

Registered number: 07599922

STR GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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STR GROUP LIMITED

COMPANY INFORMATION

Directors	R P Crawley C J Hutchings
Registered number	07599922
Registered office	1 Quay Point Northarbour Road Portsmouth Hampshire PO6 3TD
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditor 4th Floor Cumberland House 15-17 Cumberland Place Southampton Hampshire SO15 2BG

STR GROUP LIMITED

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STR GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their Group Strategic Report for the year ended 31 December 2021.

Business review

STR Group is an international staffing group providing specialist contract and permanent services into the STEM sector. It operates six micro-specialist brands servicing the Advanced Engineering and Technology, Automation and Robotics, Life Sciences, Maritime and Built Environment sectors.

2021 saw the Group bounce back from the worst effects of the Covid-19 pandemic. Some brands were worse hit than others but all have recovered well. The business saw a record 4th quarter performance and trading in 2022 has continued to be very strong.

2021 also saw significant investment in staff premises and IT, both hardware and software. The lease at the Port Solent premises expired and all staff were relocated to the Quay Point offices. The upper floor of the Quay Point building had become vacant in late 2020 and it presented an ideal opportunity to have all the Portsmouth staff in a single location. STR has taken on a new 10 year lease and the premises are undergoing a major facelift to give each brand their own "themed" work area. At the same time all staff received upgraded IT equipment enabling them to work securely from any location should they prefer that flexibility. The refit also created space for a dedicated training academy which has already see two intakes of recruits graduating in early 2022.

Funds have been set aside for further investment in 2022 and are largely being used to fuel international growth and in particular contract revenues.

The USA market is very buoyant and several of the brands are now active there. In Europe, the Group set up a Swiss subsidiary in 2021 primarily to serve the life sciences market. It is in the process of obtaining the necessary operating licences but will be trading in the latter part of 2022. A Dutch subsidiary has also been established during 2022 as the base for all EU activity.

It is a requirement that the directors report on the use of certain Key Performance Indicators ("KPI") to run and monitor the business. As the business emerged from the pandemic the focus was firmly on cost control and cash flow management but also taking opportunities to drive growth. Of particular relevance are the returns obtained by brand per £ of staff cost along with the Group trading result.

STR GROUP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

In the course of normal business, the board of directors regularly assess significant risks faced and take action to mitigate the potential impacts. Few businesses, including STR Group Limited, would have included global pandemic in their risk registers at the start of 2020.

It became clear that the Group's activities and volume levels were affected by external events over which the directors have no influence. But the spread of business activity helped mitigate the worst ravages of the pandemic and the Group has emerged all the stronger.

Financially the business continues to use invoice discounting to help bridge the gap between paying contractors and collecting customer debt. It has been able to manage its finance function to ensure plenty of headroom in that facility. There were remarkably few instances of bad debts in 2021 (even though insurance is in place). The credit management processes were further refined during 2021 with the addition of a method of identifying what is or is not "good" business through a combination of margin assessment and credit worthiness. As a result, the Group's free cash (measured as cash balances plus the headroom on its invoice discounting, less working capital reserves and the next 12 months non trading cash commitments) is at a level that can readily take advantage of growth opportunities.

This report was approved by the board and signed on its behalf.

Richard Crawley
Richard Crawley (Sep 27, 2022 14:53 GMT+1)

R P Crawley
Director

Date: 27/09/2022

STR GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £932,709 (2020 - £441,229).

During the year, interim dividends of £150,000 (2020 - £300,000) were paid.

Directors

The directors who served during the year were:

R P Crawley
C J Hutchings

Matters covered in the Group Strategic Report

Where necessary, disclosures relating to future developments have been made in the Group Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

STR GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

This report was approved by the board and signed on its behalf.

Richard Crawley

Richard Crawley (Sep 27, 2022 14:53 GMT+1)

R P Crawley
Director

Date: 27/09/2022

STR GROUP LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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

We have audited the financial statements of STR Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt and the notes to the financial statements, including 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 of the Parent Company's affairs as at 31 December 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

STR GROUP LIMITED

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the audit:

- the information given in the Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 or 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 5, 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.

