



Starcrest Education The Belt & Road Limited

(Incorporated and registered in Cayman Islands with registered number 337619)

Unaudited Condensed Consolidated Interim
Financial Statements

For the Period from 1st January 2020
to 30th June 2020

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CHAIRMAN'S STATEMENT

Introduction

I am very pleased to report the Company's interim results for the period ended 30 June 2020.

Starcrest's strategic objective, as announced upon admission to trading on the London Stock Exchange's Main Market in January 2019 and reiterated in the Company's final results on 9 April 2020, has been to provide innovative solutions that add value to students, employees and the wider society in One Belt One Road ("OBOR") countries.

Utilising the Board's considerable contacts and experience across the education sector and in capital markets, we have been proactively seeking relevant acquisition opportunities that fit with the Company's search criteria and that offer attractive growth potential. As a result, on 18 September 2019, Starcrest was pleased to announce the signing of the non-legally binding Heads of Terms to acquire sixty per cent. of the issued share capital of The London School of Science and Technology Limited (the "Target").

Under the Heads of Terms, the Company has also agreed to a put option, subject to the satisfaction of certain conditions, to require it to purchase the remaining forty per cent. shareholding in the Target, following completion of the Proposed Transaction. Although the consideration for the Proposed Transaction is yet to be determined, the Company will need to undertake a fundraise to satisfy it. The potential acquisition of the Target is subject to, amongst other things, legal and financial due diligence, therefore the Company is unable to provide further information at this early stage about the terms of the Proposed Transaction. If the Proposed Transaction is successful, it will amount to a reverse takeover under the Listing Rules.

We believe that the Target provides a valuable opportunity for Starcrest and its shareholders. As shareholders will be aware, conducting remote due diligence in a COVID-19 world has its challenges and has necessitated considerable additional work, especially in respect of future forecasts. The Board is progressing matters and will update shareholders as soon as they are able. It should be noted that until all the due diligence has been completed, there is no certainty that the Proposed Transaction with the Target will complete.

Results

Further to the initial fund raise, as of 30 June 2020, the Group had cash balances of £1,920,399. Loss before tax for the period ended 30 June 2020 was £1,004,044.

Starcrest made approximately £228,000 foreign exchange gain for the period ended June 2020. The majority of the losses reported in this period, representing approximately £725,000, are attributed to

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professional fees and associated costs relating to the due diligence cost for acquisition targets. The remaining expenditure related to Directors fees, administration and other costs. The total comprehensive loss was £776,195 for the period.

Directorate Changes

On 29 April 2020, the Company announced the appointment of Mr. Luo Peng to the Board as Executive Director with immediate effect and that Mr. Zhu Xingchen will step down from his role as Executive Director with immediate effect.

Mr. Luo Peng is a Chinese entrepreneur who is at the forefront of the digital economy. Mr. Luo currently serves as the Chairman and Founder of diversified investment group Fubao Group as well as holding a number of Executive and Non-Executive Directorships in various companies and organisations.

Prior to forming Fubao Group, Mr. Luo worked for Truck Alliances, serving as Chief Operating Officer and Chief Executive Officer, where he helped to create China's largest online highway logistics information platform. In 2017, Truck Alliances merged with another unicorn to form the Man Gang Group, which is ranked as one of China's top ten leading companies within the digital economy, currently valued at more than \$6 billion.

I am delighted to welcome Mr. Luo to the Board at this transitional period in the Company's development. Mr. Luo brings a wealth of knowledge and experience, as well as an extensive network base, which will no doubt provide the Company significant benefit. I would also like to express my thanks to Mr. Zhu for his invaluable contribution to the Company. We all wish him the very best in his future endeavours.

Summary and Outlook

We believe that Starcrest is entering an exciting period as the Company focuses on its strategy to capitalise on the enormous potential of the Chinese education sector and the opportunities arising from China's OBOR initiative.

The Company will continue to seek acquisition targets across Europe, which will add value and support the strategy. In the interim, Starcrest's focus will be on completing the Proposed Acquisition of our identified Target. The Directors look forward to updating the market with our progress in due course.

