

Company Registration No. 07599922 (England and Wales)

STR GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

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STR GROUP LIMITED

COMPANY INFORMATION

Directors	R P Crawley C J Hutchings M A W Perrett
Company number	07599922
Registered office	1 Quay Point Northarbour Road Portsmouth Hampshire PO6 3TD
Auditor	RSM UK Audit LLP Chartered Accountants Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY

STR GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report for the year ended 31 December 2016.

Fair review of the business

STR Group Limited is the parent company of STR Holdings Limited, STR Group USA Inc. and the ultimate parent company of the principal trading company STR Limited.

The companies in the Group deliver STEM focused staffing solutions in the UK, EMEA and North America.

The consolidated statement of comprehensive income on page 6 details an increase in both turnover and gross profit in the year. Trade debtors increased in the period to £9.8m (Invoice discounting facility creditors £7m) a result of an increase in the volume of contract placements with the company's working capital requirement being financed by way of an invoice discounting facility.

The Board monitors performance regularly throughout the period by reviewing a range of key performance indicators (KPI's). These include gross profit per staff member which increased marginally in 2016.

Geographic spread of revenue and the diversification of the company's client base continued which also resulted in the company benefitting from foreign exchange gains in the period.

The company expects continued growth in its core markets as candidate availability remains tight across all areas of functional specialisation.

Principal risks and uncertainties

In the course of normal business, the company continually assesses significant risks faced and takes action to mitigate the potential impacts. The principal risks (which is not intended to be a comprehensive analysis) facing the company are as follows:-

Trade debtors are managed in respect of credit offered to customers and the regular monitoring of amounts outstanding.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts as they fall due.

Financial risk generally is managed through a prudent approach to the company funding. The company predominantly uses its own capital and reserves, together with trade factoring to manage working capital requirements.

Compliance risk is managed through a dedicated function which continually monitors the regulatory requirements of the markets in which the company is active, international data protection requirements and ongoing legislative change initiatives to ensure that company meets its obligations.

Risks posed by the current economic and market conditions are managed by ensuring the company operates from an efficient cost base.

STR GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

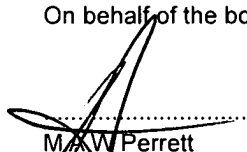
FOR THE YEAR ENDED 31 DECEMBER 2016

Employees

The company's policy is to consider all applications for employment irrespective of the applicant's race, colour, religion, nationality, ethnic or national origin, gender, marital status, age or sexual orientation. Applications from disabled persons are encouraged for posts compatible with their disability and reasonable adjustments will be made to accommodate them. Employees who become disabled during their service with the company are retained wherever practicable.

The participation of all staff in training and career development is encouraged.

On behalf of the board


M. W. Perrett
Director
28/9/17

STR GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the group continued to be that of the rendering of recruitment agency services.

The principal activity of the company was that of a holding company.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R P Crawley
C J Hutchings
M A W Perrett

(Appointed 10 March 2017)

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £932,712 (2015 - £676,962). The directors do not recommend payment of a further dividend.

Auditor

RSM UK Audit LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

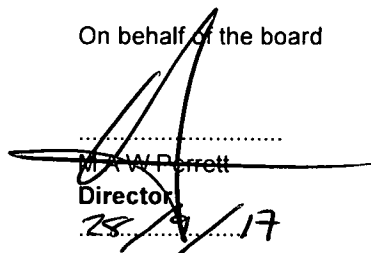
Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

In accordance with the Companies Act 2006, S414C(11), information in respect of business activities, risk and future developments are shown in the Strategic Report on page 1.

On behalf of the board


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M A W Perrett
Director
28/1/17

STR GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STR GROUP LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Paul Anthony (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Highfield Court

Tollgate

Chandlers Ford

Eastleigh

Hampshire, SO53 3TY

22 September 2017

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	4	56,673,078	46,955,740
Cost of sales		(46,436,894)	(37,382,952)
Gross profit		10,236,184	9,572,788
Administrative expenses		(9,284,960)	(8,302,320)
Operating profit	7	951,224	1,270,468
Interest receivable and similar income	9	781	-
Interest payable and similar expenses	10	(120,927)	-
Profit before taxation		831,078	1,270,468
Taxation	11	(203,303)	(221,667)
Profit for the financial year	26	627,775	1,048,801

Profit for the financial year is all attributable to the owners of the parent company.

