

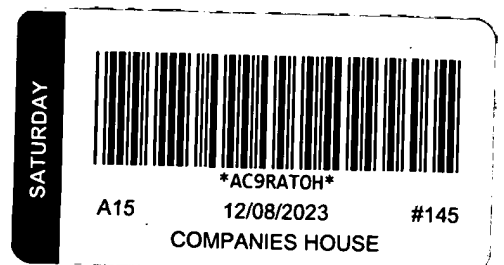
Registered number: 07599922

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STR GROUP LIMITED

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022



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STR GROUP LIMITED

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COMPANY INFORMATION

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Directors	D R Day (appointed 26 January 2023) C J Hutchings B Stephens (appointed 26 January 2023)
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

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STR GROUP LIMITED

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## STR GROUP LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Introduction

The directors present their Group Strategic Report for the year ended 31 December 2022.

#### 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.

2022 was a record year for the group with net fee income (NFI or gross margin) exceeding £14m, sustaining the strong growth post pandemic. Most of the year on year growth came from international activity which in 2021 provided 32% of NFI. In 2022 that percentage was 47% and in value terms meant a doubling of international NFI. While there was international growth in both permanent and contract placements the majority of the value is in contract business.

2022 saw completion of the facelift of the Quay Point offices which gives each brand its own "themed" work area.

In January 2023 there was a significant change in group ownership as a result of a management buyout. The new Board is fully committed to continuing the growth in international activity and anticipates a stronger physical presence in the USA (the group's main international market) and in Switzerland where STR AG now has its SECO licences and is now fully trading.

A Dutch subsidiary was established during 2022 as a base for all EU activity and a gradual migration of business from the UK trading entity to that subsidiary is expected during 2023.

It is a requirement that the directors report on the use of certain Key Performance Indicators ("KPI") to run and monitor the business. The business focuses specifically on KPIs such as the returns obtained by brand per £ of staff cost along with the group trading result.

#### 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.

It has become clear over the last three years that the activities of most businesses are affected by external events over which the directors of a business have no influence. But the spread of business activity within STR helped mitigate the worst ravages of the pandemic and the group has emerged all the stronger for the significant strategic planning that took place in 2020.

As the group's international activities continue to grow it has invested in its legal and compliance team and in using experienced legal and corporate advisers in the relevant jurisdictions.

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 2022 (even though insurance is in place). The MBO at the beginning of 2023 was achieved partly through headroom available in its invoice discounting facility but only to a level that allows it to maintain an adequate level of working capital.

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STR GROUP LIMITED

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GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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

*Brett Stephens*  
Brett Stephens (Jul 26, 2023 12:26 GMT+1)

**B Stephens**  
Director

Date: 26/07/2023

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## STR GROUP LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their report and the financial statements for the year ended 31 December 2022.

#### 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 £168,242 (2021 - £932,709).

During the year, interim dividends of £411,084 (2021 - £150,000) were paid.

#### Directors

The directors who served during the year were:

C J Hutchings

R P Crawley (resigned 26 January 2023)

#### 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

Since the year end the entire share capital of STR Group Limited has been acquired by STR Quaypoint Limited, a newly formed company controlled by three existing directors of the main trading subsidiary STR Limited.

STR Quaypoint Limited offered the shareholders in STR Group Limited a cocktail of shares, loan notes and cash. To facilitate the transaction STR Limited was able to draw down approximately £4m from its existing invoice discounting facility. Those funds were lent to STR Group Limited which lent them on to STR Quaypoint Limited.

The timing of the loan note repayments by STR Quaypoint Limited will be influenced by the Group's future trading profitability and cash generation.

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STR GROUP LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**Auditor**

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

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

*Brett Stephens*  
Brett Stephens (Jul 26, 2023 12:26 GMT+1)

**B Stephens**  
Director

Date: 26/07/2023

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STR GROUP LIMITED

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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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.



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## 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 2022 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 2022 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.

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## STR GROUP LIMITED

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

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#### 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 Group 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Company or to cease operations, or have no realistic alternative but to do so.

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## STR GROUP LIMITED

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

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#### **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 Group's and Parent 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 Group and Parent 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 Group and Parent 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.

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.

