

Supply Desk Limited

**Annual Report
for the year ended 31 December 2018**

Registered number: 03725732



Supply Desk Limited

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Supply Desk Limited

Company Information

Directors

Robyn Johnstone
William Etchell (resigned 31 March 2019)

Secretary and registered office

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

Company number

03725732

Independent Auditors

BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
London
W1U 7EU

Supply Desk Limited

Strategic Report

The directors present their Strategic Report for the Company for the year ended 31 December 2018.

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 2018 the company transferred its Teachin and TIQ branded business, and related staff and assets to Teach In 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.

Supply Desk has invested in new senior and mid-level management as well as changing a number of staff at branch level, and has rationalised its branch network. With fewer branches and stronger mid-level management, Supply Desk has managed to successfully alter its strategy. Branches now focus more on long term placings, on teaching assistant roles, selling its 'Love to Read' programme, and work constructively to sell teaching apprenticeship placements.

These changes to approach have been made in response to the changing approach of schools. Given the continued pressure on school budgets, schools are now filling more teaching assistant roles and are also more interested in developing their own staff via the teaching apprenticeship. Both these factors play to Supply Desk's strengths.

Furthermore, Supply Desk does more business development at a senior level within schools and chains of academies. This allows Supply Desk to access a greater number of decision makers in the large academies in England and Wales.

These changes to approach have been made in response to the changing approach of schools. Given the continued pressure on school budgets and fewer people entering the teaching profession, schools are now filling more teaching assistant roles and are also more interested in developing their own staff via the teaching apprenticeship. Both these factors play to Supply Desk's strengths.

The income statement is set out on page 11 and shows the revenue from continuing operations for the year of £18.9m (2017: £25.4m), gross profit of £5.6m (2017: £8.4m), and an operating loss of £12.1m (2017: £2.2m profit). Adjusted EBITDA, as detailed below was £0.04m (2017: £2.4m). As noted above, current year trading has been affected by the pressure on schools' budgets.

The business considers Adjusted EBITDA to be a more appropriate KPI measure than operating profit or profit before tax, as this measure excludes the impact of one-off exceptional items that are not usually incurred or related to normal trading activities, and provides further understanding of the financial performance of the Company.

Adjusted EBITDA	2018 £'000	2017 £'000
Operating (loss)/profit	(12,070)	2,159
Add back: Exceptional items (note 4)	11,877	133
Depreciation / Amortisation	233	116
Adjusted EBITDA	<u>40</u>	<u>2,408</u>

The Company maintains tight controls over working capital, with trade debtors at 30 days (2017: 22 days).

Supply Desk Limited

Strategic Report (continued)

Key performance indicators (KPI's)

The Company's KPI's are detailed below:	2018	2017
Revenue	£18.9m	£25.4m
Gross profit	£5.6m	£8.4m
Adjusted EBITDA	£0.04m	£2.4m
Debtor days	30 days	22 days

Research and development

The Company has been committed to investment in the business through ongoing development of its CRM systems, in order to improve customer, candidate and vacancy management.

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 arising from the activities of our competitors and new entrants manifests itself in increased competition for staff, candidates and clients, and in pricing pressures. The business has continued to invest in its front end systems and extended its services with the aim of managing and enhancing its candidate pool. Incentive schemes have been put in place to help retain key personnel.

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is mainly exposed to credit risk from credit sales and loans with group undertakings. The Company recognises expected credit losses based on past experience of losses arising, the current position and forward-looking information where it is available. Given the nature of its operations, the Company's credit risk from sales is concentrated in public sector clients. It is company policy to assess the credit risk of new customers before entering into contracts. The Company does not enter into derivatives to manage credit risk.

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk of the Company is managed centrally by the Group finance function. The Group maintains revolving credit facilities which provide the required flexibility to manage working capital. The Group manages liquidity risk by monitoring its cash on a weekly basis and prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of cash requirements. Budgets are set and agreed by the Board annually in advance, enabling the Group's cash requirements to be anticipated.