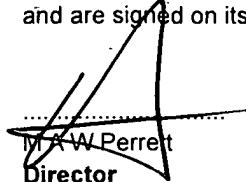
Total comprehensive income for the year is all attributable to the owners of the parent company.

STR GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Goodwill	13	457,729		555,814	
Tangible assets	14	233,133		112,290	
			690,862		668,104
Current assets					
Debtors	17	10,976,654		7,630,180	
Cash at bank and in hand		567,741		501,544	
			11,544,395		8,131,724
Creditors: amounts falling due within one year	18	(10,233,035)		(6,530,056)	
Net current assets			1,311,360		1,601,668
Total assets less current liabilities			2,002,222		2,269,772
Creditors: amounts falling due after more than one year	19		(25,180)		-
Provisions for liabilities	23		(23,662)		(11,455)
Net assets			1,953,380		2,258,317
Capital and reserves					
Called up share capital	25		207		207
Other reserves	26		1,081,104		1,081,104
Profit and loss reserves	26		872,069		1,177,006
Total equity attributable to the owners of the parent company			1,953,380		2,258,317

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

28 September 2017


M. A. W. Perrett
Director

STR GROUP LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	15		2,252,709		2,252,709
Current assets			-		-
Creditors: amounts falling due within one year	18	(1,171,398)		(1,206,804)	
Net current liabilities			(1,171,398)		(1,206,804)
Total assets less current liabilities			<u>1,081,311</u>		<u>1,045,905</u>
Capital and reserves					
Called up share capital	25		207		207
Other reserves	26		1,081,104		1,081,104
Profit and loss reserves	26		-		(35,406)
Total equity			<u>1,081,311</u>		<u>1,045,905</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £968,118 (2015 - £676,962 profit).

The financial statements were approved by the board of directors and authorised for issue on 28 September 2017 and are signed on its behalf by:

MAW Perrett
Director

for 2016-2017

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2015		207	1,081,104	805,167	1,886,478
Year ended 31 December 2015:					
Profit and total comprehensive income for the year		-	-	1,048,801	1,048,801
Dividends	12	-	-	(676,962)	(676,962)
Balance at 31 December 2015		207	1,081,104	1,177,006	2,258,317
Year ended 31 December 2016:					
Profit and total comprehensive income for the year		-	-	627,775	627,775
Dividends	12	-	-	(932,712)	(932,712)
Balance at 31 December 2016		207	1,081,104	872,069	1,953,380

STR GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2015		207	1,081,104	(35,406)	1,045,905
Year ended 31 December 2015:					
Profit and total comprehensive income for the year		-	-	676,962	676,962
Dividends	12	-	-	(676,962)	(676,962)
Balance at 31 December 2015		207	1,081,104	(35,406)	1,045,905
Year ended 31 December 2016:					
Profit and total comprehensive income for the year		-	-	968,118	968,118
Dividends	12	-	-	(932,712)	(932,712)
Balance at 31 December 2016		207	1,081,104	-	1,081,311

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	27		(979,384)		(3,439,589)
Interest paid			(120,927)		-
Income taxes paid			(217,338)		(309,196)
Net cash outflow from operating activities			<u>(1,317,649)</u>		<u>(3,748,785)</u>
Investing activities					
Purchase of tangible fixed assets		(141,608)		(62,471)	
Proceeds on disposal of tangible fixed assets		-		10,000	
Interest received		781		-	
Net cash used in investing activities			<u>(140,827)</u>		<u>(52,471)</u>
Financing activities					
Payment of finance leases obligations		-		(3,702)	
Dividends paid to equity shareholders		(932,712)		(676,962)	
Net cash used in financing activities			<u>(932,712)</u>		<u>(680,664)</u>
Net decrease in cash and cash equivalents			<u>(2,391,188)</u>		<u>(4,481,920)</u>
Cash and cash equivalents at beginning of year			<u>(4,096,335)</u>		<u>385,585</u>
Cash and cash equivalents at end of year			<u><u>(6,487,523)</u></u>		<u><u>(4,096,335)</u></u>
Relating to:					
Cash at bank and in hand			567,741		501,544
Bank overdrafts included in creditors payable within one year			<u><u>(7,055,264)</u></u>		<u><u>(4,597,879)</u></u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

STR Group Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is 1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD.

