

Company Registration No. 07599922 (England and Wales)

**STR GROUP LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2017**



# STR GROUP LIMITED

## COMPANY INFORMATION

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

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# STR GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present the strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

STR Group is an international staffing company providing specialist contract and permanent services in the STEM sector.

During the year the Group has rationalised its market offering and now operates six micro-specialist brands servicing the Advanced Engineering and Technology, Automation and Robotics, Life Sciences, Maritime, Built Environment and Procurement niches throughout the UK, EMEA and North America.

In addition to the structural and performance enhancements achieved in the period, management has worked to improve cash generation and net debt and whilst the Group's working capital requirement continued to be financed by way of an invoice discounting facility, significant steps have been made in these areas.

Along with restructuring costs mainly associated with the closure of various brands, major investments have been made in the Group's IT infrastructure, learning and development programmes and international legal and compliance expertise.

The Group's results reflect the significant work undertaken by its employees and the board wishes to thank them for their commitment through this period of change.

Whilst there remain global socio-economic uncertainties the board is confident that its strategy in focusing on the talent short STEM sector offers clear opportunities for continued international growth and believes that an ongoing commitment to investing in its employees and the infrastructure that supports them provides a clear value proposition.

For details of the financial performance and financial position of the Group, see the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively.

#### **Principal risks and uncertainties**

In the course of normal business, the group 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 group funding. The group 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 group is active, international data protection requirements and ongoing legislative change initiatives to ensure that company meets its obligations.

Risks posed by current economic and market conditions are managed by ensuring the group operates from an efficient cost base and continually monitors a range of key demand indicators.

## STR GROUP LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Employees

The group'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



R P Crawley

Director

Date: 17.09.2018

# STR GROUP LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their annual report and financial statements for the year ended 31 December 2017.

#### Principal activities

The principal activity of the group continued to be that of the rendering of recruitment agency services on both a temporary and permanent basis.

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 and resigned 11 May 2018)

#### Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £360,904 (2016 - £932,712). Of this amount, £60,904 relates to the financial year 2016 and the remaining £300,000 relates to the financial year 2017. The directors do not recommend payment of a further dividend.

#### Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director 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 pages 1 - 2.

On behalf of the board



R P Crawley  
Director

Date: 17.09.2018

# **STR GROUP LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

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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

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### Opinion

We have audited the financial statements of STR Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STR GROUP LIMITED (CONTINUED)

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### 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

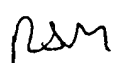



### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of report

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.

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

19 September 2018

# STR GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	<b>3</b>	67,600,183	56,673,078
Cost of sales		(54,641,012)	(46,436,894)
<b>Gross profit</b>		12,959,171	10,236,184
Administrative expenses		(11,533,686)	(9,284,960)
<b>Operating profit</b>	<b>9</b>	1,425,485	951,224
Interest receivable and similar income	<b>6</b>	251	781
Interest payable and similar expenses	<b>7</b>	(231,725)	(120,927)
<b>Profit before taxation</b>		1,194,011	831,078
Tax on profit	<b>11</b>	(355,282)	(203,303)
<b>Profit for the financial year</b>		838,729	627,775
<b>Other comprehensive income net of taxation</b>			
Currency translation differences		11,367	-
<b>Total comprehensive income for the year</b>		850,096	627,775