The Company has guaranteed bank borrowings and secured loan notes issued by other group companies. This is explained in more detail within note 20 of the financial statements.

Data security is a key priority for the Company. Our cloud-based systems are supported by our tier 1 suppliers and there is ongoing staff training on data protection combined with in house legal and compliance function to ensure correct processes are followed.

A formal system of delegated authority over payments and disbursements exists to mitigate financial risk.

Supply Desk Limited

Strategic Report (continued)

Brexit

The Company does not have any operations in the EU, outside the UK. As such, the Company does not expect to be materially affected by Brexit. We continue to monitor the potential impact of the UK leaving the European Union.

Possible positive impacts:

- if Sterling continues to weaken, then the UK will become more attractive for teachers from Australia, New Zealand and Canada which would increase the number of qualified teachers available for work;
- if the government decides to raise public spending to enhance the economy, schools and education could be a significant beneficiary.

Possible negative impact:

- a weakening in the UK economy may result in lower government expenditure

Equal Opportunities

The Company is committed to the principle of hiring based purely on individual merit, both for its own staff and clients. Job boards and social media are used to attract talent from a wide range of sources and we select our staff and offer career development and promotions on a non-discriminatory basis. This includes giving equal consideration to applications for employment from people who may have a disability. In the event of an employee becoming disabled we will make practical changes to enable them to continue to work for us.

Approval

Approved by the Board on ^{30th}30 September 2019 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 2018.

General information

The Company's 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, incorporated and domiciled 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 20 of the financial statements.

The Company has access to the Group's Revolving Credit Facility of £1m, a facility provided by Lloyds Bank PLC. This facility was undrawn at the balance sheet date.

Dividends

An interim dividend has not been paid during the year (2017: £nil). The directors do not recommend payment of a final dividend (2017: £nil).

Employee involvement

The management team is committed to a culture of employee involvement, through both quarterly management meetings and regular visits to branches to discuss matters of current interest and concern to the business with members of staff.

Supply Desk Limited

Directors' Report (continued)

Directors

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

Robyn Johnstone
William Etchell (resigned 31 March 2019)

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

Approval

Approved by the Board on ^{30th} September 2019 and signed on its behalf by:



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

Opinion

We have audited the financial statements of Supply Desk Limited ("the Company") for the year ended 31 December 2018 which comprise the income statement, the balance sheet and the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended; and
- 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report, Directors report and financial statements, other than the financial statements and our auditor's report thereon. 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.

Supply Desk Limited

Independent auditors' report to the members of Supply Desk Limited (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 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, 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 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.

Supply Desk Limited

Independent auditors' report to the members of Supply Desk Limited (continued)

Auditor's responsibilities for the audit of the financial statements


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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

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



Nicholas Carter-Pegg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

30th September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Supply Desk Limited

Income statement For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	3	18,890,402	25,428,599
Cost of sales		(13,259,275)	(17,044,835)
Gross profit		5,631,127	8,383,764
Administrative expenses		(17,701,413)	(6,224,352)
Operating (loss)/profit before exceptional items		(193,750)	2,147,067
Exceptional items included within administrative expenses	4	(11,876,536)	12,345
Operating (loss)/profit		(12,070,286)	2,159,412
Finance income	5	1,645	-
Finance costs	6	(52)	-
(Loss)/profit before taxation	7	(12,068,693)	2,159,412
Income tax credit/(expense)	10	75,484	(405,191)
(Loss)/profit for the financial year		(11,993,209)	1,754,221

All results are derived from continuing operations.

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

The Company has no other comprehensive income or expense other than its (loss)/profit for the financial years ended 31 December 2018 and 2017, and hence no separate statement of comprehensive income has been presented.

The notes on pages 14 to 33 form an integral part of these financial statements.