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STR GROUP LIMITED

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

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A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 (Jul 26, 2023 12:55 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: 26/07/2023

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	52,395,252	43,189,106
Cost of sales		(37,963,028)	(32,588,392)
<b>Gross profit</b>		<b>14,432,224</b>	<b>10,600,714</b>
Administrative expenses		(11,779,080)	(9,718,878)
Other operating income	5	1,959	358,113
<b>Operating profit before costs relating to the exercise of share options</b>	6	<b>2,655,103</b>	<b>1,239,949</b>
Share option charge	26	(1,920,000)	-
<b>Operating profit after costs relating to the exercise of share options</b>		<b>735,103</b>	<b>1,239,949</b>
Interest receivable and similar income	10	167	2,963
Interest payable and similar expenses	11	(21,911)	(41,584)
<b>Profit before taxation</b>		<b>713,359</b>	<b>1,201,328</b>
Tax on profit	12	(545,117)	(268,619)
<b>Profit for the financial year</b>		<b>168,242</b>	<b>932,709</b>
Currency translation differences	2.4	33,327	2,196
<b>Total comprehensive income for the year</b>		<b>201,569</b>	<b>934,905</b>

The notes on pages 20 to 40 form part of these financial statements.

STR GROUP LIMITED  
REGISTERED NUMBER:07599922

CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	14	-	-
Tangible assets	15	439,825	211,039
		<u>439,825</u>	<u>211,039</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	17	8,224,889	8,503,699
Cash at bank and in hand	18	2,524,637	1,703,501
		<u>10,749,526</u>	<u>10,207,200</u>
Creditors: amounts falling due within one year	19	(7,628,279)	(8,384,327)
<b>Net current assets</b>		<u>3,121,247</u>	<u>1,822,873</u>
<b>Total assets less current liabilities</b>		<u>3,561,072</u>	<u>2,033,912</u>
Creditors: amounts falling due after more than one year	20	(533,351)	(733,343)
<b>Provisions for liabilities</b>			
Deferred taxation	22	(46,628)	(42,461)
Other provisions	23	(27,500)	(15,000)
		<u>(74,128)</u>	<u>(57,461)</u>
<b>Net assets</b>		<u><u>2,953,593</u></u>	<u><u>1,243,108</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	207,000	207,000
Capital redemption reserve	25	9	9
Share option reserve	25	1,920,000	-
Other reserves	25	86,302	86,302
Reserve for own shares	25	(2,000,000)	(2,000,000)
Profit and loss account	25	2,740,282	2,949,797
<b>Shareholders' funds</b>		<u><u>2,953,593</u></u>	<u><u>1,243,108</u></u>

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STR GROUP LIMITED  
REGISTERED NUMBER:07599922

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CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2022

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

Brett Stephens  
Brett Stephens (Jul 26, 2023 12:26 GMT+1)

**B Stephens**  
Director

Date: 26/07/2023

The notes on pages 20 to 40 form part of these financial statements.

STR GROUP LIMITED  
REGISTERED NUMBER:07599922

COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investments	16	4,260,837	2,340,635
		<u>4,260,837</u>	<u>2,340,635</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	17	440	150,000
		<u>440</u>	<u>150,000</u>
Creditors: amounts falling due within one year	19	(999,773)	(3,385,312)
<b>Net current liabilities</b>		<u>(999,333)</u>	<u>(3,235,312)</u>
<b>Net assets/(liabilities)</b>		<u><u>3,261,504</u></u>	<u><u>(894,677)</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	207,000	207,000
Capital redemption reserve	25	9	9
Share option reserve	25	1,920,000	-
Other reserves	25	86,302	86,302
Reserve for own shares	25	(2,000,000)	(2,000,000)
Profit and loss account		3,048,193	812,012
<b>Shareholders' funds/(deficit)</b>		<u><u>3,261,504</u></u>	<u><u>(894,677)</u></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 £2,647,265 (2021 - £134,012).

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

Brett Stephens  
Brett Stephens (Jul 26, 2023 12:26 GMT+1)

**B Stephens**  
Director

Date: 26/07/2023

The notes on pages 20 to 40 form part of these financial statements.



STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Capital redemption reserve	Share option reserve	Other reserves	Reserve for own shares	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2022	207,000	9	-	86,302	(2,000,000)	2,949,797	1,243,108
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	168,242	168,242
Currency translation differences	-	-	-	-	-	33,327	33,327
<b>Contributions by and distributions to owners</b>							
Dividends	-	-	-	-	-	(411,084)	(411,084)
Share option charge	-	-	1,920,000	-	-	-	1,920,000
<b>At 31 December 2022</b>	<b>207,000</b>	<b>9</b>	<b>1,920,000</b>	<b>86,302</b>	<b>(2,000,000)</b>	<b>2,740,282</b>	<b>2,953,593</b>

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 2021	207	39,991	9	1,081,104	-	1,336,892	2,458,203
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	932,709	932,709
Currency translation differences	-	-	-	-	-	2,196	2,196
<b>Contributions by and distributions to owners</b>							
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)
<b>At 31 December 2021</b>	<b>207,000</b>	<b>-</b>	<b>9</b>	<b>86,302</b>	<b>(2,000,000)</b>	<b>2,949,797</b>	<b>1,243,108</b>

STR GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Other reserves £	Reserve for own shares £	Profit and loss account £	Total equity £
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 1 January 2022	207,000	-	9	-	86,302	(2,000,000)	812,012	(894,677)
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	2,647,265	2,647,265
Contributions by and distributions to owners								
Dividends	-	-	-	-	-	-	(411,084)	(411,084)
Share option charge	-	-	-	1,920,000	-	-	-	1,920,000
At 31 December 2022	207,000	-	9	1,920,000	86,302	(2,000,000)	3,048,193	3,261,504

STR GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	168,242	932,709
<b>Adjustments for:</b>		
Amortisation of intangible assets	-	59,503
Depreciation of tangible assets	109,967	114,756
Loss on disposal of tangible assets	-	1,098
Interest paid	21,911	41,584
Interest received	(167)	(2,963)
Taxation charge	545,117	258,287
Decrease/(increase) in debtors	278,810	(801,170)
Increase in creditors	952,128	348,949
Increase in provisions	12,500	-
Corporation tax (paid)	(487,031)	(187,586)
Share option charge	1,920,000	-
<b>Net cash generated from operating activities</b>	<b>3,521,477</b>	<b>765,167</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(338,753)	(167,154)
Interest received	167	2,963
Loan issued to Trust	-	(2,000,000)
<b>Net cash used in investing activities</b>	<b>(338,586)</b>	<b>(2,164,191)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(199,992)	(66,665)
Dividends paid	(411,084)	(150,000)
Interest paid	(21,911)	(41,584)
<b>Net cash used in financing activities</b>	<b>(632,987)</b>	<b>(258,249)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,549,904</b>	<b>(1,657,273)</b>

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STR GROUP LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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	2022 £	2021 £
Cash and cash equivalents at beginning of year	(2,680,365)	(1,014,186)
Foreign exchange gains and losses	33,327	(8,906)
Cash and cash equivalents at the end of year	<u>(97,134)</u>	<u>(2,680,365)</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,524,637	1,703,501
Invoice discounting facility	(2,621,771)	(4,383,866)
	<u>(97,134)</u>	<u>(2,680,365)</u>

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STR GROUP LIMITED

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CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	1,703,501	821,136	2,524,637
Invoice discounting facility	(4,383,866)	1,762,095	(2,621,771)
Bank debt	(933,335)	199,992	(733,343)
	<u>(3,613,700)</u>	<u>2,783,223</u>	<u>(830,477)</u>

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## STR GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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, Northarbour 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.

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## STR GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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## 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. 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 Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot 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.



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## STR GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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.

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## STR GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Group 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*. A provision is established when there is objective evidence that the Group 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 Group's cash management.

Financial liabilities and equity instruments issued by the Group 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 Group after deducting all of its liabilities. Equity instruments issued by the Group 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.

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## STR GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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## 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.

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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4. Turnover

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

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	27,100,667	29,016,351
Rest of Europe	10,155,178	6,789,758
Rest of the world	15,139,407	7,382,997
	<u>52,395,252</u>	<u>43,189,106</u>

5. Other operating income

	2022 £	2021 £
Other operating income	1,959	24,765
Furlough support income	-	333,348
	<u>1,959</u>	<u>358,113</u>

6. Operating profit

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

	2022 £	2021 £
Exchange differences	(313,860)	57,933
Operating lease rentals	<u>246,250</u>	<u>233,899</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>28,955</u>	<u>22,025</u>
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Taxation compliance services	3,000	4,250
Other services relating to taxation	5,000	4,500
All other services	7,895	9,925
	<u>15,895</u>	<u>18,675</u>

8. Employees

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

	Group 2022 £	Group 2021 £
Wages and salaries	8,659,927	6,897,072
Social security costs	1,049,494	812,144
Cost of defined contribution scheme	148,121	171,220
	<u>9,857,542</u>	<u>7,880,436</u>

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

	2022 No.	2021 No.
Directors	2	2
Administrative staff	38	26
Recruitment consultant	113	108
	<u>153</u>	<u>136</u>

The Company has no employees other than the directors, who did not receive any remuneration (2021 - £Nil).