The group consists of STR Group Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of STR Group Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Turnover arising from the provision of temporary labour services is recognised over the period that temporary workers are provided.

Turnover arising from the placement of permanent candidates is recognised at the time the candidate commences employment. Provision is made for liabilities arising where employees do not fulfil their specified contractual period.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	25% straight line
Fixtures and fittings	25% straight line
Computers	25% straight line

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, bank overdrafts and invoice discounting facilities that are repayable on demand and therefore are considered to be an integral part of the groups cash management. Bank overdrafts and invoice discounting facilities are shown within cash and cash equivalents.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries are translated into the group's presentational currency at the ruling rate at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Transactions are recognised in other comprehensive income and accumulated in equity.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

2 Prior period adjustments

There directors have identified two prior period adjustments, as detailed below:

Change in accounting policy

The directors have assessed the group's accounting policy of how invoice discounting facilities are disclosed in the financial statements. These facilities have previously been shown within other creditors. The directors consider that it is more appropriate to disclose the invoice discounting facilities within bank overdrafts, as they are held with the Royal Bank of Scotland and are repayable upon demand.

As a result of the change in accounting policy the comparative information has been amended. The invoice discounting facilities totalling £4,596,786 have been classified as bank overdrafts. Bank overdrafts have increased from £1,093 to £4,597,879 and other creditors have decreased from £4,763,197 to £166,411.

Prior period error

The directors have identified an error in the prior period financial statements. Cash flow movements of £4,596,786 in respect of invoice discounting facilities had been included within cash absorbed by operations. This treatment is not in line with FRS 102 as these cashflows are not derived from operating activities.

The directors have assessed that invoice discounting facilities form part of the group's integral cash management. As such, in accordance with the requirements of FRS 102, the invoice discounting facilities are considered to be an element of cash and cash equivalents.

The correction of this error has resulted in invoice discounting facilities being reclassified from cash absorbed by operations to cash and cash equivalents. As a result, the comparative information in these financial statements has been amended. The value of cash generated / (absorbed) by operations has decreased from £1,157,197 to (£3,439,589) and the value of cash and cash equivalents at the end of the year has decreased from £500,451 to (£4,096,335).

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not believe there are any material judgements or key sources of estimation uncertainty in the financial statements.

4 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover analysed by class of business		
Recruitment agency services	56,673,078	46,955,740
	<u>56,673,078</u>	<u>46,955,740</u>
Turnover analysed by geographical market		
	2016 £	2015 £
United Kingdom	40,932,888	33,636,588
Europe	3,303,395	2,800,697
Rest of the World	12,436,795	10,518,455
	<u>56,673,078</u>	<u>46,955,740</u>

5 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2016 Number	2015 Number
Directors	6	5
Administrative staff	21	20
Consultants	132	127
	<u>159</u>	<u>152</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

5 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2016 £	2015 £
Wages and salaries	6,545,969	5,870,208
Social security costs	678,512	630,926
Pension costs	83,732	87,751
	<u>7,308,213</u>	<u>6,588,885</u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	21,670	21,000
Company pension contributions to defined contribution schemes	12,000	22,000
	<u>33,670</u>	<u>43,000</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

7 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(362,304)	25,195
Depreciation of owned tangible fixed assets	59,071	45,349
Profit on disposal of tangible fixed assets	-	(1,002)
Amortisation of intangible assets	98,085	98,085
Operating lease charges	225,329	163,932
	<u></u>	<u></u>

8 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5,000	4,175
Audit of the company's subsidiaries	20,000	20,000
	<u>25,000</u>	<u>24,175</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

9 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	773	-
Other interest income	8	-
	<u>781</u>	<u>-</u>
Total income	<u>781</u>	<u>-</u>

10 Interest payable and similar expenses

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on invoice finance arrangements	120,677	-
Other finance costs:		
Interest on finance leases and hire purchase contracts	250	-
	<u>120,927</u>	<u>-</u>
Total finance costs	<u>120,927</u>	<u>-</u>