Supply Desk Limited
Registered number: 03725732

Balance Sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		245,998		224,650
Property, plant and equipment	12		97,043		146,437
			<u>343,041</u>		<u>371,087</u>
Current assets					
Trade and other receivables	13	10,903,115		12,494,145	
Cash and cash equivalents		<u>1,117,178</u>		<u>1,891,193</u>	
		12,020,293		14,385,338	
Creditors: Amounts falling due within one year	14	(16,675,788)		(7,103,425)	
Net current (liabilities)/assets			<u>(4,655,495)</u>		<u>7,281,913</u>
Total assets less current liabilities			<u>(4,312,454)</u>		<u>7,653,000</u>
Net (liabilities)/assets			<u>(4,312,454)</u>		<u>7,653,000</u>
Equity					
Called up share capital	16		200		200
Capital contribution			27,755		-
Accumulated losses			(4,340,409)		7,652,800
Total shareholders' deficit/funds			<u>(4,312,454)</u>		<u>7,653,000</u>

The notes on pages 14 to 33 form an integral part of these financial statements.

The financial statements on pages 11 to 33 were approved by the board of directors on ^{30th} September 2019 and were signed on its behalf by:



Robyn Johnstone
Director

Supply Desk Limited

Statement of changes in equity For the year ended 31 December 2018

	Called up share capital £	Capital Contribution £	Accumulated losses £	Total Shareholders' deficit £
Balance at 1 January 2017	200	-	5,898,579	5,898,779
Profit for the financial year	-	-	1,754,221	1,754,221
Total comprehensive income for the year	-	-	1,754,221	1,754,221
Balance at 31 December 2017 at 1 January 2018	200	-	7,652,800	7,653,000
Loss for the financial year	-	-	(11,993,209)	(11,993,209)
Total comprehensive expense for the year	-	-	(11,993,209)	(11,993,209)
Credit for share based payment expense (note 19)	-	27,755	-	27,755
Balance at 31 December 2018	200	27,755	(4,340,409)	(4,312,454)

The notes on pages 14 to 33 form an integral part of these financial statements.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018

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.

The financial statements are presented in GBP, which is also the Company's functional currency.

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.

The following standards, amendments and interpretations became effective from 1 January 2018:

	Effective from
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

The Company has applied IFRS 9 for the first time in these financial statements. IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement.

The company has applied the IFRS 9 with effect from 1 January 2018. This has not led to any changes in the basis of the measurement categories of either financial assets or financial liabilities, although it has led to changes in the carrying amounts of certain financial assets for the Company, arising from a change in the measurement of impairment. The comparative period have not been restated and reflect the requirements of IAS 39.

The Company has applied IFRS 15 for the first time in these financial statements. The standard became effective on 1 January 2018 and sets out the requirements for revenue recognition. Under IFRS 15 revenue is recognised once control of the promised service is transferred to the customer and when the performance obligations have been satisfied.

The Company elected to apply the standard on a fully retrospective basis, although this did not result in any material financial impact to existing accounting policies and consequently no adjustment was required.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

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 21.

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.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if all of the following conditions have demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on all internally-generated intangible 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, at a rate of between 15% to 33.3%.

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

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

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.

Taxation

Current tax

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

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.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

Taxation (continued)

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.

Revenue from Contracts with Customers

The Company has applied IFRS 15 Revenue from Contracts for the first time in these financial statements. The standard became effective on 1 January 2018 and sets out the requirements for revenue recognition. Companies are required to apportion revenue earned from customers to performance obligations and determine the appropriate timing method of revenue recognition using the 5 step model. Under IFRS 15 revenue is recognised once control of the promised service is transferred to the customer and when the performance obligations have been satisfied.

The Group reviewed all revenue streams and elected to apply the standard on a fully retrospective basis, although this did not result in any material financial impact to existing accounting policies and consequently no adjustment was required.

Revenue, which excludes value added tax and is shown net of any discounts allowed, represents the value of services provided by the Group from its principal activity, being the provision of recruitment services to the education sector. The revenue from these services include:

- **Temporary Placements**

Revenue from temporary placements, which relates to the provision of services of temporary staff, is recognised at the point in time when the service has been provided. Where revenue from temporary placements is billed in advance but placement not yet made, revenue is deferred until such time as a placement is made. The performance obligation is satisfied when the service has been provided.