STR GROUP LIMITED

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

The areas identified in this discussion were:

- Valuation of the investments, as these are estimates made by management
- Payment of bonuses based on profits, which creates an incentive for management to manipulate results.
- Manipulation of the financial statements, especially revenue, via fraudulent journal entries, particularly as the size of the Company means that there is little opportunity for segregation of duties.
- Government grants, via fraudulent claims, due to the size of grants made

These areas were communicated to the other members of the engagement team not present at the discussion.

STR GROUP LIMITED

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

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in estimates and judgements identified above, and comparison to market data and post-year-end data as appropriate.
- Substantive work on material areas affecting profits.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and those posted at unusual times.
- Reviewing government grant claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Edmonds

Andrew Edmonds (Sep 27, 2022 15:17 GMT+1)

Andrew Edmonds (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditor

4th Floor Cumberland House

15-17 Cumberland Place

Southampton

Hampshire

SO15 2BG

Date: 27/09/2022

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	43,189,106	38,311,836
Cost of sales		(32,588,392)	(30,588,751)
Gross profit		10,600,714	7,723,085
Administrative expenses		(9,718,878)	(8,126,755)
Other operating income	5	358,113	1,083,049
Operating profit	6	1,239,949	679,379
Interest receivable and similar income	10	2,963	1,251
Interest payable and similar expenses	11	(41,584)	(106,323)
Profit before taxation		1,201,328	574,307
Tax on profit	12	(268,619)	(133,078)
Profit for the financial year		932,709	441,229
Currency translation differences	2.4	2,196	44,588
Total comprehensive income for the year		934,905	485,817

The notes on pages 19 to 39 form part of these financial statements.

STR GROUP LIMITED
REGISTERED NUMBER:07599922

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	14	-	59,503
Tangible assets	15	211,039	159,739
		<u>211,039</u>	<u>219,242</u>
Current assets			
Debtors: amounts falling due within one year	17	8,503,699	7,690,318
Cash at bank and in hand	18	1,703,501	2,810,986
		<u>10,207,200</u>	<u>10,501,304</u>
Creditors: amounts falling due within one year	19	(8,384,327)	(7,292,565)
Net current assets		<u>1,822,873</u>	<u>3,208,739</u>
Total assets less current liabilities		<u>2,033,912</u>	<u>3,427,981</u>
Creditors: amounts falling due after more than one year	20	(733,343)	(933,333)
Provisions for liabilities			
Deferred taxation	22	(42,461)	(21,445)
Other provisions	23	(15,000)	(15,000)
		<u>(57,461)</u>	<u>(36,445)</u>
Net assets		<u><u>1,243,108</u></u>	<u><u>2,458,203</u></u>
Capital and reserves			
Called up share capital	24	207,000	207
Share premium account	25	-	39,991
Capital redemption reserve	25	9	9
Other reserves	25	86,302	1,081,104
Reserve for own shares	25	(2,000,000)	-
Profit and loss account	25	2,949,797	1,336,892
Shareholders' funds		<u><u>1,243,108</u></u>	<u><u>2,458,203</u></u>

STR GROUP LIMITED
REGISTERED NUMBER:07599922

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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

Richard Crawley

Richard Crawley (Sep 27, 2022 14:53 GMT+1)

R P Crawley
Director

Date: 27/09/2022

The notes on pages 19 to 39 form part of these financial statements.

STR GROUP LIMITED
REGISTERED NUMBER:07599922

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	16	2,340,635	2,252,500
		<u>2,340,635</u>	<u>2,252,500</u>
Current assets			
Debtors: amounts falling due within one year	17	150,000	945,000
		<u>150,000</u>	<u>945,000</u>
Creditors: amounts falling due within one year	19	(3,385,312)	(2,076,189)
Net current liabilities		<u>(3,235,312)</u>	<u>(1,131,189)</u>
Net (liabilities)/assets		<u>(894,677)</u>	<u>1,121,311</u>
Capital and reserves			
Called up share capital	24	207,000	207
Share premium account	25	-	39,991
Capital redemption reserve	25	9	9
Other reserves	25	86,302	1,081,104
Reserve for own shares	25	(2,000,000)	-
Profit and loss account	25	812,012	-
Shareholders' (deficit)/funds		<u>(894,677)</u>	<u>1,121,311</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Company for the year was £134,012 (2020 - £300,000).

