

Star Bidco Limited

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

Registered number: 09692369



Star Bidco Limited

Contents

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the financial statements	4
Independent auditors' report to the members of Star Bidco Limited	5
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

Star Bidco Limited

Company Information

Directors

Julian Harley
Robyn Johnstone
Robert King
William Etchell (resigned 31 March 2019)

Registered office

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

Company number

09692369

Independent Auditors

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

Star Bidco Limited

Directors' Report

The directors present their Report and audited financial statements of the Company for the year ended 31 December 2018.

Review of the business

The Company is a holding company. The activities of the Company's indirect subsidiary undertakings relate to 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.

The income statement is set out on page 8 and shows a loss for the financial year of £19.0m (2017: £1.9m loss).

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.

Dividends

No dividends were paid during the year (2017: £nil). The directors do not recommend payment of a final dividend (2017: £nil).

Directors

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

Julian Harley
Robyn Johnstone
Robert King
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.

Star Bidco Limited

Directors' Report (continued)

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.

This report has been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to small companies.

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

A handwritten signature in black ink, appearing to read 'Robyn Johnstone', with a long horizontal flourish extending to the right.

Robyn Johnstone
Director

Star Bidco 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.

Star Bidco Limited

Independent auditors' report to the members of Star Bidco Limited

Opinion

We have audited the financial statements of Star Bidco 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 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.

Star Bidco Limited

Independent auditors' report to the members of Star Bidco 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

Star Bidco Limited

Independent auditors' report to the members of Star Bidco Limited (continued)

Auditor's responsibilities for the audit of the financial statements

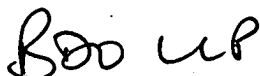
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

3rd September 2019

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

Star Bidco Limited

Income statement For the year ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses		(17,735,189)	(1,214,759)
Other operating income	3	494,134	1,080,299
Operating loss before exceptional items		(116,998)	(37,884)
Exceptional items included within administrative expenses	4	(17,124,057)	(96,576)
Operating loss		(17,241,055)	(134,460)
Finance income	5	729,965	651,759
Finance costs	6	(2,880,366)	(2,811,146)
Loss before taxation	7	(19,391,456)	(2,293,847)
Income tax credit	10	417,268	441,338
Loss for the financial year		(18,974,188)	(1,852,509)

All results are derived from continuing operations.

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

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

The notes on pages 11 to 29 form an integral part of these financial statements.

Star Bidco Limited
Registered number: 09692369

Balance sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Property, plant and equipment	11	15,522		25,719	
Investments	12	5,109,523		18,423,523	
			5,125,045		18,449,242
Current assets					
Trade and other receivables	13	7,481,954		9,431,527	
Cash and cash equivalents		47,587		91,820	
		7,529,541		9,523,347	
Creditors: amounts falling due within one year	14	(29,807,970)		(22,752,067)	
Net current liabilities			(22,278,429)		(13,228,720)
Total assets less current liabilities			(17,153,384)		5,220,522
Creditors: amounts falling due after more than one year	15	(6,924,017)		(10,393,010)	
Net liabilities			(24,077,401)		(5,172,488)
Equity					
Called up share capital	17		1		1
Capital contribution			69,275		-
Accumulated losses			(24,146,677)		(5,172,489)
Total shareholders' deficit			(24,077,401)		(5,172,488)

The notes on pages 11 to 29 form an integral part of these financial statements.

The financial statements on pages 8 to 29 were approved by the board of directors on ^{30th} September 2019 and were signed on its behalf by:



Robyn Johnstone
Director

Star Bidco 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	1	-	(3,319,980)	(3,319,979)
Loss for the financial year	-	-	(1,852,509)	(1,852,509)
Total comprehensive expense for the year	-	-	(1,852,509)	(1,852,509)
Balance at 31 December 2017 and at 1 January 2018	1	-	(5,172,489)	(5,172,488)
Loss for the financial year	-	-	(18,974,188)	(18,974,188)
Total comprehensive expense for the year	-	-	(18,974,188)	(18,974,188)
Credit for share based payment expense (note 20)	-	69,275	-	69,275
Balance at 31 December 2018	1	69,275	(24,146,677)	(24,077,401)

The notes on pages 11 to 29 form an integral part of these financial statements.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018

1. Accounting policies

General information

Star Bidco Limited ("the Company") is a holding company. The activities of the Company's subsidiary undertakings relate to 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. 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 financial statements contain information about Star Bidco Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Education Placement Group Limited.

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 lead 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 introduction of IFRS 15 did not impact the Company. The Company is holding company, and as such does not generate revenue from customers.