- **Permanent Placements**

Revenue from permanent placements, which relates to fees earned for introduction of candidates that result in engagement of a candidate by the client, is recognised at the point in time an offer is accepted by a candidate. The performance obligation is satisfied when an introduction results in the placement of a candidate.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

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.

Share based payments

Where shares are awarded to employees, the fair value of the shares at the date of grant is charged to the income statement over the vesting period the awards are expected to be held. The fair value at grant date is independently determined using an adjusted form of the Binomial pricing model that takes into account the grant price, the expected vesting period, the expected life, the share price at grant date, the expected dividend yield and the expected forfeiture rate. The expected risk free interest rate and expected volatility do not have any impact on the valuation of these awards, as no consideration is due from employees in respect of these awards.

Other group companies have issued employee shareholder shares to certain employees of the Company under employee shareholder share arrangements, which are accounted for as a share based payment, as detailed above.

Exceptional items

Exceptional items are disclosed separately on the face of the income statement. They include any components of financial performance which management consider significant to the Company's results and/or which separate disclosure would provide further understanding of the financial performance of the Company. Such items may include:

- Costs relating to business combinations
- Restructuring or rationalisation programmes
- The sale or impairment of tangible or intangible assets
- Other non-recurring items

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

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

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

Classification

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model for financial assets measured at amortised costs, contract assets and debt investments at fair value through other comprehensive income (FVTOCI). A financial asset is measured at amortised cost where it is held within a model whose objective is to hold and collect the contractual cash flows and those contractual cash flows comprise solely of payments of principal and interest. A financial asset is measured at FVTOCI where it is held in a business model whose objective is both collecting contractual cash flows and selling those financial assets, and the contractual cash flows comprise solely payments of principal and interest. All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets are not reclassified subsequent to initial recognition unless the Company changes its business model.

Financial assets include the following items:

- Trade receivables and other short-term receivables, which are initially recognised at fair value and subsequently carried at amortised cost.
- Cash and cash equivalents

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially recognised at their transaction amount.

Subsequent measurement

Assets classified as at amortised cost are subsequently measured using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash receipts through the life of the instrument to the net carrying amount on initial recognition. Interest income is recognised in profit or loss.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

Financial Assets (continued)

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) for trade receivables, with ECL being losses that arise from possible default events over the expected life of the financial instrument. ECLs are a probability weighted estimate of credit losses, measured as the present value of cash shortfalls, discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs from all possible default events over the expected life of the financial instrument and are based on quantitative and qualitative information, based on historical experience and forward-looking information. ECL losses are recognised through profit or loss within the statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership are transferred, or in which the company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

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, which include trade payables and other short-term monetary liabilities, are initially measured at fair value, net of transaction costs, and subsequently carried at amortised cost.

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.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

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.

Judgements

Management have considered critical accounting judgements within the financial statements. The critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

Certain employees of the Company have been issued employee shareholder shares in other group companies, issued under employee shareholder share arrangements, which are accounted for as a share based payment. The share awards are accounted for as a share based payment expense. The fair value of the awards at the grant date is charged to the income statement over the period the awards are expected to be held. A material non-market vesting condition impacting this calculation is the sale of the business. Management have to make a judgement on the likelihood that this condition will be met. Further details are disclosed in note 19.

Estimates and assumptions

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 the key sources of estimation uncertainty within the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

Certain employees of the Company have been issued employee shareholder shares in an indirect parent company, issued under employee shareholder share arrangements, which are accounted for as a share based payment. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of the shares awarded is estimated on the date of grant based on certain assumptions. Those assumptions include, among others, company share price valuations, the dividend growth rate, expected volatility, number of shares expected to vest, and estimate of when the shares will vest by sale of the business. Further details are disclosed in note 19.

