

At the start of the period the Group had net cash of £55.6m. During the period the Group generated cash from operating activities of £8.5m (H1 2011: £6.1m) being £14.1m of operating cash flows before changes in working capital and provisions (H1 2011: £15.4m) and an increase in working capital requirements and provisions of £5.6m (H1 2011: £9.2m).

Dividends paid in the period increased by £14.0m due to the payment of a special dividend of 11.0p per share and a 0.7p increase in the interim dividend per share. At 27 May 2012 the Group had net cash of £31.0m. A committed flexible revolving credit facility is in place with Royal Bank of Scotland Group ("RBS") until January 2017. Under this arrangement the Group is able to borrow up to £20m. Funds borrowed under this facility bear interest at a minimum annual rate of 1.3% above LIBOR.

Taxation

The charge for taxation on profits amounted to £3.1m (H1 2011: £3.7m), an effective rate of 33% (H1 2011: 33%).

Earnings per Share

Basic earnings per share fell by 16% to 5.2p (H1 2011: 6.2p). Diluted earnings per share fell by 15% to 5.1p (H1 2011: 6.0p).

Dividends

It is the Board's intention to adopt a progressive dividend policy, targeting dividend cover of 2.0x to 2.5x over the medium term. The Board proposes to maintain its interim dividend at 4.7p (H1 2011: 4.7p) per share. The interim dividend will be paid on 7 December 2012 to those shareholders on the register at 9 November 2012. The total payment to shareholders on this date will be approximately £6m.

A special dividend of 11.0p per share was paid in the period. Periodically, the Board will review the Group's capital structure, with a view to, where prudent, returning further cash to shareholders in this manner.

Treasury Management, Currency Risk and Other Principal Risks and Uncertainties affecting the Business

The main functional currencies of the Group are Sterling, Euro and US dollar. The Group has significant operations outside the United Kingdom and as such is exposed to movements in exchange rates. The Board has undertaken a review of its currency hedging strategy to ensure that it is appropriate and currently the Group does not actively manage its exposure to foreign exchange risk by the use of financial instruments, consistent with its major listed peers. The Group continues to monitor its policies in this area. Other principal risks and uncertainties affecting the business activities of the Group are as detailed within the Directors' Report section of the Annual Report for the year ended 27 November 2011, a copy of which is available on the Group's website at www.sthree.com. In terms of macro economic environment risks, as previously stated, our strategy is to continue to grow the size of our International business in both financial terms and geographic coverage in order to reduce the Group's exposure or dependence on any one specific economy, although a downturn in a particular market could adversely impact the Group's business. In the view of the Board, there is no material change expected to the Group's key risk factors in the foreseeable future.

Outlook

Growth in the Group's markets has slowed as expected over the first half, given the macro economic conditions, with deteriorating global economic sentiment impacting demand for the Group's services across a number of sectors. However, market conditions remain in far better shape than in the 2009 financial trough. The emerging markets and non-ICT sectors are generating an increasing portion of our GP and this growth is expected to continue. Against this background, the Group's focus remains on driving productivity, optimising cash and selectively targeting growth of teams in key sectors/geographies.

The Group remains cash rich and agile, with a seasoned and strengthened senior management team. We look forward to the future confident that we can optimise our performance against the prevailing market opportunity.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements (unaudited) have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union; and
- the interim highlights and operating review include a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules of the Financial Services Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules of the Financial Services Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the Annual Report for the year ended 27 November 2011.

Approved by the Board on 13 July 2012 and signed on its behalf by:

Russell Clements
Chief Executive Officer

Alex Smith
Chief Financial Officer

CONDENSED CONSOLIDATED INCOME STATEMENT – unaudited

for the six months ended 27 May 2012

	Note	Six months ended 27 May 2012 £'000	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Revenue	**2**	**278,415**	**254,854**	**542,450**
Cost of sales		(178,516)	(164,850)	(346,920)
Gross profit	2	**99,899**	**90,004**	**195,530**
Administrative expenses		(90,752)	(79,014)	(165,567)
Operating profit		**9,147**	**10,990**	**29,963**
Finance income		143	203	361
Finance cost		(5)	(19)	(25)
Profit before taxation		**9,285**	**11,174**	**30,299**
Taxation	3	(3,070)	(3,743)	(10,034)
Profit for the period		**6,215**	**7,431**	**20,265**
Profit for the year attributable to:				
Owners of the Company		**6,215**	**7,431**	**20,265**
Earnings per share	5	**pence**	**pence**	**pence**
– Basic		5.2	6.2	16.8
– Diluted		5.1	6.0	16.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – unaudited