Star Bidco Limited

Notes to the financial statements For the period 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:

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 for related party disclosures entered into between two or more members of a group;

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 22.

Going concern

The Company's ultimate parent company, Education Placement Group Limited, has provided confirmation that it will continue to fund the financial liabilities of the Company for a period of at least twelve months from the date of signing these financial statements, and therefore, the validity of the going concern assumption depends on the Education Placement Group Limited group ("the Group") being able to manage its finances within its own available funding.

In their consideration of going concern, the directors have taken account of the financial forecasts of the Group for the next 12 months. In particular they have considered both the sufficiency of the Group's current banking facilities and its ability to meet the banking covenants associated with these facilities. As a result of this review the directors consider that the facilities available are adequate and that compliance with covenants can be managed.

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	20% to 33.3% per annum
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Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

Star Bidco Limited

Notes to the financial statements

For the period 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.

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment.

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.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

1. Accounting policies (continued)

Taxation (continued)

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.

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.

Interest income

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.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

1. Accounting policies (continued)

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.

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.

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.

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 Group's results and/or which separate disclosure would provide further understanding of the financial performance of the Group. 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

Star Bidco Limited

Notes to the financial statements For the period 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.

Star Bidco Limited

Notes to the financial statements For the period 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 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.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

1. Accounting policies (continued)

Borrowing costs

All interest costs are expensed as incurred.

Debt arrangement fees are capitalised at inception and amortised over the term of the loan, based on the repayment pattern.

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 the ultimate parent company, 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 20.

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.

Impairment of investments in subsidiaries

The Company performs annual impairment tests on the carrying value of its investments. The impairment test assesses the recoverable amount of a cash generating unit (CGU) against the investment carrying amount for that CGU. This assessment requires estimates and assumptions to be made in respect of cash flow forecasts, terminal value and discount rates. To the extent that estimates and assumptions made in this calculation change, the results of the impairment may also change. An impairment of £13.3m has been recognised in the current year, further details are disclosed in note 12.

Star Bidco Limited

Notes to the financial statements For the period 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.

Share based payments

Certain employees of the Company have been issued employee shareholder shares in the ultimate 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 20.

3. Other operating income

Other operating income relates to management charges raised to group undertakings.

4. Exceptional items

	2018 £	2017 £
Investment impairment (note 12)	13,314,000	-
Impairment of balances due from group undertakings (note 13)	3,810,057	-
Exceptional legal, advisory and restructuring costs	-	96,576
	<u>17,124,057</u>	<u>96,576</u>

5. Finance Income

	2018 £	2017 £
Loans with group undertakings	<u>729,965</u>	<u>651,759</u>

6. Finance costs

	2018 £	2017 £
Bank loans and overdrafts	501,980	566,519
Loans with group undertakings	1,978,090	1,766,152
Amortised bank fees	381,489	439,548
Other interest	18,807	38,927
	<u>2,880,366</u>	<u>2,811,146</u>

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

7. Loss before taxation

Loss before taxation is stated after charging:

	2018 £	2017 £
Depreciation of owned tangible fixed assets	13,360	12,930
Investment impairment (note 12)	13,314,000	-
Impairment of balances due from group undertakings (note 13)	3,810,057	-
Operating lease charges – plant & machinery	7,582	18,198
Staff costs (see note 9)	461,609	865,863

8. Auditors' remuneration

No auditors' remuneration was charged to the Company in the year (2017: £nil). The audit cost has been borne by Education Placement Group Limited, the ultimate parent company.

Fees payable to the Company's auditor and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the ultimate parent company 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	15	25

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	344,773	755,662
Social security costs	40,191	92,460
Other pension costs (see note 19)	7,370	17,741
Share based payment expense (note 20)	69,275	-
	461,609	865,863

Directors' remuneration:

	2018 £	2017 £
Aggregate emoluments	-	192,256
Company contributions to money purchase pension schemes	-	5,400
	-	197,656

Star Bidco Limited

Notes to the financial statements

For the period ended 31 December 2018 (continued)

9. Staff costs (continued)

No remuneration has been paid to the directors in the current year (2017: £197,656). 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: £197,656).