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	27,924	171,613
Group contributions to defined contribution pension schemes	60,967	36,250
	<u>88,891</u>	<u>207,863</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £11,464 (2021 - £87,746).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £54,967 (2021 - £30,000).

10. Interest receivable

	2022 £	2021 £
Interest on bank deposits	<u>167</u>	<u>2,963</u>

11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	<u>21,911</u>	<u>41,584</u>

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	548,335	258,280
Adjustments in respect of previous periods	(7,385)	(10,677)
<b>Total current tax</b>	<b>540,950</b>	<b>247,603</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	3,167	14,244
Effect of tax rate change on opening balance	1,000	6,772
<b>Total deferred tax</b>	<b>4,167</b>	<b>21,016</b>
<b>Taxation on profit on ordinary activities</b>	<b>545,117</b>	<b>268,619</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	713,359	1,201,328
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	135,538	228,252
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	418,136	44,239
Capital allowances for year in excess of depreciation	(2,172)	(8,051)
Adjustments to tax charge in respect of prior periods	(7,385)	(6,012)
Remeasurement of deferred tax for changes in tax rates	1,000	10,191
<b>Total tax charge for the year</b>	<b>545,117</b>	<b>268,619</b>



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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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

	2022 £	2021 £
Interim paid	<u>411,084</u>	<u>150,000</u>

14. Intangible assets

Group

	Goodwill £
<b>Cost</b>	
At 1 January 2022	1,350,318
At 31 December 2022	<u>1,350,318</u>
<b>Amortisation</b>	
At 1 January 2022	1,350,318
At 31 December 2022	<u>1,350,318</u>
<b>Net book value</b>	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

The Company had no intangible assets at 31 December 2022 (2021 - £Nil).

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Tangible fixed assets

Group

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2022	211,584	247,248	460,034	918,866
Additions	223,450	22,320	92,983	338,753
At 31 December 2022	435,034	269,568	553,017	1,257,619
<b>Depreciation</b>				
At 1 January 2022	209,735	220,828	277,264	707,827
Charge for the year	16,900	12,715	80,352	109,967
At 31 December 2022	226,635	233,543	357,616	817,794
<b>Net book value</b>				
At 31 December 2022	208,399	36,025	195,401	439,825
At 31 December 2021	1,849	26,420	182,770	211,039

The Company had no tangible fixed assets at 31 December 2022 (2021 - £Nil).

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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16. Fixed asset investments

Company

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2022	2,340,635
Additions	202
Capital contribution	1,920,000
At 31 December 2022	<u>4,260,837</u>

On 5 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. £202 has been included within additions in relation to this restructure.

The capital contribution of £1,920,000 is in relation to the share option charge recognised in the subsidiary company, STR Limited. The obligation for the share options belongs to STR Group Limited, see note 26.

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
BeMoreUrban Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
Blackfield Associates Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
Insignis Talent Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
Navis Consulting Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
STR AG	lbelweg 18A, 6300 Zug, Switzerland	Ordinary	100%
Stream Resourcing Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
STR Group USA Inc	AmeriCenter of Troy, 200 East Big Beaver Road - 501-156, Troy, MI 48083, USA	Ordinary	100%
Stride Recruitment Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
STR Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%
Talos Automation Limited	1 Quay Point, Northarbour Road, Portsmouth, Hampshire, PO6 3TD	Ordinary	100%

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	6,896,889	6,869,894	-	-
Amounts owed by group undertakings	-	-	440	150,000
Other debtors	93,368	42,693	-	-
Called up share capital not paid	4	4	-	-
Prepayments and accrued income	1,234,628	1,591,108	-	-
	<u>8,224,889</u>	<u>8,503,699</u>	<u>440</u>	<u>150,000</u>