for the six months ended 27 May 2012

	Six months ended 27 May 2012	*Restated Six months ended 29 May 2011	Audited Year ended 27 November 2011
	£'000	£'000	£'000
Profit for the period	**6,215**	**7,431**	**20,265**
Other comprehensive income:			
Exchange differences on retranslation of foreign operations	(2,604)	375	103
Other comprehensive income for the period	(2,604)	375	103
Total comprehensive income for the period	**3,611**	**7,806**	**20,368**
Total comprehensive income attributable to:			
Owners of the Company	3,611	7,806	20,368
	3,611	**7,806**	**20,368**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – unaudited

as at 27 May 2012

	27 May 2012 £'000	29 May 2011 £'000	Audited 27 November 2011 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	5,983	5,058	5,263
Intangible assets	11,953	10,083	8,548
Deferred tax assets	5,900	8,863	6,395
	23,836	24,004	20,206
Current assets			
Trade and other receivables	109,867	103,903	111,093
Cash and cash equivalents	31,036	48,313	55,605
	140,903	152,216	166,698
Total assets	**164,739**	**176,220**	**186,904**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	1,230	1,230	1,230
Share premium	2,925	2,925	2,925
Other reserves	(7,989)	(647)	(8,087)
Retained earnings	60,251	72,903	86,399
Total equity	**56,417**	**76,411**	**82,467**
Non-current liabilities			
Trade and other payables	1,136	–	–
Provisions for liabilities and charges	1,476	1,486	1,678
	2,612	1,486	1,678
Current liabilities			
Trade and other payables	99,649	92,519	95,561
Provisions for liabilities and charges	5,293	4,130	4,894
Taxation liabilities	768	1,674	2,304
	105,710	98,323	102,759
Total liabilities	**108,322**	**99,809**	**104,437**
Total equity and liabilities	**164,739**	**176,220**	**186,904**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – unaudited

for the six months ended 27 May 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury shares £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Audited balance at 28 November 2010	**1,218**	**2,925**	**168**	**878**	**–**	**(1,328)**	**78,057**	**81,918**
Profit for the six months to 29 May 2011	–	–	–	–	–	–	7,431	7,431
Other comprehensive income	–	–	–	–	–	375	–	375
Total comprehensive income for the period	–	–	–	–	–	375	7,431	7,806
Purchase of own shares	–	–	–	–	(740)	–	–	(740)
Employee share awards	–	–	–	–	–	–	1,140	1,140
Non-controlling interest repurchase	–	–	–	–	–	–	(29)	(29)
Issue of share capital	12	–	–	–	–	–	–	12
Dividends paid to equity holders	–	–	–	–	–	–	(4,797)	(4,797)
Dividends payable to equity holders	–	–	–	–	–	–	(9,831)	(9,831)
Current tax on employee share options	–	–	–	–	–	–	1,569	1,569
Deferred tax on employee share options	–	–	–	–	–	–	(637)	(637)
Total movements in equity	12	–	–	–	(740)	375	(5,154)	(5,507)
***Unaudited balance at 29 May 2011 – Restated**	**1,230**	**2,925**	**168**	**878**	**(740)**	**(953)**	**72,903**	**76,411**
Audited balance at 28 November 2010	**1,218**	**2,925**	**168**	**878**	**–**	**(1,328)**	**78,057**	**81,918**
Profit for the year ended 27 November 2011	–	–	–	–	–	–	20,265	20,265
Other comprehensive income	–	–	–	–	–	103	–	103
Total comprehensive income for the year	–	–	–	–	–	103	20,265	20,368
Dividends paid to equity holders	–	–	–	–	–	–	(14,518)	(14,518)
Distributions to tracker share holders	–	–	–	–	–	–	(679)	(679)
Issue of share capital	12	–	–	–	–	–	–	12
Purchase of own shares	–	–	–	–	(7,908)	–	–	(7,908)
Employee share awards	–	–	–	–	–	–	2,426	2,426
Current tax on employee share options	–	–	–	–	–	–	1,776	1,776
Deferred tax on employee share options	–	–	–	–	–	–	(928)	(928)
Total movements in equity	12	–	–	–	(7,908)	103	8,342	549
Audited balance at 27 November 2011	**1,230**	**2,925**	**168**	**878**	**(7,908)**	**(1,225)**	**86,399**	**82,467**
Profit for the six months to 27 May 2012	–	–	–	–	–	–	6,215	6,215
Other comprehensive income	–	–	–	–	–	(2,604)	–	(2,604)
Total comprehensive income for the period	–	–	–	–	–	(2,604)	6,215	3,611
Dividends paid to equity holders	–	–	–	–	–	–	(18,786)	(18,786)
Dividends payable to equity holders	–	–	–	–	–	–	(11,179)	(11,179)
Purchase of own shares	–	–	–	–	(1,384)	–	–	(1,384)
Treasury shares used for employee share options	–	–	–	–	4,086	–	(4,086)	–
Employee share awards	–	–	–	–	–	–	1,333	1,333
Current tax on employee share options	–	–	–	–	–	–	695	695
Deferred tax on employee share options	–	–	–	–	–	–	(340)	(340)
Total movements in equity	–	–	–	–	2,702	(2,604)	(26,148)	(26,050)
Unaudited balance at 27 May 2012	**1,230**	**2,925**	**168**	**878**	**(5,206)**	**(3,829)**	**60,251**	**56,417**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – unaudited

