

Supply Desk Limited

**Annual Report
for the year ended 31 December 2016**

Registered number: 03725732

FRIDAY



A6G0J2DN

A07

29/09/2017

#322

COMPANIES HOUSE

Supply Desk Limited

Contents

	Page
Company information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditors' report	7
Income statement	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Supply Desk Limited

Company Information

Director

William Etchell
Robyn Johnstone

Secretary and registered office

K Spedding
Second Floor
Sir Wilfrid Newton House
Thornccliffe Park
Chapelton
Sheffield
South Yorkshire
S35 2PH

Company number

03725732

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Paul's Place
121 Norfolk Street
Sheffield
S1 2LE

Supply Desk Limited

Strategic Report

The directors present their Strategic Report for the Company for the year ended 31 December 2016.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business and future developments

On 5th April 2016 the company acquired the entire business, staff and assets of Synarbor Education Limited, a fellow subsidiary of the Education Placement Group Limited group. All staff were transferred in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006. All assets and liabilities were transferred at net book value.

The income statement is set out on page 10 and shows the revenue for the year of £26.6m (2015: £21.2m) and an operating profit of £2.6m (2015: £1.9m).

The Company continues to maintain tight controls over working capital, with trade debtors at 17 days (2015: 18 days).

Supply Desk has invested in new mid-level management as well as changing a number of staff at branch level. These changes have been made with a view to growing the business over the medium term.

Despite selective investment in overheads for future development, the conversion of net fee income (operating profit divided by gross profit) for the period was 29.6% (2015: 28.1%).

The education market continues to experience challenges and changes including the introduction of new curriculum models, performance-related pay, the continued growth of the academies programme and increased floor targets. Ofsted, the schools inspectorate, has continued to focus on under-performing schools and has been very vocal about their intentions to place poor performers with multi-academy trusts. Schools are therefore working hard to ensure that they have a full complement of teachers and that outcomes are being measured correctly. Although school funding has increased, so has the number of children that it is divisible by, and this has put pressure on schools to monitor their finances closely and look for efficient buying partnerships. Over the first quarter of 2017 there has been greater pressure on school budgets, particularly in the primary school sector. While schools' funding for supply teachers has been frozen, their funding for Pupil Premium and Intervention and Support have been ring-fenced and these two areas represent opportunities for the Company over the near to medium term.

The Company operates within the education recruitment market, delivering human capital solutions across all disciplines and to many different school environments. Through innovative delivery models and long term partnerships, the Company expects to deliver improved levels of output with both turnover and gross profit increasing.

Looking forward, the underlying market is expected to remain stable for the foreseeable future. A fall in teacher training numbers, increased workloads, and higher city living costs has been compounded by increasing birth rates and high levels of net migration resulting in an increasing teacher shortage.

Potential issues that can affect the business include teacher strikes, harsh weather, such as snow and flooding, and the ability of the business to source candidates. The Company continues to focus its resources on those specific issues that it can materially affect, and to that end it will improve marketing and overseas candidate resourcing.

Supply Desk Limited

Strategic Report

Key performance indicators (KPI's)

The Company's KPI's are detailed below:

	2016	2015
Revenue	£26.6m	£21.2m
Gross profit	£8.8m	£6.9m
Operating profit	£2.6m	£1.9m
Conversion of net fee income	29.6%	28.1%
Debtor days	17 days	18 days

These are discussed in the review of business section above.

Principal risks and uncertainties

The market for the provision of temporary and permanent recruitment services to the public sector remains highly competitive. The competitive risk arises from the activities of our competitors and new entrants and manifests itself in increased competition for staff, candidates and clients, and in pricing pressures. The business has continued to invest in systems, staff and processes with the aim of managing and enhancing its candidate pool to improve its service. Incentive schemes have been put in place to help retain key personnel.

The Company has guaranteed bank borrowings and secured loan notes issued by other group companies. This is explained in more detail within note 17 of the financial statements. During the year the Group took out an interest rate hedge to minimise the effect of any rise in interest rates, in respect of these borrowings.

The Company is mainly exposed to credit risk from credit sales. An allowance for impairment is made where there is evidence of a likely reduction in the recoverability of the cash flows. Given the nature of its operations the Company's credit risk is concentrated in public sector clients. It is company policy to assess the credit risk of new customers before entering contracts. The Company does not enter into derivatives to manage credit risk.