18. Cash and cash equivalents

	Group 2022 £	Group 2021 £
Cash at bank and in hand	2,524,637	1,703,501
Less: invoice discounting facility	(2,621,771)	(4,383,866)
	<u>(97,134)</u>	<u>(2,680,365)</u>

19. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Invoice discounting facility	2,621,771	4,383,866	-	-
Bank loans	199,992	199,992	-	-
Trade creditors	108,651	211,531	-	-
Amounts owed to group undertakings	-	-	999,572	3,385,110
Corporation tax	243,349	189,430	-	-
Other taxation and social security	415,266	719,682	-	-
Other creditors	266,972	793,740	201	202
Accruals and deferred income	3,772,278	1,886,086	-	-
	<u>7,628,279</u>	<u>8,384,327</u>	<u>999,773</u>	<u>3,385,312</u>

Invoice discounting facilities with NatWest are secured by a fixed and floating charge on all assets of the Group.

STR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Group 2022 £	Group 2021 £
Bank loans	533,351	733,343

21. Loans

	Group 2022 £	Group 2021 £
<b>Amounts falling due within one year</b>		
Bank loans	199,992	199,992
<b>Amounts falling due 1-2 years</b>		
Bank loans	199,992	199,992
<b>Amounts falling due 2-5 years</b>		
Bank loans	333,359	533,351
	<b>733,343</b>	<b>933,335</b>

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 by August 2026 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

	2022 £	2021 £
At beginning of year	42,461	21,445
Charged to profit or loss	4,167	21,016
<b>At end of year</b>	<b>46,628</b>	<b>42,461</b>

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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22. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 2022 £	Group 2021 £
Accelerated capital allowances	56,724	48,756
Short-term timing differences	(10,096)	(6,295)
	<u>46,628</u>	<u>42,461</u>

23. Provisions

Group

	Dilapidations £
At 1 January 2022	15,000
Charged in year	12,500
At 31 December 2022	<u>27,500</u>

24. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
70,000 A Ordinary shares of £0.10 each	7,000	7,000
1,593,900 Ordinary shares of £0.10 each	159,390	159,390
406,100 Growth shares of £0.10 each	40,610	40,610
	<u>207,000</u>	<u>207,000</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.

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**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.

**Share option reserve**

This reserve relates to share options that have been exercised in January 2023, see note 26.

**Profit and loss account**

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



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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**26. Share-based payments**

*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.

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	0.0001	406,100	0.0001	406,100
Outstanding at the end of the year	0.0001	406,100	0.0001	406,100

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 2022 had an exercise price of £0.0001 each and an expiry date ranging between 25 and 31 October 2027.

During the year, a share option charge of £1,920,000 has been recognised relating to share options exercised in January 2023 as part of the management buy-out. This event was deemed probable as at 31 December 2022.

**27. Pension commitments**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £148,121 (2021 - £171,220). Contributions totalling £40,382 (2021 - £36,196) were payable to the fund at the reporting date.

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**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 2022 £	Group 2021 £
Not later than 1 year	214,560	69,324
Later than 1 year and not later than 5 years	858,240	858,240
Later than 5 years	643,680	1,019,160
	<u>1,716,480</u>	<u>1,946,724</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 £900,254 (2021 - £506,180).

During the year, the Company remunerated close family members of key management personnel £110,077 (2021 - £51,819).

During the year, the directors repaid the loan balances owed totalling £499,908. At the year end the balances owed was £Nil (2021 - £499,908). The directors also control a Trust.

The Parent Company has provided a guarantee exempting the following subsidiaries from the requirements of audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Company name	Registered number	Country of incorporation
BeMoreUrban Limited	05168030	England and Wales

**30. Post balance sheet events**

Since the year end the entire share capital of STR Group Limited has been acquired by STR Quaypoint Limited, a newly formed company controlled by three existing directors of the main trading subsidiary STR Limited.

STR Quaypoint Limited offered the shareholders in STR Group Limited a cocktail of shares, loan notes and cash. To facilitate the transaction STR Limited was able to draw down approximately £4m from its existing invoice discounting facility. Those funds were lent to STR Group Limited which lent them on to STR Quaypoint Limited.

The timing of the loan note repayments by STR Quaypoint Limited will be influenced by the Group's future trading profitability and cash generation.

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STR GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**31. Controlling party**

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

Since the year end the Group has had a Management Buy-Out, see note 30 for more details.