11 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	191,096	212,338
	<u>191,096</u>	<u>212,338</u>
Deferred tax		
Origination and reversal of timing differences	14,030	9,329
Changes in tax rates	(1,823)	-
	<u>12,207</u>	<u>9,329</u>
Total deferred tax	<u>12,207</u>	<u>9,329</u>
	<u>203,303</u>	<u>221,667</u>
Total tax charge	<u>203,303</u>	<u>221,667</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	831,078	1,270,468
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	166,216	257,270
Tax effect of expenses that are not deductible in determining taxable profit	24,032	7,248
Effect of change in corporation tax rate	(1,823)	-
Group relief	-	(66,061)
Permanent capital allowances in excess of depreciation	-	(5,981)
Amortisation on assets not qualifying for tax allowances	-	19,862
Deferred tax	-	9,329
Overseas tax losses not recognised as a deferred tax asset	14,878	-
Taxation for the year	203,303	221,667

12 Dividends

	2016 £	2015 £
Interim paid	932,712	676,962

13 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2016 and 31 December 2016	980,850
Amortisation and impairment	
At 1 January 2016	425,036
Amortisation charged for the year	98,085
At 31 December 2016	523,121
Carrying amount	
At 31 December 2016	457,729
At 31 December 2015	555,814

The company had no intangible fixed assets at 31 December 2016 or 31 December 2015.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

13 Intangible fixed assets (Continued)

The amortisation of goodwill is included within administrative expenses.

14 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2016	-	40,884	231,416	272,300
Additions	36,516	58,890	84,508	179,914
At 31 December 2016	36,516	99,774	315,924	452,214
Depreciation and impairment				
At 1 January 2016	-	19,228	140,782	160,010
Depreciation charged in the year	761	9,657	48,653	59,071
At 31 December 2016	761	28,885	189,435	219,081
Carrying amount				
At 31 December 2016	35,755	70,889	126,489	233,133
At 31 December 2015	-	21,656	90,634	112,290

The company had no tangible fixed assets at 31 December 2016 or 31 December 2015.

15 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	16	-	-	2,252,709	2,252,709
Movements in fixed asset investments					
Company					Shares in group undertakings £
Cost or valuation					
At 1 January 2016 and 31 December 2016					2,252,709
Carrying amount					
At 31 December 2016					2,252,709
At 31 December 2015					2,252,709

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
STR Holdings Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Holding	Ordinary	100.00	
I - Vere Consulting Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Kasus Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
MGC Contract*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Excipion Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Oleum Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Zavendi Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Vortice Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

16 Subsidiaries (Continued)

Medicor Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
STR Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Recruitment	Ordinary	100.00
Talos Automation Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
Biovere Resourcing Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
Navis Consulting Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
STR Group USA Inc*	14460 Lakeside Circle, Suite 140, Sterling Heights, Michigan, 48313, United States of America	Recruitment	Ordinary	100.00

* These subsidiary companies have taken the exemption in section 479A of the Companies Act 2006 from the requirements in the Act for their individual accounts to be audited.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	9,883,145	7,492,101	-	-
Amount owed by group undertakings	-	1	-	-
Other debtors	3,115	4,639	-	-
Prepayments and accrued income	1,090,394	133,439	-	-
	<u>10,976,654</u>	<u>7,630,180</u>	<u>-</u>	<u>-</u>

During the year impairment losses of £192,151 (2015 - £nil) was recognised in respect of trade receivables due from customers known to be in financial difficulty or substantially overdue.

18 Creditors: amounts falling due within one year

		Group 2016 £	as restated 2015 £	Company 2016 £	2015 £
	Notes				
Bank loans and overdrafts	20	7,055,264	4,597,879	-	-
Obligations under finance leases	21	13,126	-	-	-
Trade creditors		290,951	150,363	-	-
Amounts due to group undertakings		-	-	1,070,761	1,206,602
Corporation tax payable		71,096	97,338	-	-
Other taxation and social security		1,011,807	1,055,375	-	-
Other creditors		269,472	166,411	100,637	202
Accruals and deferred income		1,521,319	462,690	-	-
		<u>10,233,035</u>	<u>6,530,056</u>	<u>1,171,398</u>	<u>1,206,804</u>