Approval

Approved by the Board on 29 September 2017 and signed on its behalf by:



Robyn Johnstone
Director

Supply Desk Limited

Directors' Report

The directors present their Report and audited financial statements of the Company for the year ended 31 December 2016.

General information

The company's activities consist of the supply of permanent and temporary teaching staff to schools and nurseries in the United Kingdom.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2.

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found within the accounting policies section in the notes to the financial statements.

Financial instruments

The Company has guaranteed bank borrowings and secured loan notes issued by other group companies. This is explained in more detail within note 17 of the financial statements.

The Company has access to the Group's Revolving Credit Facility of £2m, a facility provided by Lloyds Bank PLC.

Dividends

An interim dividend has not been paid during the year (2015: £nil). The directors do not recommend payment of a final dividend (2015: £nil).

Directors

The directors, who served throughout the year and up to the date of signing the financial statements were as follows:

William Etchell (appointed 6 June 2017)
Robyn Johnstone (appointed 27 January 2016)
David Evans (resigned 6 June 2017)

Supply Desk Limited

Directors' Report

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the next Annual General Meeting.

Approval

Approved by the Board on 29 September 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Robyn Johnstone', written over a horizontal line.

Robyn Johnstone
Director

Supply Desk Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Supply Desk Limited

Independent auditors' report to the members of Supply Desk Limited

Report on the financial statements

Our opinion

In our opinion, Supply Desk Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its 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.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Supply Desk Limited

Independent auditors' report to the members of Supply Desk Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland) ("ISAs (United Kingdom & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Supply Desk Limited

Independent auditors' report to the members of Supply Desk Limited

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (United Kingdom & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nicholas Cook (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

29 ~~SEPTEMBER~~ 2017

Supply Desk Limited

Income statement For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	3	26,646,286	21,247,225
Cost of sales		(17,809,755)	(14,341,630)
Gross profit		8,836,531	6,905,595
Administrative expenses		(6,220,959)	(4,963,526)
Operating profit before exceptional items		2,632,688	1,942,069
Exceptional items included within administrative expenses	4	(17,116)	-
Operating profit		2,615,572	1,942,069
Finance costs	5	(215)	(2,820)
Profit before taxation	6	2,615,357	1,939,249
Income tax expense	9	(523,866)	(395,313)
Profit for the financial year		2,091,491	1,543,936

All results are derived from continuing operations.

There is no difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

The Company has no other comprehensive income or expense other than its profit for the financial years ended 31 December 2016 and 2015, and hence no separate statement of comprehensive income has been presented.

The notes on pages 13 to 26 form an integral part of these financial statements.

Supply Desk Limited
Registered number: 03725732

Balance Sheet
As at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Property, plant and equipment	10		181,245		76,310
Current assets					
Trade and other receivables	11	7,698,007		5,609,816	
Cash and cash equivalents		1,928,531		912,306	
		<u>9,626,538</u>		<u>6,522,122</u>	
Creditors: Amounts falling due within one year	12	(3,909,004)		(2,791,144)	
Net current assets			<u>5,717,534</u>		<u>3,730,978</u>
Total assets less current liabilities			<u>5,898,779</u>		<u>3,807,288</u>
Net assets			<u>5,898,779</u>		<u>3,807,288</u>
Equity					
Called up share capital	14		200		200
Retained earnings			5,898,579		3,807,088
Total shareholders' funds			<u>5,898,779</u>		<u>3,807,288</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

The financial statements on pages 10 to 26 were approved by the board of directors on **29** September 2017 and were signed on its behalf by:



William Etchell
Director

Supply Desk Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Retained earnings £	Total Shareholders' funds £
Balance at 1 January 2015	200	2,263,152	2,263,352
Profit for the financial year	-	1,543,936	1,543,936
Total comprehensive income for the year	-	1,543,936	1,543,936
Dividends	-	-	-
Balance at 31 December 2015 and at 1 January 2016	200	3,807,088	3,807,288
Profit for the financial year	-	2,091,491	2,091,491
Total comprehensive income for the year	-	2,091,491	2,091,491
Balance at 31 December 2016	200	5,898,579	5,898,779

The notes on pages 13 to 26 form an integral part of these financial statements.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies

General information

Supply Desk Limited's ('the Company') activities consist of the supply of permanent and temporary teaching staff to schools and nurseries in the United Kingdom.