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 2017**

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Goodwill	14	238,018		457,729	
Tangible assets	15	468,285		233,133	
		<u>706,303</u>		<u>690,862</u>	
<b>Current assets</b>					
Debtors	19	9,734,896		10,976,654	
Cash at bank and in hand		3,314,731		567,741	
		<u>13,049,627</u>		<u>11,544,395</u>	
<b>Creditors: amounts falling due within one year</b>	20	<u>(11,176,320)</u>		<u>(10,233,035)</u>	
<b>Net current assets</b>		<u>1,873,307</u>		<u>1,311,360</u>	
<b>Total assets less current liabilities</b>		<u>2,579,610</u>		<u>2,002,222</u>	
<b>Creditors: amounts falling due after more than one year</b>	21	(40,550)		(25,180)	
<b>Provisions for liabilities</b>	24	(56,488)		(23,662)	
<b>Net assets</b>		<u>2,482,572</u>		<u>1,953,380</u>	
<b>Capital and reserves</b>					
Called up share capital	28	216		207	
Share premium account	29	39,991		-	
Other reserves	29	1,081,104		1,081,104	
Profit and loss reserves	29	1,361,261		872,069	
<b>Total equity attributable to the owners of the parent company</b>		<u>2,482,572</u>		<u>1,953,380</u>	

The financial statements were approved by the board of directors and authorised for issue on 17.09.2018 and are signed on its behalf by:



R P Crawley  
Director

**STR GROUP LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Investments	16		2,252,500		2,252,709
<b>Current assets</b>					
<b>Creditors: amounts falling due within one year</b>	20	(1,131,189)		(1,171,398)	
<b>Net current liabilities</b>			(1,131,189)		(1,171,398)
<b>Total assets less current liabilities</b>			1,121,311		1,081,311
<b>Capital and reserves</b>					
Called up share capital	28		216		207
Share premium account	29		39,991		-
Other reserves	29		1,081,104		1,081,104
<b>Total equity</b>			1,121,311		1,081,311

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 £360,904 (2016 - £968,118 profit).

The financial statements were approved by the board of directors and authorised for issue on 13.09.2018 and are signed on its behalf by:



R P Crawley  
Director

# STR GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2016</b>		207	-	1,081,104	1,177,006	2,258,317
<b>Year ended 31 December 2016:</b>						
Profit and total comprehensive income for the year		-	-	-	627,775	627,775
Dividends	12	-	-	-	(932,712)	(932,712)
<b>Balance at 31 December 2016</b>		207	-	1,081,104	872,069	1,953,380
<b>Year ended 31 December 2017:</b>						
Profit for the year		-	-	-	838,729	838,729
Other comprehensive income net of taxation:						
Currency translation differences on overseas subsidiaries		-	-	-	11,367	11,367
Total comprehensive income for the year		-	-	-	850,096	850,096
Issue of share capital	28	9	39,991	-	-	40,000
Dividends	12	-	-	-	(360,904)	(360,904)
<b>Balance at 31 December 2017</b>		216	39,991	1,081,104	1,361,261	2,482,572

# STR GROUP LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2016</b>		207	-	1,081,104	(35,406)	1,045,905
<b>Year ended 31 December 2016:</b>						
Profit and total comprehensive income for the year		-	-	-	968,118	968,118
Dividends	12	-	-	-	(932,712)	(932,712)
<b>Balance at 31 December 2016</b>		207	-	1,081,104	-	1,081,311
<b>Year ended 31 December 2017:</b>						
Profit and total comprehensive income for the year		-	-	-	360,904	360,904
Issue of share capital	28	9	39,991	-	-	40,000
Dividends	12	-	-	-	(360,904)	(360,904)
<b>Balance at 31 December 2017</b>		216	39,991	1,081,104	-	1,121,311

# STR GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	30		4,272,169		(979,380)
Interest paid			(231,725)		(120,927)
Income taxes paid			(297,618)		(217,338)
<b>Net cash inflow/(outflow) from operating activities</b>			<b>3,742,826</b>		<b>(1,317,645)</b>
<b>Investing activities</b>					
Cash acquired on purchase of business		335	-		-
Purchase of tangible fixed assets		(386,973)		(141,608)	
Proceeds on disposal of tangible fixed assets		7,826		-	
Interest received		251		781	
<b>Net cash used in investing activities</b>			<b>(378,561)</b>		<b>(140,827)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		-		(4)	
Payment of finance leases obligations		(12,132)		-	
Dividends paid to equity shareholders		(360,904)		(932,712)	
<b>Net cash used in financing activities</b>			<b>(373,036)</b>		<b>(932,716)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>2,991,229</b>		<b>(2,391,188)</b>
Cash and cash equivalents at beginning of year			(6,487,523)		(4,096,335)
Effect of foreign exchange rates			(6,967)		-
<b>Cash and cash equivalents at end of year</b>			<b>(3,503,261)</b>		<b>(6,487,523)</b>
<b>Relating to:</b>					
Cash at bank and in hand			3,314,731		567,741
Bank overdrafts included in creditors payable within one year			(6,817,992)		(7,055,264)