19 Creditors: amounts falling due after more than one year

		Group 2016 £	2015 £	Company 2016 £	2015 £
	Notes				
Obligations under finance leases	21	25,180	-	-	-

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

20 Borrowings

	Group	as restated	Company	
	2016	2015	2016	2015
	£	£	£	£
Bank overdrafts and invoice discounting facilities	7,055,264	4,597,879	-	-
Payable within one year	7,055,264	4,597,879	-	-

Included within bank overdrafts and invoice discounting facilities is £7,043,465 (2015 - £4,596,786) relating to invoice discounting facilities with the Royal Bank of Scotland and are secured by a fixed and floating charge on all assets of the company.

21 Finance lease obligations

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Future minimum lease payments due under finance leases:				
Less than one year	13,126	-	-	-
Between one and five years	25,180	-	-	-
	38,306	-	-	-

22 Financial instruments

	Group	
	2016	2015
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	10,847,358	7,506,340
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
Measured at amortised cost	9,175,312	5,327,343

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2016 £	Liabilities 2015 £
Group		
Accelerated capital allowances	23,662	11,455
	<u>23,662</u>	<u>11,455</u>

The company has no deferred tax assets or liabilities.

	Group 2016 £	Company 2016 £
Movements in the year:		
Liability at 1 January 2016	11,455	-
Charge to profit or loss	12,207	-
	<u>12,207</u>	<u>-</u>
Liability at 31 December 2016	23,662	-
	<u>23,662</u>	<u>-</u>

Of the deferred tax liability set out above, £8,278 is expected to reverse within 12 months in relation to accelerated capital allowances that are expected to mature in the same period.

24 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	83,732	87,751
	<u>83,732</u>	<u>87,751</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £18,869 (2015 - £16,830) were payable to the fund at the year end and are included within creditors.

25 Share capital

	Group and company 2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
207 Ordinary shares of £1 each	207	207
	<u>207</u>	<u>207</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

26 Reserves

Other reserve

The other reserve is in relation to group reconstructions which have taken place historically.

Profit and loss reserves

Cumulative profit or loss net of distribution to owners.

27 Cash generated from group operations

	2016 £	2015 as restated £
Profit for the year after tax	627,775	1,048,801
Adjustments for:		
Taxation charged	203,303	221,667
Finance costs	120,927	-
Investment income	(781)	-
Gain on disposal of tangible fixed assets	-	(1,002)
Amortisation and impairment of intangible assets	98,085	98,085
Depreciation and impairment of tangible fixed assets	59,071	45,349
Movements in working capital:		
(Increase) in debtors	(3,346,474)	(2,901,202)
Increase/(decrease) in creditors	1,258,710	(1,951,287)
Cash absorbed by operations	(979,384)	(3,439,589)

28 Operating lease commitments

Lessee

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

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	298,812	213,870	-	-
Between one and five years	643,059	569,098	-	-
In over five years	-	95,062	-	-
	<u>941,871</u>	<u>878,030</u>	<u>-</u>	<u>-</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Acquisition of tangible fixed assets	<u>35,983</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are selected members of the senior management team and the directors of group companies, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>727,795</u>	<u>582,694</u>

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Remuneration paid 2016 £	2015 £
Group		
Other related parties	<u>110,961</u>	<u>95,332</u>

Other related parties relate to remuneration paid to close family members of directors of group companies.

31 Directors' transactions

Dividends totalling £901,171 (2015 - £654,070) were paid in the year in respect of shares held by the company's directors.

32 Controlling party

The company and group was under the control of R P Crawley during the current and previous year by virtue of his majority shareholding.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

33 Share based payment transactions

During 2014 STR Limited set up an EMI scheme for certain employees. A maximum of two shares per year can be vested from the grant date up to a maximum of 10 shares at an option price of £2,159. The options can only be exercised on an exit event and will be a cash settlement.

The directors have assessed the scheme in place and consider that no options are expected to vest, therefore no charge has been made in these financial statements and no liability has been recorded at the year end.

Consequently, the employee involved in the scheme left the company in January 2017 and the options have therefore lapsed after the year end.