The Company is a private company limited by shares, and is incorporated and domiciled in the United Kingdom. The address of its registered office is Second Floor, Sir Wilfrid Newton House, Thorncliffe Park, Chapeltown, Sheffield, S35 2PH.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

As permitted by FRS 101, the Company has taken advantage of some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IFRS 3 - not to restate business combinations before the date of transition

IAS 1 - information on management of capital

IAS 7 - statement of cash flows

IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 - disclosure of key management compensation and related party disclosures entered into between two or more members of a group;

IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and

IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment

IFRS 7 - disclosures in respect of financial instruments

Where required, equivalent disclosures are given in the group financial statements of Education Placement Group Limited. The group financial statements of Education Placement Group Limited are available to the public and can be obtained as set out in note 18.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the financial statements have been prepared on the going concern basis.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Plant and machinery	15% to 33.3% per annum
---------------------	------------------------

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Taxation

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material.

Revenue from temporary placements is recognised over the period of the placement. Revenue from permanent placements is recognized at the point of acceptance by both parties when the Company's contractual obligations have been fulfilled. Revenue from compliance services is recognised at the point the service is provided.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the income statement within finance costs.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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.

Management have considered critical accounting judgements and the key sources of estimation uncertainty within the financial statements. Management have not identified any items requiring separate disclosure.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

3. Revenue

The Company's revenue relates entirely to its principal activity in the United Kingdom.

4. Exceptional items

	2016 £	2015 £
Exceptional legal and professional fees	<u>17,116</u>	<u>-</u>

5. Finance costs

	2016 £	2015 £
Interest paid to HMRC	<u>215</u>	<u>2,820</u>

6. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of owned tangible fixed assets	92,257	11,187
Operating lease charges – plant & machinery	89,739	64,066
Operating lease charges – land & buildings	277,994	117,041
Impairment of trade receivables (see note 11)	3,600	(16,949)
Staff costs (see note 8)	<u>3,464,443</u>	<u>2,099,541</u>

7. Auditors' remuneration

Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements were £37,527 (2015: £14,400).

Fees payable to the Company's auditors and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the ultimate parent company are required to disclose such fees on a consolidated basis.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Administration	10	23
Sales	74	37
	<u>84</u>	<u>60</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,079,573	1,881,405
Social security costs	331,077	203,788
Other pension costs (see note 16)	53,793	14,348
	<u>3,464,443</u>	<u>2,099,541</u>

No remuneration has been paid to the directors in the current year or the prior year. All directors' emoluments have been borne by Star Bidco Limited. Star Bidco Limited is the Company's parent company twice removed. The directors did not receive any emoluments in respect of their services to the Company (2015: £nil).

9. Income tax expense

Tax expense included in profit:

	2016 £	2015 £
Current tax		
United Kingdom corporation tax on profits for the year	548,321	395,819
Adjustments in respect of prior years	(2,793)	1,124
Total current tax	<u>545,528</u>	<u>396,943</u>
Deferred tax		
Origination and reversal of timing differences	(22,373)	(2,265)
Effect of changes in tax rates	810	635
Adjustments in respect of prior years	(99)	-
Total deferred tax (see note 13)	<u>(21,662)</u>	<u>(1,630)</u>
Total tax on profit	<u>523,866</u>	<u>395,313</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

9. Income tax expense (continued)

The charge for the year can be reconciled to the standard rate of corporation tax in the United Kingdom applied to the profit before taxation as follows:

	2016 £	2015 £
Profit before taxation	2,615,357	1,939,249
Tax on profit before taxation at standard United Kingdom corporation tax rate of 20% (2015: 20.25%)	523,071	392,698
Effects of:		
Expenses not deductible for tax purposes	7,765	856
Tax rate changes	810	635
Adjustments in respect of prior years	(2,892)	1,124
Transfer of asset plant pool as part of business transfer from Synarbor Education Limited on 5 April 2016	(4,888)	-
Total tax charge for year	523,866	395,313

10. Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2016	94,144
Additions	197,192
At 31 December 2016	<u>291,336</u>
Accumulated depreciation	
At 1 January 2016	17,834
Depreciation	92,257
At 31 December 2016	<u>110,091</u>
Net book value	
At 31 December 2016	<u>181,245</u>
At 31 December 2015	<u>76,310</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

11. Trade and other receivables

	2016 £	2015 £
Trade receivables	2,348,727	1,640,340
Amounts owed by group undertakings	5,110,115	3,856,800
Other receivables	86,886	27,980
Prepayments and accrued income	125,160	79,239
Deferred taxation (note 13)	27,119	5,457
	<u>7,698,007</u>	<u>5,609,816</u>

Trade receivables are stated after provision for impairment of £3,600 (2015: £nil).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

All amounts shown under trade and other receivables fall due for payment within one year.

12. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	861,282	600,535
Amounts owed to group undertakings	1,671,898	1,194,443
Corporation tax	-	1,124
Other taxation and social security	912,245	484,817
Other creditors	117,144	87,552
Accruals and deferred income	346,435	422,673
	<u>3,909,004</u>	<u>2,791,144</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

13. Deferred Tax

The analysis of deferred tax assets is as follows:

	2016 £	2015 £
Deferred tax assets	<u>27,119</u>	<u>5,457</u>

The movement in deferred tax is as follows:

	Decelerated tax depreciation £	Short term timing differences £	Total £
At 1 January 2015	3,365	462	3,827
Credited/(charged) to income statement	1,675	(45)	1,630
At 31 December 2015	<u>5,040</u>	<u>417</u>	<u>5,457</u>
Credited to income statement	22,029	344	22,373
Effect of change in tax rate	(821)	11	(810)
Adjustments in respect of prior years	-	99	99
At 31 December 2016	<u>26,248</u>	<u>871</u>	<u>27,119</u>

14. Called up share capital

	2016 £	2015 £
Allotted and fully paid		
200 (2015: 200) ordinary share of £1 each	<u>200</u>	<u>200</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

15. Financial commitments

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

	Land and buildings 2016 £	Land and buildings 2015 £	Other 2016 £	Other 2015 £
Within one year	160,230	100,943	85,206	45,300
Between two and five years	319,945	66,208	92,332	28,328
After five years	-	-	-	-
	<u>480,175</u>	<u>167,151</u>	<u>177,538</u>	<u>73,628</u>

16. Retirement benefit schemes

Defined contribution schemes

The Company's parent company Synarbor Limited operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of Synarbor Limited in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Synarbor Limited are reduced by the amount of forfeited contributions. Synarbor Limited recharges costs incurred in respect of the Company's employees to the Company.

The total cost charged to the income statement of £53,793 (2015: £14,348) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2016, contributions of £4,530 (2015: £2,807) due in respect of the current reporting year had not been paid over to the schemes.

17. Contingent liabilities

The Company has guaranteed bank borrowings from Lloyds Bank Plc on behalf of Star Bidco Limited, another group company. At 31 December 2016 the amounts outstanding in respect of these bank borrowings were £13,503,250 (2015: £9,000,000).

The Company has also guaranteed secured loan notes issued to Sovereign Capital IV Limited Partnership by Star Midco 1 Limited, another group company. At 31 December 2016 the amounts outstanding in respect of these loan notes were £21,437,631 (2015: £14,079,085).

In the directors' opinion, no outflow will occur in respect of either of these guarantees.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2016

18. Controlling party

The Company's immediate parent undertaking is Synarbor Limited.

The Company's ultimate parent undertaking is Education Placement Group Limited, a company incorporated in the United Kingdom.

The Company's ultimate controlling party is Sovereign Capital IV Limited Partnership. The registered office of Sovereign Capital IV Limited Partnership is 25 Victoria Street, London, SW1H 0EX.

Education Placement Group Limited is the smallest and largest group to consolidate these financial statements.

Copies of the Education Placement Group Limited group financial statements are publicly available and can be obtained from Education Placement Group Limited, Sir Wilfrid House, Thorncliffe Park, Chapelton, Sheffield, S35 2PH.