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

Richard Crawley
Richard Crawley (Sep 27, 2022 14:53 GMT+1)

R P Crawley
Director

Date: 27/09/2022

The notes on pages 19 to 39 form part of these financial statements.

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Reserve for own shares £	Profit and loss account £	Total equity £
At 1 January 2020	207	39,991	9	1,081,104	-	1,151,075	2,272,386
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	441,229	441,229
Currency translation differences	-	-	-	-	-	44,588	44,588
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(300,000)	(300,000)
At 1 January 2021	207	39,991	9	1,081,104	-	1,336,892	2,458,203
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	932,709	932,709
Currency translation differences	-	-	-	-	-	2,196	2,196
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(150,000)	(150,000)
Shares issued during the year	1,034,793	(39,991)	-	(994,802)	-	-	-
Shares redesignated during the year	(828,000)	-	-	-	(2,000,000)	828,000	(2,000,000)
At 31 December 2021	207,000	-	9	86,302	(2,000,000)	2,949,797	1,243,108

STR GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Reserve for own shares £	Profit and loss account £	Total equity £
At 1 January 2020	207	39,991	9	1,081,104	-	-	1,121,311
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	300,000	300,000
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(300,000)	(300,000)
At 1 January 2021	207	39,991	9	1,081,104	-	-	1,121,311
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	134,012	134,012
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(150,000)	(150,000)
Shares issued during the year	1,034,793	(39,991)	-	(994,802)	-	-	-
Shares redesignated during the year	(828,000)	-	-	-	(2,000,000)	828,000	(2,000,000)
At 31 December 2021	207,000	-	9	86,302	(2,000,000)	812,012	(894,677)

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	932,709	441,229
Adjustments for:		
Amortisation of intangible assets	59,503	59,505
Depreciation of tangible assets	114,756	182,846
Loss on disposal of tangible assets	1,098	-
Interest paid	41,584	106,323
Interest received	(2,963)	(1,251)
Taxation charge	258,287	133,078
Increase in debtors	(801,170)	(1,380,962)
Increase in creditors	348,949	1,535,780
Corporation tax paid	(187,586)	(51,984)
Increase in provisions	-	15,000
Net cash generated from operating activities	765,167	1,039,564
Cash flows from investing activities		
Purchase of tangible fixed assets	(167,154)	(9,654)
Interest received	2,963	1,251
Loan issued to Trust	(2,000,000)	-
Net cash used in investing activities	(2,164,191)	(8,403)
Cash flows from financing activities		
New secured loans	-	1,000,000
Repayment of loans	(66,665)	-
Dividends paid	(150,000)	(300,000)
Interest paid	(41,584)	(106,323)
Net cash (used in)/generated from financing activities	(258,249)	593,677
Net (decrease)/increase in cash and cash equivalents	(1,657,273)	1,624,838

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash and cash equivalents at beginning of year	(1,014,186)	(2,683,612)
Foreign exchange gains and losses	(8,906)	44,588
Cash and cash equivalents at the end of year	<u>(2,680,365)</u>	<u>(1,014,186)</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,703,501	2,810,986
Bank overdrafts	(4,383,866)	(3,825,172)
	<u>(2,680,365)</u>	<u>(1,014,186)</u>

STR GROUP LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	2,810,986	(1,107,485)	1,703,501
Invoice discounting facility	(3,825,172)	(558,694)	(4,383,866)
Bank debt	(1,000,000)	66,665	(933,335)
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STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

STR Group Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 07599922). The registered office address is 1 Quay Point, Northharbour Road, Cosham, Portsmouth, Hampshire, PO6 3TD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the Group and the Parent Company would be identical;
- No Statement of Cash Flows has been presented for the Parent Company; and
- No disclosures have been given for the aggregate remuneration to the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis.