for the six months ended 27 May 2012

	Six months ended 27 May 2012 £'000	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Cash flows from operating activities			
Profit before taxation	9,285	11,174	30,299
Depreciation and amortisation charges	3,606	3,211	7,659
Finance income	(143)	(203)	(361)
Finance cost	5	19	25
Loss on disposal of property, plant and equipment	7	23	67
Loss on disposal of intangible assets	–	–	11
Non-cash charge for employee share options	1,333	1,140	2,426
Operating cash flows before changes in working capital and provisions	**14,093**	**15,364**	**40,126**
(Increase) in receivables	(1,962)	(5,060)	(12,005)
(Decrease)/increase in payables	(3,856)	(4,189)	8,443
Increase/(decrease) in provisions	253	18	(197)
Cash generated from operating activities	8,528	6,133	36,367
Income tax paid	(3,986)	(4,587)	(7,951)
Net cash generated from operating activities	4,542	1,546	28,416
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,498)	(1,036)	(2,918)
Purchase of intangible assets	(3,438)	(1,678)	(2,911)
Proceeds from disposal of held-to-maturity investments	–	3,500	3,500
Net cash (used in)/generated from investing activities	(5,936)	786	(2,329)
Cash flows from financing activities			
Finance income	143	203	361
Finance cost	(5)	(19)	(25)
Employee subscription for share awards	–	10	135
Repayment to non-controlling interest	–	(71)	(71)
Purchase of own shares	(1,240)	(740)	(7,557)
Repurchase of non-controlling interest	(32)	–	–
Issue of share capital to equity holders	–	–	12
Dividends paid to equity holders	(18,786)	(4,797)	(14,518)
Dividends paid to tracker share holders	–	–	(679)
Net cash used in financing activities	**(19,920)**	**(5,414)**	**(22,342)**
Net (decrease)/increase in cash and cash equivalents	**(21,314)**	**(3,082)**	**3,745**
Cash and cash equivalents at the beginning of the period	55,605	51,718	51,718
Effect of exchange rate changes	(3,255)	(323)	142
Cash and cash equivalents at the end of the period	**31,036**	**48,313**	**55,605**

NOTES TO THE FINANCIAL INFORMATION – unaudited

for the six months ended 27 May 2012

1 Accounting policies

General information

SThree plc ("the Company") and its subsidiaries (together "the Group") operate predominantly in the United Kingdom and Continental Europe. The Group consists of different brands and provides both permanent and contract specialist staffing services, primarily in the ICT sector and, to an increasing extent, the banking and finance, accountancy, human resources, engineering, pharmaceutical, energy and resources and jobboard sectors.

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

The consolidated interim financial information was approved for issue on 13 July 2012.

The condensed consolidated interim financial information of the Group as at, and for the six months ended, 27 May 2012 comprises that of the Company and all its subsidiaries. The condensed consolidated interim financial information has been reviewed, not audited. The condensed consolidated interim information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 27 November 2011 were approved by the Board of directors on 27 January 2012 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Basis of preparation

The consolidated interim financial information for the six months ended 27 May 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The consolidated interim financial information is presented on a condensed basis as permitted by IAS 34 and therefore does not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 27 November 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

Restatement

Included in Other comprehensive income for the period ended 29 May 2011 was £932,000 relating to tax on employee share awards. This represented the tax effects on transactions with owners and should be reflected directly in equity. Therefore, this amount has been removed from the consolidated statement of comprehensive income for the period ended 29 May 2011.

As a result of this change Other comprehensive income for the period ended 29 May 2011 has been restated to £375,000 compared to £1,307,000 previously reported.

The restatement has not affected any other previously reported financial information.

Going concern

The directors are satisfied that, at the time of approving the consolidated interim financial information, it is appropriate to continue to adopt a going concern basis of accounting.