Capitalisation of development costs

Determining the development costs to be capitalised requires management to make estimates and assumptions in respect of the expected future economic benefits generated by the products that are a result of these development costs. Other key estimates and assumptions made during this process include assessing the distinction between research activities and development activities, and estimating the expected useful life of the product.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Expected credit losses

The Company estimates expected credit losses on receivables held at amortised cost by considering the historic losses suffered from comparable counterparties, adjusted to reflect the impact arising from future possible changes. Further details are disclosed in note 13.

3. Revenue

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

4. Exceptional items

	2018 £	2017 £
Exceptional legal, advisory and restructuring costs	264,350	88,528
Impairment of balances due from group undertakings (note 13)	11,612,186	-
Group undertaking balances forgiven prior to voluntary deregistration of Synarbor Resource Solutions Pty Limited	-	(100,873)
	<u>11,876,536</u>	<u>(12,345)</u>

5. Finance income

	2018 £	2017 £
Interest received from HMRC	<u>1,645</u>	<u>-</u>

6. Finance costs

	2018 £	2017 £
Other interest	<u>52</u>	<u>-</u>

7. Loss/profit before taxation

Loss/profit before taxation is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of owned tangible fixed assets	85,025	69,745
Amortisation of intangible assets	147,926	45,392
Operating lease charges – plant & machinery	70,394	88,659
Operating lease charges – land & buildings	225,487	265,218
Impairment of trade receivables (see note 13)	-	(2,763)
Impairment of balances due from group undertakings (note 13)	11,612,186	-
Staff costs (note 9)	3,181,068	3,464,463
Auditors' remuneration (note 8)	<u>26,425</u>	<u>32,139</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Auditors' remuneration

Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements were £26,425 (2017: £32,139).

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.

9. Staff costs

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

	2018 Number	2017 Number
Administration	22	10
Sales	55	70
	<u>77</u>	<u>80</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,718,189	2,985,718
Short term benefits	91,048	108,496
Social security costs	280,916	306,714
Other pension costs (see note 18)	63,160	63,535
Share based payment expense (note 19)	27,755	-
	<u>3,181,068</u>	<u>3,464,463</u>

No remuneration has been paid to the directors in the current year or the prior year. Directors' emoluments have been borne by the Company's ultimate parent company Education Placement Group Limited. The directors did not receive any emoluments in respect of their services to the Company (2017: £nil).

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10. Income tax expense

Tax (credit)/expense included in (loss)/profit:

	2018 £	2017 £
Current tax		
United Kingdom corporation tax on (loss)/profit for the year	(72,130)	401,117
Adjustments in respect of prior years	3,271	(35,358)
Overseas tax suffered	-	7,686
Total current tax	(68,859)	373,445
Deferred tax		
Origination and reversal of timing differences	(6,860)	(2,093)
Effect of changes in tax rates	235	28
Adjustments in respect of prior years	-	33,811
Total deferred tax (see note 15)	(6,625)	31,746
Total tax on (loss)/profit	(75,484)	405,191

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

	2018 £	2017 £
(Loss)/profit before taxation	(12,068,693)	2,159,412
Tax on profit before taxation at standard United Kingdom corporation tax rate of 19% (2017: 19.25%)	(2,293,052)	415,687
Effects of:		
Expenses not deductible for tax purposes	2,214,062	(16,662)
Tax rate changes	235	27
Adjustments in respect of prior years	3,271	(1,547)
Overseas tax suffered	-	7,686
Total tax charge for year	(75,484)	405,191

The Finance Act 2016 was substantively enacted on 15 September 2016, and included a reduction in the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. As a result deferred tax has been provided at a rate of 17%, where applicable.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Intangible assets

	Development costs £
Cost	
At 1 January 2018	270,042
Additions	169,274
At 31 December 2018	<u>439,316</u>
Accumulated amortisation	
At 1 January 2018	45,392
Amortisation	147,926
At 31 December 2018	<u>193,318</u>
Net book value	
At 31 December 2018	<u>245,998</u>
At 31 December 2017	<u>224,650</u>

12. Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2018	326,273
Additions	37,815
Disposals	(4,137)
At 31 December 2018	<u>359,951</u>
Accumulated depreciation	
At 1 January 2018	179,836
Depreciation	85,025
Disposals	(1,953)
At 31 December 2018	<u>262,908</u>
Net book value	
At 31 December 2018	<u>97,043</u>
At 31 December 2017	<u>146,437</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Trade and other receivables