The directors have carefully reviewed the future prospects of the Group and its future cash flows, including an assessment of the ongoing impact of the COVID-19 pandemic. Based on the cash flow forecasts prepared the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least the next 12 months from signing of these financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using monthly exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for 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.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in profit or loss in the same period as the related expenditure.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to profit or loss over its useful economic life which is between two and ten years.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	25% straight-line
Fixtures and fittings	-	25% straight-line
Computer equipment	-	25% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of 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 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.

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2.16 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. The fair value determined at the grant date is expense 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.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Dividends

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company'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 if the revision affects only that period, or in the period of the revision and future periods if 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.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Turnover

The whole of the turnover is attributable to recruitment agency services.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	29,016,351	29,367,653
Rest of Europe	6,789,758	4,254,798
Rest of the world	7,382,997	4,689,385
	<u>43,189,106</u>	<u>38,311,836</u>

5. Other operating income

	2021 £	2020 £
Other operating income	24,765	-
Furlough support income	333,348	1,083,049
	<u>358,113</u>	<u>1,083,049</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Exchange differences	57,933	(67,389)
Operating lease rentals	<u>233,899</u>	<u>201,269</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	22,025	21,000
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	4,250	4,250
Other services relating to taxation	4,500	4,500
All other services	9,925	4,700
	18,675	13,450

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	Group 2020 £
Wages and salaries	6,897,072	5,945,475
Social security costs	812,144	608,051
Cost of defined contribution scheme	171,220	129,338
	7,880,436	6,682,864

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Directors	2	2
Administrative staff	26	31
Recruitment consultant	108	113
	136	146

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £Nil).

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	171,613	36,493
Company contributions to defined contribution pension schemes	36,250	12,000
	<u>207,863</u>	<u>48,493</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £87,746 (2020 - £21,161).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,000 (2020 - £6,000).

10. Interest receivable

	2021 £	2020 £
Interest on bank deposits	<u>2,963</u>	<u>1,251</u>

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	41,584	87,710
Other interest payable	-	18,613
	<u>41,584</u>	<u>106,323</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	258,280	169,816
Adjustments in respect of previous periods	(10,677)	(12,905)
Total current tax	247,603	156,911
Deferred tax		
Origination and reversal of timing differences	14,244	(29,160)
Effect of tax rate change on opening balance	6,772	5,327
Total deferred tax	21,016	(23,833)
Taxation on profit on ordinary activities	268,619	133,078

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	1,201,328	574,307
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	228,252	109,118
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	44,239	27,060
Capital allowances for year in excess of depreciation	(8,051)	4,476
Adjustments to tax charge in respect of prior periods	(6,012)	(12,905)
Remeasurement of deferred tax for changes in tax rates	10,191	5,329
Total tax charge for the year	268,619	133,078

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Taxation (continued)

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

13. Dividends

	2021 £	2020 £
Interim paid	150,000	300,000

14. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2021	1,350,318
At 31 December 2021	1,350,318
Amortisation	
At 1 January 2021	1,290,815
Charge for the year	59,503
At 31 December 2021	1,350,318
Net book value	
At 31 December 2021	-
At 31 December 2020	59,503

The Company had no intangible assets at 31 December 2021 (2020 - £Nil).

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Tangible fixed assets

Group

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2021	299,272	252,670	490,695	1,042,637
Additions	-	18,363	148,791	167,154
Disposals	(87,688)	(23,785)	(179,452)	(290,925)
At 31 December 2021	211,584	247,248	460,034	918,866
Depreciation				
At 1 January 2021	264,702	219,601	398,595	882,898
Charge for the year	31,917	24,718	58,121	114,756
Disposals	(86,884)	(23,491)	(179,452)	(289,827)
At 31 December 2021	209,735	220,828	277,264	707,827
Net book value				
At 31 December 2021	1,849	26,420	182,770	211,039
At 31 December 2020	34,570	33,069	92,100	159,739

The Company had no tangible fixed assets at 31 December 2021 (2020 - £Nil).