Estimates

The preparation of the condensed consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately vary from those estimates.

Seasonality of operations

Due to the seasonal nature of the recruitment business, higher revenues and operating profits are usually expected in the second half of the year than the first six months. In the financial year ended 27 November 2011, 47% of revenues accumulated in the first half of the year, with 53% accumulating in the second half.

1 Accounting policies (continued)

Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in this condensed consolidated interim financial information as were applied in the preparation of the Group's consolidated financial statements for the year ended 27 November 2011.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new standards or IFRIC interpretations that are either effective or issued but not effective that would be expected to have a material impact on the Group.

2 Segmental analysis

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

Revenue and Gross Profit by reportable segment

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

The Group's management reporting and controlling systems use accounting policies that are the same as those described in note 1 in the summary of significant accounting policies in the Group's 2011 Annual Report.

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 and reporting system. Gross Profit is the measure of segment profit/(loss) used in segment reporting and comprise revenue less cost of sales.

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

United Kingdom & Ireland

	Six months ended 27 May 2012 £'000	*Restated Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Revenue from external customers	120,040	116,758	242,667
Gross Profit	34,785	34,075	71,348
Total Assets	88,888	108,050	105,185
Capital Expenditure	6,283	2,342	3,983

Continental Europe

	Six months ended 27 May 2012 £'000	*Restated Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Revenue from external customers	128,154	121,927	258,977
Gross Profit	49,420	45,028	98,448
Total Assets	56,605	52,478	64,813
Capital Expenditure	853	261	981

2 Segmental analysis (continued)

Rest of the World

	Six months ended 27 May 2012 £'000	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Revenue from external customers	30,221	16,169	40,806
Gross Profit	15,694	10,901	25,734
Total Assets	19,246	15,692	16,906
Capital Expenditure	815	111	865

Group

	Six months ended 27 May 2012	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Revenue from external customers	278,415	254,854	542,450
Gross Profit	99,899	90,004	195,530
Total Assets	164,739	176,220	186,904
Capital Expenditure	7,951	2,714	5,829

* In 2011 interim financial information, Ireland was included within Continental Europe. From 2011 year-end, the results reviewed by the chief operating decision maker included Ireland with the UK. The 2011 interim comparative figures have been restated on the same basis.

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

	Revenue			Gross profit		
	Six months ended 27 May 2012 £'000	Restated[1] Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000	Six months ended 27 May 2012 £'000	Restated[1] Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Brand						
Progressive	90,641	72,580	158,114	32,030	24,917	55,241
Computer Futures Solutions	66,009	61,193	145,879	23,200	20,938	52,912
Huxley Associates	69,493	71,271	146,376	25,045	25,880	54,551
Real Staffing Group	52,272	49,810	92,081	19,624	18,269	32,826
	278,415	**254,854**	**542,450**	**99,899**	**90,004**	**195,530**
Recruitment classification						
Contract	227,558	209,760	441,456	49,042	44,910	94,536
Permanent	50,857	45,094	100,994	50,857	45,094	100,994
	278,415	**254,854**	**542,450**	**99,899**	**90,004**	**195,530**
Discipline						
Information and communication	185,627	174,877	373,745	55,517	54,085	116,619
Others[2]	92,788	79,977	168,705	44,382	35,919	78,911
	278,415	**254,854**	**542,450**	**99,899**	**90,004**	**195,530**

[1] Real Staffing Group has been restated to include IT Jobboard and JP Gray International. Computer Futures Solutions has been restated to exclude JP Gray International.
[2] Including engineering and energy, banking, accountancy and finance, pharmaceuticals and biotechnology and jobboard sectors.

3 Taxation

Income tax expense is accrued based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The charge for taxation on profits amounted to £3.1m (2011: £3.7m), an effective rate of 33% (2011: 33%).

4 Dividends

	Six months ended 27 May 2012 £'000	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Amounts recognised as distributions to equity holders in the period			
Final dividend of 9.3p (2010: 8.0p) per ordinary share	11,179	9,831	9,724
Interim dividend of 4.7p (2010: 4.0p) per ordinary share	5,624	4,797	4,694
Special dividend of 11.0p (2010: nil) per ordinary share	13,162	–	–
	29,965	**14,628**	**14,518**

A final dividend of 9.3 pence per ordinary share for the year ended 27 November 2011 (2010: 8.0 pence) was approved by shareholders on 19 April 2012 and has been included as a liability in this interim financial information. The dividend was paid on 6 June 2012 to shareholders on record at 4 May 2012.