10. Income tax credit

Tax credit included in the loss for the year:

	2018 £	2017 £
Current tax		
United Kingdom corporation tax on loss for the year	(416,536)	(440,348)
Adjustment in respect of prior years	-	(3,029)
Total current tax	<u>(416,536)</u>	<u>(443,377)</u>
Deferred tax		
Origination and reversal of timing differences	(913)	(568)
Effect of changes in tax rates	181	20
Adjustment in respect of prior years	-	2,587
Total deferred tax (see note 16)	<u>(732)</u>	<u>2,039</u>
Total income tax credit	<u>(417,268)</u>	<u>(441,338)</u>

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

	2018 £	2017 £
Loss before taxation	<u>(19,391,456)</u>	<u>(2,293,847)</u>
Tax on loss at standard United Kingdom corporation tax rate of 19% (2017: 19.25%)	(3,684,377)	(441,566)
Effects of:		
Expenses not deductible for tax purposes	3,266,928	650
Tax rate changes	181	20
Adjustment in respect of prior period	-	(442)
Total tax credit for the year	<u>(417,268)</u>	<u>(441,338)</u>

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.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

11. Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2018	53,248
Additions	3,163
At 31 December 2018	<u>56,411</u>
Accumulated depreciation	
At 1 January 2018	27,529
Depreciation	13,360
At 31 December 2018	<u>40,889</u>
Net book value	
At 31 December 2018	<u>15,522</u>
At 31 December 2017	<u>25,719</u>

12. Investments

	£
Cost	
At 1 January 2018 and 31 December 2018	<u>18,423,523</u>
Provisions for impairment	
At 1 January 2018	-
Impairment	13,314,000
At 31 December 2018	<u>13,314,000</u>
Net book value	
At 31 December 2018	<u>5,109,523</u>
At 31 December 2017	<u>18,423,523</u>

The Company tests whether the carrying value of investments have suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period, incorporating an annual growth rate assumption. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. The below sets out the key assumptions for those CGUs that have goodwill allocated to them:

- Annual growth rate, 2018: 1.0% (2017: 5.0%)
- Long term growth rate, 2018: 1.0% (2017: 2.0%)
- Pre-tax discount rate, 2018: 11.5% (2017: 8.8%)

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

12. Investments (continued)

The key assumptions are based on past experience and future expectations taking into account economic and market conditions. These are reviewed annually by management and adjusted when deemed necessary taking into account commercial information as and when it becomes available.

Management have assessed that the recoverable amount of its investment to be below its carrying amount, and consequently this resulted in an impairment of charge of £13.3m being recognised in the current year (2017: £nil). Management have assessed the sensitivity of the key assumptions used for the impairment assessment. If the annual and long term growth rates were reduced from 1% to 0%, the impairment charge for the year would increase by £0.5m. However, based on current knowledge and information management consider the growth rates applied in the assessment to be appropriate.

The Company has the following wholly owned subsidiary undertakings at 31 December 2018.

Name	Country of incorporation or registration	Proportion of Ownership Interest	Nature of business
Synarbor Limited	England	100%	Holding Company
Supply Desk Limited	England	100%	Education Recruitment
Synarbor Resource Solutions Limited	Canada	100%	Education Recruitment
Academy Supply Agency Limited	England	100%	Dormant
Global Education Limited	England	100%	Dormant
Global IT & Finance Limited	England	100%	Dormant
Headsearch Recruitment Limited	England	100%	Dormant
Intercede 2500 Limited	England	100%	Dormant
Intercede 3000 Limited	England	100%	Dormant
Kellis Group Limited	England	100%	Dormant
Kellis Limited	England	100%	Dormant
LEA Direct Limited	England	100%	Dormant
Levy Direct Limited	England	100%	Dormant
Planetteach Limited	England	100%	Dormant
Public Recruitment Group Limited	England	100%	Dormant
School Improvement and Support Services Limited	England	100%	Dormant
Synarbor Education Limited	England	100%	Dormant
Synarbor Support Services Limited	England	100%	Dormant
Teach In Qualified Limited	England	100%	Dormant
TeachLondon Limited	England	100%	Dormant

All undertakings are held indirectly by the Company, with the exception of Synarbor Limited.

For all undertakings listed above the country of operation is the same as the country of incorporation or registration.

The registered office address for all of the undertakings incorporated in England listed above is; Second Floor, Sir Wilfrid Newton House, Thorncliffe Park, Chapeltown, Sheffield, S35 2PH.

The registered office address for Synarbor Resource Solutions Limited registered in Canada is; 1959 Upper Water Street, Suite 900, Halifax NS, Canada, B3J 3N2.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

13. Trade and other receivables

	2018 £	2017 £
Amounts owed by group undertakings	7,478,932	9,368,385
VAT receivable	-	36,073
Prepayments and accrued income	1,483	26,262
Deferred taxation (note 16)	1,539	807
	<u>7,481,954</u>	<u>9,431,527</u>

Amounts owed by group undertakings include a balance of £6,813,032 (2017: £6,083,064) in respect of intra-group loan agreements that attract interest at a rate of 12% per annum. The remaining balances are interest free. The amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

The Company has applied IFRS 9 for the first time in these financial statements. 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 £3,810,057 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 £2,996,405.