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2021	2,252,500
Additions	88,135
At 31 December 2021	<u>2,340,635</u>

STR GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Blackfield Associates Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100%
Insignis Talent Limited (Formerly Excipion Limited)	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100%
STR Group USA Inc	14460 Lakeside Circle, Suite 140, Sterling Heights, Michigan, 48313, United States of America	Recruitment	Ordinary	100%
BeMoreUrban Limited (Formerly STR Holdings Limited)	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Holding	Ordinary	100%
Stream Resourcing Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100%
Stride Recruitment Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100%
STR AG	Ibelweg 18A, 6300 Zug	Dormant	Ordinary	100%
Navis Consulting Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Dormant	Ordinary	100%
STR Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Recruitment	Ordinary	100%
Talos Automation Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Non-trading	Ordinary	100%

On 5th July 2022 the internal ownership structure of the Group changed, STR Limited, Navis Consulting Limited and Talos Automation Limited are now direct subsidiaries of STR Group Limited. On the same date two subsidiary entities changed their name as detailed above.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Blackfield Associates Limited	1	-
Insignis Talent Limited (Formerly Excipion Limited)	1	-
STR Group USA Inc	111,465	55,280
BeMoreUrban Limited (Formerly STR Holdings Limited)	233,493	150,000
Stream Resourcing Limited	1	-
Stride Recruitment Limited	1	-
STR AG	78,308	(9,827)
Navis Consulting Limited	3	-
STR Limited	4,055,252	959,876
Talos Automation Limited	100	-

17. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	6,869,894	6,761,294	-	-
Amounts owed by group undertakings	-	-	150,000	945,000
Other debtors	42,693	336,923	-	-
Called up share capital not paid	4	4	-	-
Prepayments and accrued income	1,591,108	592,097	-	-
	<u>8,503,699</u>	<u>7,690,318</u>	<u>150,000</u>	<u>945,000</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. Cash and cash equivalents

	Group 2021 £	Group 2020 £
Cash at bank and in hand	1,703,501	2,810,986
Less: bank overdrafts	(4,383,866)	(3,825,172)
	<u>(2,680,365)</u>	<u>(1,014,186)</u>

19. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank overdrafts	4,383,866	3,825,172	-	-
Bank loans	199,992	66,667	-	-
Trade creditors	211,531	169,883	-	-
Amounts owed to group undertakings	-	-	3,385,110	2,075,987
Corporation tax	189,430	139,745	-	-
Other taxation and social security	719,682	1,822,711	-	-
Other creditors	793,740	321,924	202	202
Accruals and deferred income	1,886,086	946,463	-	-
	<u>8,384,327</u>	<u>7,292,565</u>	<u>3,385,312</u>	<u>2,076,189</u>

Included within bank overdrafts is £4,383,866 (2020 - £3,825,172) relating to invoice discounting facilities with NatWest and are secured by a fixed and floating charge on all assets of the Group.

20. Creditors: Amounts falling due after more than one year

	Group 2021 £	Group 2020 £
Bank loans	<u>733,343</u>	<u>933,333</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. Loans

	Group 2021 £	Group 2020 £
Amounts falling due within one year		
Bank loans	199,992	66,667
Amounts falling due 1-2 years		
Bank loans	199,992	199,992
Amounts falling due 2-5 years		
Bank loans	533,351	599,976
Amounts falling due after more than 5 years		
Bank loans	-	133,365
	933,335	1,000,000

Bank loans include the Coronavirus Business Interruption Loan Scheme (CBILs) exercised by the Group during the pandemic. Under the scheme rules, the loan is repayable over the next 6 years and accrues interest at 2.24% above base rate. Interest accrued in the first 12 months is payable by the UK Government. The loan is secured on assets of the Group.