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

#### Company information

STR Group Limited ("the company") is a private company limited by shares and is registered 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 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- 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 2017

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#### 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 2017. 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.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

##### **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 between two and ten years.

##### **Tangible fixed assets**

Tangible fixed assets are initially 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 2017

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### 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, 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 2017

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### 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 2017

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### 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.

#### **Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **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.

#### **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.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies (Continued)

#### Share-based payments

The company participates in a share-based payment arrangement granted to its employees and employees of its subsidiaries. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group recognised in its consolidated accounts. The directors consider the number of unvested options granted to the company's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

The expense in relation to options over the company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

#### 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 leased asset are consumed.

#### 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.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 2 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.

### 3 Turnover and other revenue

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

	2017 £	2016 £
<b>Turnover analysed by class of business</b>		
Recruitment agency services	67,600,183	56,673,078
	<u>67,600,183</u>	<u>56,673,078</u>
<b>Turnover analysed by geographical market</b>		
	2017 £	2016 £
United Kingdom	51,184,977	40,932,888
Europe	5,159,195	3,303,395
Rest of the World	11,256,011	12,436,795
	<u>67,600,183</u>	<u>56,673,078</u>

### 4 Employees

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

	Group 2017 Number	2016 Number
Directors	6	6
Administrative staff	25	21
Consultants	139	132
	<u>170</u>	<u>159</u>

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 4 Employees (Continued)

Their aggregate remuneration comprised:

	<b>Group 2017 £</b>	<b>2016 £</b>
Wages and salaries	7,236,245	6,545,969
Social security costs	746,745	678,512
Pension costs	85,290	83,732
	<u>8,068,280</u>	<u>7,308,213</u>

### 5 Directors' remuneration

	<b>2017 £</b>	<b>2016 £</b>
Remuneration for qualifying services	67,434	21,670
Company pension contributions to defined contribution schemes	12,850	12,000
	<u>80,284</u>	<u>33,670</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 2).

### 6 Interest receivable and similar income

	<b>2017 £</b>	<b>2016 £</b>
<b>Interest income</b>		
Interest on bank deposits	251	773
Other interest income	-	8
	<u>251</u>	<u>781</u>

### 7 Interest payable and similar expenses

	<b>2017 £</b>	<b>2016 £</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on invoice finance arrangements	229,168	120,677
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	2,459	250
Other interest	98	-
	<u>231,725</u>	<u>120,927</u>

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8 Share-based payment transactions

##### Equity-settled share option plan - 2017 scheme

Under the group plan, share options are granted at the average price of the Company's shares at the grant date. The employee is only entitled to exercise the share options on an exit event and they must have worked for the group for at least 25 hours a week or 75% of their working time. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before they become entitled to exercise the share options.

Group	Number of share options	
	2017 Number	2016 Number
Outstanding at 1 January 2017	-	-
Granted	200,140	-
Outstanding at 31 December 2017	200,140	-
Exercisable at 31 December 2017	-	-

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Non-vesting conditions have been taken into account when estimating the fair value of the option at grant date. Service conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The options outstanding at 31 December 2017 had an exercise price of £0.0001 each and an expiry date ranging between 25 and 31 October 2027.

No charge has been made to profit and loss in respect of this, on the grounds of immateriality.