	2018 £	2017 £
Trade receivables	1,544,014	2,227,835
Amounts owed by group undertakings	9,045,784	9,989,241
Corporation tax	87,916	128,636
Other receivables	46,766	29,923
Accrued income	19,775	-
Prepayments	156,862	118,510
Deferred taxation (note 15)	1,998	-
	10,903,115	12,494,145

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.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates for trade receivables are based on the Company's historical credit losses experienced over the two year period prior to the year end. The historical loss rates are the adjusted for current and forward-looking information on factors affecting the Company's customers. The Company has identified the key factors as school closures and transfer of school ownership.

On adoption of IFRS 9 no impairment allowance was required in respect of trade receivables and contract assets.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Trade and other receivables (continued)

Trade receivables and contract assets relate to public sector based customers with minimal default history. At 31 December 2018, the lifetime expected loss provision for trade receivables and contract assets was as follows:

	Gross Carrying Amount 2018 £	Loss Provision 2018 £	Gross Carrying Amount 2017 £	Loss Provision 2017 £
Current	1,168,492	-	1,408,278	-
Up to 3 months past due	376,331	-	733,168	-
3 to 6 months past due	22,538	-	89,525	837
Over 6 months past due	(3,572)	-	(2,299)	-
	1,563,789	-	2,228,672	837

For amounts owed by group undertakings, the Company measures expected credit losses (ECL) using a 12 month expected credit loss provision or a lifetime expected credit loss provision dependent on the assessment of the change in credit risk. The ECL provision is based on an assessment, on a company by company basis, of the likelihood that the group undertaking will be able to settle the debt. For balances assessed to be in stage 1, being where credit risk has not increased significantly since initial recognition, the assessment takes into account the company's net asset position, and financial forecasts for the next 12 months. For balances assessed to be in stage 2 or stage 3, being where credit risk has increased significantly since initial recognition or where the financial asset is credit impaired, the assessment takes into account a range of possible outcomes based on a weighted average probability that the outcomes will succeed or not.

On adoption of IFRS 9 the Company recognised an impairment allowance of £11,612,186 in respect of amounts owed by Group undertakings.

The Company has chosen not to restate comparatives on adoption of IFRS 9 and therefore are not reflected as a restatement in the prior year financial statements. Rather, these changes have been processed at the date of initial application (1 January 2018), and recognised in equity in the current period. The impairment allowance on initial application would have been £7,982,801.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Trade and other receivables (continued)

At 31 December 2018, the expected credit loss provision in respect of amounts owed by group undertakings was as follows:

	Gross Carrying Amount 2018 £	Loss Provision 2018 £	Gross Carrying Amount 2017 £	Loss Provision 2017 £
Stage 1	9,045,784	-	2,006,440	-
Stage 2	11,612,186	11,612,186	7,982,801	-
	<u>20,657,970</u>	<u>11,612,186</u>	<u>9,989,241</u>	<u>-</u>

Amounts owed by group undertakings have no fixed repayment date, and therefore an overdue ageing profile has not been provided.

14. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	282,783	560,064
Amounts owed to group undertakings	15,688,344	4,873,893
Other taxation and social security	442,428	1,449,196
Other creditors	63,601	75,927
Accruals and deferred income	198,632	139,718
Deferred taxation (note 15)	-	4,627
	<u>16,675,788</u>	<u>7,103,425</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 2018 (continued)

15. Deferred Tax

The analysis of deferred tax is as follows:

	2018 £	2017 £
Deferred tax asset/(liability)	<u>1,998</u>	<u>(4,627)</u>

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movement in deferred tax is as follows:

	Accelerated tax depreciation £	Short term timing differences £	Total £
At 1 January 2017	26,248	871	27,119
Credited to income statement	1,900	193	2,093
Effect of change in tax rate	(25)	(3)	(28)
Adjustments in respect of prior years	(33,800)	(11)	(33,811)
At 31 December 2017	<u>(5,677)</u>	<u>1,050</u>	<u>(4,627)</u>
Credited to income statement	5,121	1,739	6,860
Effect of change in tax rate	58	(293)	(235)
At 31 December 2018	<u>(498)</u>	<u>2,496</u>	<u>1,998</u>

16. Called up share capital

	2018 £	2017 £
Allotted and fully paid		
200 (2017: 200) ordinary shares of £1 each	<u>200</u>	<u>200</u>

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

17. Financial commitments

The Company leases a number of its properties. The terms of property leases vary, although all tend to be tenant repairing and for a period of less than 5 years. Many also contain break clauses. The Company also leases all of its motor vehicles and some office equipment, which are leased over periods of 3 to 5 years.

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 2018 £	Land and buildings 2017 £	Other 2018 £	Other 2017 £
Within one year	196,091	164,669	34,789	67,380
Between two and five years	238,397	290,529	9,600	37,038
	<u>434,488</u>	<u>455,198</u>	<u>44,389</u>	<u>104,418</u>

18. Retirement benefit schemes

Defined contribution schemes

The Company's parent company Education Placement Group Limited operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of Education Placement Group 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 Education Placement Group Limited are reduced by the amount of forfeited contributions. Education Placement Group Limited recharges costs incurred in respect of the Company's employees to the Company. Pension contributions are also made into the NEST pension scheme.

The total cost charged to the income statement of £63,160 (2017: £63,535) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £14,684 (2017: £5,531) due in respect of the current reporting year had not been paid over to the schemes.

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Share based payments

On 15 July 2016, 3,750 Class C ordinary shares of £0.01 each and 25 Class D ordinary shares of £0.01 each were issued by the ultimate parent company Education Placement Group Limited to employees of the Company as part of an Employee Shareholder Share Incentive Scheme. With effect from 5 April 2018, employees holding 460 Class C ordinary shares of £0.01 each and 2 Class D ordinary shares of £0.01 transferred to Teach In Limited, another group company.

On 20 July 2017, 131 Class C ordinary shares of £0.01 each were issued by North Bidco Limited, another group company, to employees of the Company.

The share awards are accounted for as a share based payment expense. The fair value of the awards at the grant date is charged to the income statement over the period the awards are expected to be held. The fair value at grant date is independently determined using an adjusted form of the Binomial pricing model that takes into account the grant price, the expected vesting period, the expected life, the share price at grant date, the expected dividend yield and the expected forfeiture rate. The expected risk free interest rate and expected volatility do not have any impact on the valuation of these awards, as no consideration is due from employees in respect of these awards.

The total charge included within the income statement for the Company for the current year is £27,755 (2017: £nil).

In preparing the calculation of the fair value valuation of the share awards, the following assumptions were made:

Assumption	C	D	C
	Ordinary 15 July 2016	Ordinary 15 July 2016	Ordinary 20 July 2017
Share price at grant date	£35.72	£2,200	£58.14
Exercise price	-	-	-
Expected dividend yield	0.0%	0.0%	0.0%
Expected vesting period (months)	78	78	65
Expected life (months)	78	78	65
Expected risk-free rate	n/a	n/a	n/a
Expected volatility	n/a	n/a	n/a

Supply Desk Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

20. Contingent liabilities

The Company has guaranteed bank borrowings from Lloyds Bank Plc on behalf of Star Bidco Limited, another group company. At 31 December 2018 the amounts outstanding in respect of these bank borrowings were £11,372,000 (2017: £12,460,500).

The Company has also guaranteed secured loan notes issued to Sovereign Capital IV Limited Partnership and associated co-investors by Star Midco 1 Limited, another group company. At 31 December 2018 the amounts outstanding in respect of these loan notes were £21,492,631 (2017: £21,492,631).

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

21. 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 Partners LLP (registered number OC309409). The registered office of Sovereign Capital Partners LLP 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, Chapeltown, Sheffield, S35 2PH.