22. Deferred taxation

Group

	2021 £	2020 £
At beginning of year	21,445	45,278
Charged to profit or loss	21,016	(23,833)
At end of year	42,461	21,445

The provision for deferred taxation is made up as follows:

	Group 2021 £	Group 2020 £
Accelerated capital allowances	48,756	25,090
Short-term timing differences	(6,295)	(3,645)
	42,461	21,445

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Provisions

Group

	Dilapidations £
At 1 January 2021	15,000
At 31 December 2021	<u>15,000</u>

24. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
70,000 A Ordinary shares of £0.10 each	7,000	7
1,593,900 Ordinary shares of £0.10 each	159,390	200
406,100 Growth shares of £0.10 each	40,610	-
	<u>207,000</u>	<u>207</u>

Both Ordinary and A Ordinary shares have attached to them full voting, dividends and capital distribution rights.

Growth shares do not have attached to them any voting, dividends or capital distribution rights.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Share capital (continued)

In January 2021 the two controlling shareholders each sold blocks of Ordinary Shares, totalling 406,100 shares with nominal value £0.0001p each, to a newly created Employee Share Ownership Plan. To finance the transaction the Company lent the ESOP Trustee £2m.

The shares held by the Trustee were redesignated Growth Shares in March 2021 with nil value. At the same time a new Share Option Scheme was created and replaced the 2017 scheme. Under the ESOP, share options over the 406,100 Growth Shares have been granted to certain employees.

The Company notified the Trust that it "intended to make a contribution to the ESOP of £2m to compensate for the reduction in value" subject to certain conditions.

In June 2022 the loan to the Trustee was repaid and the Company made the contribution of £2m

In December 2021 the Company went through a series of processes to enable it to convert a Merger Reserve into distributable reserves and to increase the share capital.

This involved an issue of bonus shares to all shareholders at a rate of 4,999 to every one share (irrespective of class) currently held. The issue was funded using the share premium of £39,991 and £994,802 of the non-distributable merger reserve – a total of £1,034,793. That increased the total shares in issue to 10,350,000,000 and a total nominal value of £1,035,000.

That was followed by cancellation of 80% of the value of the shares, which converted the shares into a par value of £0.000020 each. That released £828,000 to distributable reserves.

All shares were then reclassified into 10p shares. That consolidated the shares into 2,070,000 shares of 10p resulting in a total paid up share capital of £207,000.

25. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the nominal value of shares that the Company has bought back.

Other reserves

This reserve relates to group reconstructions which have taken place historically.

Reserve for own shares

This reserve is a result of an internal group restructure.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

26. Share-based payments

The 2017 Employee Share Option Plan was cancelled on 6 January 2021.

On 15 March 2022 a new plan was established.

Equity-settled share option plan

Under the Group Plan, share options are granted at the market price of the Company's Growth 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. No charge has been made to profit or loss in respect of this on the grounds of immateriality.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.0001	406,100	0.0001	71,280
Outstanding at the end of the year	0.0001	406,100	0.0001	71,280

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 2021 had an exercise price of £0.0001 each and an expiry date ranging between 25 and 31 October 2027.

27. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £17,220 (2020 - £129,702). Contributions totalling £36,196 (2020 - £46,206) were payable to the fund at the reporting date.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

28. Commitments under operating leases

At 31 December the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	69,324	127,274
Later than 1 year and not later than 5 years	858,240	3,548
Later than 5 years	1,019,160	-
	<u>1,946,724</u>	<u>130,822</u>

29. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

During the year, the Group remunerated key management personnel £506,180 (2020 - £486,915).

During the year, the Company remunerated close family members of key management personnel £51,819 (2020 - £32,049).

During the year, the directors repaid the loan balances owed from the prior period. Additional amounts were loaned by the directors to the Company totalling £499,908. The balance remains outstanding at year-end and is presented in other creditors.

The directors also control a Trust. Details of transactions with this Trust during the year are provided in note 24.

30. Post balance sheet events

There have been no significant events affecting the Company since the year end.

31. Controlling party

The directors do not consider there to be an ultimate controlling party.