##### Cash-settled share-based payments - 2014 scheme

During 2014 STR Limited, a group company, 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 employee involved in the scheme left the company in January 2017 and the options have therefore lapsed.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 9 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	129,943	(362,304)
Depreciation of owned tangible fixed assets	138,388	59,071
Loss on disposal of tangible fixed assets	8,366	-
Amortisation of intangible assets	198,056	98,085
Impairment of intangible assets	391,123	-
Operating lease charges	308,192	225,329
	<u>          </u>	<u>          </u>

### 10 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	5,250	5,000
Audit of the financial statements of the company's subsidiaries	21,000	20,000
	<u>26,250</u>	<u>25,000</u>

### 11 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	387,880	191,096
Adjustments in respect of prior periods	1,346	-
Total current tax	<u>389,226</u>	<u>191,096</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(33,944)	14,030
Changes in tax rates	-	(1,823)
Total deferred tax	<u>(33,944)</u>	<u>12,207</u>
Total tax charge for the year	<u>355,282</u>	<u>203,303</u>

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 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:

	2017 £	2016 £
Profit before taxation	1,194,011	831,078
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	229,847	166,216
Tax effect of expenses that are not deductible in determining taxable profit	134,011	24,032
Adjustments in respect of prior years	1,346	-
Effect of change in corporation tax rate	-	(1,823)
Overseas tax losses not recognised as a deferred tax asset	52,604	14,878
Utilisation of losses	(62,526)	-
Taxation charge for the year	355,282	203,303

#### 12 Dividends

	2017 £	2016 £
Interim paid	360,904	932,712

Of the dividends above, £60,904 relates to the financial year 2016 and the remaining £300,000 relates to the financial year 2017.

#### 13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2017 £	2016 £
In respect of:			
Goodwill	14	391,123	-
Investments		40,209	-
Recognised in:			
Administrative expenses		431,332	-

The impairment losses in respect of financial assets are recognised in administrative expenses in the income statement.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 14 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 January 2017	980,850
Additions - business combinations	369,468
At 31 December 2017	1,350,318
<b>Amortisation and impairment</b>	
At 1 January 2017	523,121
Amortisation charged for the year	198,056
Impairment losses	391,123
At 31 December 2017	1,112,300
<b>Carrying amount</b>	
At 31 December 2017	238,018
At 31 December 2016	457,729

The company had no intangible fixed assets at 31 December 2017 or 31 December 2016.

More information on the impairment arising in the year is given in note 13.

The amortisation of goodwill is included within administrative expenses.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 15 Tangible fixed assets

Group	Leasehold improvements	Fixtures and fittings	Computers	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2017	36,516	99,774	315,924	452,214
Additions	202,710	121,879	65,958	390,547
Disposals	-	(1,321)	(24,785)	(26,106)
Exchange adjustments	-	(197)	(986)	(1,183)
At 31 December 2017	239,226	220,135	356,111	815,472
<b>Depreciation and impairment</b>				
At 1 January 2017	761	28,885	189,435	219,081
Depreciation charged in the year	42,842	38,299	57,247	138,388
Eliminated in respect of disposals	-	(346)	(9,568)	(9,914)
Exchange adjustments	-	(55)	(313)	(368)
At 31 December 2017	43,603	66,783	236,801	347,187
<b>Carrying amount</b>				
At 31 December 2017	195,623	153,352	119,310	468,285
At 31 December 2016	35,755	70,889	126,489	233,133

The company had no tangible fixed assets at 31 December 2017 or 31 December 2016.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	17	-	-	2,252,500	2,252,709

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2017	2,252,709
Additions	40,000
At 31 December 2017	2,292,709
<b>Impairment</b>	
At 1 January 2017	-
Impairment losses	40,209
At 31 December 2017	40,209
<b>Carrying amount</b>	
At 31 December 2017	2,252,500
At 31 December 2016	2,252,709