An interim dividend of 4.7 pence (2010: 4.0 pence) per ordinary share for the six months ended 29 May 2011 and a special dividend of 11.0 pence (2010: nil) per ordinary share were paid on 2 December 2011 to shareholders on record at 4 November 2011.

An interim dividend for the six months ended 27 May 2012 of 4.7 pence (2011: 4.7 pence) per share will be paid on 7 December 2012 to shareholders on the register at the close of business on 9 November 2012.

5 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data.

Basic earnings per share is calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in issue during the period, excluding those held in the EBT which are treated as cancelled.

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares.

	Six months ended 27 May 2012 £'000	Six months ended 29 May 2011 £'000	Audited Year ended 27 November 2011 £'000
Earnings			
Profit for the period attributable to equity holders of the Company	**6,215**	**7,431**	**20,265**
	millions	**millions**	**millions**
Number of shares			
Weighted average number of shares used for basic EPS	119.6	120.5	120.6
Dilutive effect of share plans	2.7	2.8	3.3
Diluted weighted average number of shares used for diluted EPS	**122.3**	**123.3**	**123.9**

5 Earnings per share (continued)

	Six months ended 27 May 2012 pence	Six months ended 29 May 2011 pence	Audited Year ended 27 November 2011 pence
Basic			
Basic earnings per share	5.2	6.2	16.8
Diluted			
Diluted earnings per share	5.1	6.0	16.4

6 Related party disclosures

The Group's significant related parties are as disclosed in the SThree plc Annual Report for the year ended 27 November 2011. There were no material differences in related parties or related party transactions in the period compared to the prior period.

7 Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. They are not anticipated to result in a material cash outflow for the Group.

8 Shareholder communications

The Company has taken advantage of current regulations which permit it not to have to send copies of its interim report to shareholders. Accordingly, this document will not be sent to shareholders, but will be available on the Company's website www.sthree.com or can be inspected at the registered office of the Company.

INDEPENDENT REVIEW REPORT TO STHREE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 May 2012, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 27 May 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

13 July 2012
London

Notes:

(a) The maintenance and integrity of the SThree plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAREHOLDER INFORMATION

Shareholder Enquiries and Electronic Communications – www.capitashareportal.com

Shareholders with enquiries relating to their shareholding should contact Capita Registrars. Alternatively, you may access your account via www.capitashareportal.com, but will need to have your shareholder reference available when you first log in, which may be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, find out how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers. Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request via the registrar by calling 0871 664 0391 (from UK – calls cost 10p per min plus network extras; lines are open 8.30am – 5.30pm Mon to Fri) or + 44 208 639 3367 (Non UK) or register online at: www.capitashareportal.com

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

Potential targeting of shareholders

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register.
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
- Inform the Registrar as shown above.

Details of share dealing facilities that the Company endorses will only be included in publications issued by the Company. More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer/

ADR information

For US investors, the Company has set up a Level One ADR facility, under the ticker symbol 'SERTY'. BNY Mellon acts as both ADR depositary bank & registrar for this facility. For further information, please visit the website: www.adrbnymellon.com and search for the SThree profile page. Holders can also access information by the following:

The Bank of New York Mellon
PO Box 358016
Pittsburgh, PA 15252-8016
Customer service:
Tel: 1 800 522-6645
(from outside the US Tel: 001 201 680-6578)
Email: shrrelations@mellon.com
For the issuance of ADRs please contact:
Michael Ludwig
Tel: +1 212 815 2213
Fax: +1 212 571 3050
E-mail: mludwig@bankofny.com
Website: http://www.adrbnymellon.com

Share price information

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

Share dealing service

Capita Share Dealing Services provide a telephone and online share dealing service for UK and EEA resident shareholders. To use this service, shareholders should contact Capita, tel: 0871 664 0454 – lines are open Mon to Fri 8.00am – 4.30pm UK time (calls cost 10p per min plus network extras). Alternatively log on to www.capitadeal.com.

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

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

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

*Calls cost 10p per minute plus network extras; lines are open 8.30am – 5.30pm Mon to Fri

ShareGift

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

Website: www.sharegift.org

Tel: 0207 930 3737

Financial Calendar 2012/13

Half-year period end – 27 May 2012
Interim results announced – 16 July 2012
Ex-div date for interim dividend – 7 Nov 2012
Record date for interim dividend – 9 Nov 2012
Dividend Re-investment Plan deadline – 12 Nov 2012
Interim dividend payable – 7 Dec 2012
Financial year period end – 25 Nov 2012
Full-year results announced – Jan/Feb 2013
Annual General Meeting – mid April 2013
Final dividend payable – early June 2013