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	6,375,454	10,624	4,472,044	-
Stage 2	4,889,967	3,775,865	4,892,967	-
Stage 3	23,568	23,568	3,374	-
	<u>11,288,989</u>	<u>3,810,057</u>	<u>9,368,385</u>	<u>-</u>

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

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

14. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans (note 15)	3,709,452	947,470
Trade creditors	3,251	2,460
Amounts owed to group undertakings	25,822,573	21,438,346
Other taxation and social security	49,288	72,640
Other creditors	-	15,540
Accruals and deferred income	5,000	36,559
Accrued interest	218,406	239,052
	<u>29,807,970</u>	<u>22,752,067</u>

Amounts owed to group undertakings include a balance of £18,462,209 (2017: £16,484,115) in respect of intra-group loan agreements that attract interest at a rate of 12% per annum. The remaining balances are interest free. The amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

15. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Bank loans	<u>6,924,017</u>	<u>10,393,010</u>

Bank loans are shown net of unamortised issue costs of £738,531 (2017: £1,120,020).

Bank loans falling due after more than five years amount to £nil (2017: £nil).

At the balance sheet date the principal terms and the debt repayment schedule of the Company's bank loans based on an agreement dated 31 July 2015 were as follows:

	Currency	Nominal rate %	Year of Maturity	Security
Bank term loan of £3,150,000 repayable in 10 semi-annual instalments	Sterling	3.75% plus Libor	2020	Fixed and floating
Bank term loan of £1,750,000 repayable in 9 semi-annual instalments	Sterling	3.75% plus Libor	2020	Fixed and floating
Bank term loan of £3,250,000 repayable in full by the maturity date	Sterling	4.25% plus Libor	2021	Fixed and floating
Bank term loan of £5,850,000 repayable in full by the maturity date	Sterling	4.25% plus Libor	2021	Fixed and floating

On 7 March 2019 the Group entered into an amendment and restatement agreement with the lender that is supplemental to the original agreement dated 31 July 2015.

Star Bidco Limited

Notes to the financial statements For the period ended 31 December 2018 (continued)

16. Deferred Tax

The analysis of deferred tax assets is as follows:

	2018 £	2017 £
Deferred tax assets	<u>1,539</u>	<u>807</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	2,920	(74)	2,846
Credited to income statement	568	-	568
Effect of change in tax rate	(20)	-	(20)
Adjustment in respect of prior years	(2,661)	74	(2,587)
At 31 December 2017	<u>807</u>	<u>-</u>	<u>807</u>
Credited to income statement	913	-	913
Effect of change in tax rate	(181)	-	(181)
At 31 December 2018	<u>1,539</u>	<u>-</u>	<u>1,539</u>

17. Called up share capital

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

Star Bidco Limited

Notes to the financial statements

For the period ended 31 December 2018 (continued)

18. 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:

	Other 2018 £	Other 2017 £
Within one year	-	18,198
Between two and five years	-	4,615
After five years	-	-
	<u>-</u>	<u>22,813</u>

19. Retirement benefit schemes

Defined contribution schemes

The Company's subsidiary undertaking 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 £7,370 (2017: £17,741) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2018, employer contributions of £nil (2017: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Star Bidco Limited

Notes to the financial statements

For the period ended 31 December 2018 (continued)

20. Share based payments

On 18 December 2015, 5,000 Class B ordinary shares of £0.01 each and 1 Class D ordinary share 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 1 January 2018, these employees transferred to Education Placement Group Limited.

On 15 July 2016, 1,450 Class C ordinary shares of £0.01 each and 5 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 1 July 2018, these employees transferred to Education Placement Group Limited.

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 £69,275 (2017: £nil).

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

Assumption	B	D	C	D
	Ordinary 18 December 2015	Ordinary 18 December 2015	Ordinary 15 July 2016	Ordinary 15 July 2016
Share price at grant date	£42.23	£2,200	£35.72	£2,200
Exercise price	-	-	-	-
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Expected vesting period (months)	84	84	78	78
Expected life (months)	84	84	78	78
Expected risk-free rate	n/a	n/a	n/a	n/a
Expected volatility	n/a	n/a	n/a	n/a

Star Bidco Limited

Notes to the financial statements

For the period ended 31 December 2018 (continued)

21. Contingent liabilities

The Company has 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 this guarantee.

22. Controlling party

The Company's immediate parent undertaking is Star Midco 2 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 Newton House, Thorncliffe Park, Chapeltown, Sheffield, S35 2PH.