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Biovere Resourcing Limited**	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	
I - Vere Consulting Limited**	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Kasus Consulting Limited**	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
Medicor Global Limited**	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00	
MGC Contract Recruitment 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
Oleum Resourcing 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 2017

### 17 Subsidiaries (Continued)

STR Group USA Inc*	14460 Lakeside Recruitment Circle, Suite 140, Sterling Heights, Michigan, 48313, United States of America	Ordinary	100.00
STR Holdings Limited	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
STR Limited	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
Talos Automation Limited*	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
Vortice Aviation Limited**	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
Zavendi Limited**	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
Validus Associates Ltd***	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00
Validus Associates Interims Limited**	1 Quay Point, Northharbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100.00

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Subsidiaries (Continued)

Geostaff Group Limited**	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
Blackfield Associates Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
Stride Recruitment Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100.00
Stream Resourcing Limited*	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	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.

\*\* Dissolved after the financial year on 20 March 2018.

\*\*\* Dissolved after the financial year on 21 August 2018.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 18 Acquisitions

On 16 March 2017, the group acquired, under a share exchange, 100 percent of the issued capital of Validus Associates Limited for consideration of £40,000. On 31 March 2017, the trade and assets were transferred to STR Limited, a subsidiary company.

Validus Associates Limited has been accounted for using the acquisition method of accounting. At the acquisition date, the assets and liabilities of Validus Associates Limited were consolidated at their fair values, as set out below:

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	3,574	-	3,574
Trade and other receivables	4,922	-	4,922
Cash and cash equivalents	335	-	335
Trade and other payables	(389,123)	51,000	(338,123)
Tax liabilities	(176)	-	(176)
Total identifiable net assets	(380,468)	51,000	(329,468)
Goodwill			369,468
Total consideration			40,000
The consideration was satisfied by:			£
Issue of shares			40,000

The goodwill arising on acquisition of £369,468 has been fully impaired in the year ended 31 December 2017.

### 19 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
<b>Amounts falling due within one year:</b>				
Trade debtors	8,253,601	9,883,145	-	-
Unpaid share capital	4	4	-	-
Other debtors	2,611	3,111	-	-
Prepayments and accrued income	1,468,398	1,090,394	-	-
	9,724,614	10,976,654	-	-
Deferred tax asset (note 26)	10,282	-	-	-
	9,734,896	10,976,654	-	-

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 19 Debtors (Continued)

During the year impairment losses of £123,980 (2016 - £192,151) was recognised in respect of trade receivables due from customers known to be in financial difficulty or substantially overdue.

### 20 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	22	6,817,992	7,055,264	-	-
Obligations under finance leases	23	13,124	13,126	-	-
Trade creditors		242,392	290,951	-	-
Amounts due to group undertakings		-	-	1,130,987	1,070,761
Corporation tax payable		162,880	71,096	-	-
Other taxation and social security		1,194,479	1,011,807	-	-
Other creditors		408,187	269,472	202	100,637
Accruals and deferred income		2,337,266	1,521,319	-	-
		<u>11,176,320</u>	<u>10,233,035</u>	<u>1,131,189</u>	<u>1,171,398</u>

### 21 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Obligations under finance leases	23	13,050	25,180	-	-
Other creditors		27,500	-	-	-
		<u>40,550</u>	<u>25,180</u>	<u>-</u>	<u>-</u>

### 22 Borrowings

		Group 2017 £	2016 £	Company 2017 £	2016 £
Bank overdrafts and invoice discounting facility		<u>6,817,992</u>	<u>7,055,264</u>	<u>-</u>	<u>-</u>
Payable within one year		<u>6,817,992</u>	<u>7,055,264</u>	<u>-</u>	<u>-</u>

Included within bank overdrafts and invoice discounting facilities is £6,817,992 (2016 - £7,043,465) 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.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 23 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Less than one year	13,124	13,126	-	-
Between one and five years	13,050	25,180	-	-
	<u>26,174</u>	<u>38,306</u>	<u>-</u>	<u>-</u>

### 24 Provisions for liabilities

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Onerous future costs		17,850	-	-	-
Onerous lease costs		38,638	-	-	-
		<u>56,488</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities	26	-	23,662	-	-
		<u>56,488</u>	<u>23,662</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	Onerous future costs £	Onerous lease costs £	Total £
Additional provisions in the year	<u>17,850</u>	<u>38,638</u>	<u>56,488</u>

Onerous future costs relate to capitalised IT project costs for a project that will no longer be implemented.  
Onerous lease costs relate to the US offices which are no longer occupied.

### 25 Financial instruments

	Group 2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	<u>9,274,208</u>	<u>10,847,358</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<u>9,819,767</u>	<u>9,175,312</u>

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 26 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
<b>Group</b>				
Accelerated capital allowances	-	23,662	10,282	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The company has no deferred tax assets or liabilities.

	Group 2017 £	Company 2017 £
<b>Movements in the year:</b>		
Liability at 1 January 2017	23,662	-
Credit to profit or loss	(33,944)	-
	<u>          </u>	<u>          </u>
Liability/(asset) at 31 December 2017	(10,282)	-
	<u>          </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.

### 27 Retirement benefit schemes

	2017 £	2016 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	85,290	83,732
	<u>          </u>	<u>          </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 £15,153 (2016 - £18,869) were payable to the fund at the year end and are included within creditors.

# STR GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 28 Share capital

	Group and company	
	2017	2016
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
207 Ordinary £1 shares of £1 each	-	207
2,000,000 Ordinary shares of £0.0001 each	200	-
156,300 A Ordinary share of £0.0001 each	16	-
	<u>216</u>	<u>207</u>

During the year, 207 Ordinary shares of £1 each were subdivided into 20,700 Ordinary shares of £0.01 each.

863 Ordinary A shares of £0.01 each with a nominal value of £9 were then issued for consideration of £40,000 to acquire Validus Associates Limited.

20,700 Ordinary shares of £0.01 each and 863 Ordinary A shares of £0.01 were then subdivided into 2,070,000 Ordinary shares of £0.0001 each and 86,300 Ordinary A shares of £0.0001 each respectively.

Both Ordinary and Ordinary A shares have attached to them full voting, dividends and capital distribution rights. On a return of capital, ordinary shares receive 92.75% of the balance and ordinary A shares 7.25%.

### 29 Reserves

#### Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

#### 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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 30 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	838,729	627,775
Adjustments for:		
Taxation charged	355,282	203,303
Finance costs	231,725	120,927
Investment income	(251)	(781)
Loss on disposal of tangible fixed assets	8,366	-
Amortisation and impairment of intangible assets	589,179	98,085
Depreciation and impairment of tangible fixed assets	138,388	59,071
Increase in provisions	56,488	-
Movements in working capital:		
Decrease/(increase) in debtors	1,232,786	(3,346,470)
Increase in creditors	821,477	1,258,710
<b>Cash generated from/(absorbed by) operations</b>	<b>4,272,169</b>	<b>(979,380)</b>

### 31 Operating lease commitments

#### Lessee

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

	Group 2017 £	2016 £	Company 2017 £	2016 £
Within one year	351,756	298,812	-	-
Between one and five years	545,891	643,059	-	-
	<u>897,647</u>	<u>941,871</u>	<u>-</u>	<u>-</u>

### 32 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Acquisition of tangible fixed assets	<u>76,313</u>	<u>35,983</u>	<u>-</u>	<u>-</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 33 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.

	2017 £	2016 £
Aggregate compensation	642,698	727,795

##### Transactions with related parties

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

	Remuneration paid	
	2017 £	2016 £
Group		
Other related parties	44,200	110,961

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

#### 34 Directors' transactions

Dividends totalling £358,844 (2016 - £901,171) were paid in the year in respect of shares held by the company's directors.

#### 35 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.