John McLean OBE

Non-Executive Chairman

23 October 2020

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm, to the best of their knowledge, that these consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months and their impact on the consolidated set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last set of financial statements.

By Order of the Board

John McLean OBE
23 October 2020

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 30/06/2020 Unaudited £	6 months ended 30/06/2019 Unaudited £
Administrative expenses		(1,004,044)	(436,963)
Operating loss	10	<u>(1,004,044)</u>	<u>(436,963)</u>
Finance costs		-	(1,600)
Loss before taxation		<u>(1,004,044)</u>	<u>(438,563)</u>
Income tax		-	-
Loss for the period		<u>(1,004,044)</u>	<u>(438,563)</u>
Other Comprehensive gain			
Exchange gain arising on translation to presentation currency		227,849	-
Total comprehensive loss attributable to equity holders of the Company for the period		<u>(776,195)</u>	<u>(438,563)</u>
Loss per share – basic and diluted (pence per share)	13	(4.66)	(2.44)

The notes on pages 9 to 15 form an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30/06/2020 Unaudited £	As at 31/12/2019 Audited £
Non-current assets			
Right-of-use assets		-	70,197
Total non-current assets		<u>-</u>	<u>70,197</u>
Current assets			
Cash and cash equivalents	14	1,920,399	2,787,046
Trade and other receivables	15	81,047	14,600
Total current assets		<u>2,001,446</u>	<u>2,801,646</u>
Total assets		<u><u>2,001,446</u></u>	<u><u>2,871,843</u></u>
Equity and liabilities			
Capital and reserves attributable to owners of the company			
Ordinary shares	17	215,600	215,600
Share premium		3,454,364	3,454,364
Retained earnings		(2,410,488)	(1,406,444)
Foreign exchange reserves		114,421	(113,428)
Total equity		<u>1,373,897</u>	<u>2,150,092</u>
Current liabilities			
Trade and other payables	16	627,549	658,822
Lease liabilities			62,929
Total current liabilities		<u>627,549</u>	<u>721,751</u>
Total equity and liabilities		<u><u>2,001,446</u></u>	<u><u>2,871,843</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital	Share premium	Other reserves	Retained earnings	Foreign exchange	Total equity
	£	£	£	£	£	£
Balance at 1 January 2020	215,600	3,454,364	-	(1,406,444)	(113,428)	2,150,092
Loss for the period	-	-	-	(1,004,044)	-	(1,004,044)
Other comprehensive gain for the financial period	-	-	-	-	227,849	227,849
Balance at 30 June 2020 (Unaudited)	215,600	3,454,364	-	(2,410,488)	114,421	1,373,897

FOR THE PERIOD ENDED 30 JUNE 2019

	Share capital	Share premium	Other reserves	Retained earnings	Foreign exchange	Total equity
	£	£	£	£	£	£
Balance at 1 January 2019	8,000	-	3,773,141	(189,698)	-	3,591,443
Shares issued	207,600	-	(207,600)	-	-	-
Transferred from other reserves to share premium	-	3,565,541	(3,565,541)	-	-	-
Transactions costs deducted from equity	-	(111,177)	-	-	-	(111,177)
Loss for the period	-	-	-	(438,563)	-	(438,563)
Balance at 30 June 2019 (Unaudited)	215,600	3,454,364	-	(628,261)	-	3,041,703

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Other reserves	Retained earnings	Foreign exchange	Total equity
	£	£	£	£	£	£
Balance at 1 January 2019	8,000	-	3,773,141	(189,698)	-	3,591,443
Shares issued	207,600	-	(207,600)	-	-	-
Transferred from other reserves to share premium	-	3,565,541	(3,565,541)	-	-	-
Transactions costs deducted from equity	-	(111,177)	-	-	-	(111,177)
Loss for the year	-	-	-	(1,216,746)	-	(1,216,746)
Other comprehensive loss for the year	-	-	-	-	(113,428)	(113,428)
Balance at 31 December 2019 (Audited)	215,600	3,454,364	-	(1,406,444)	(113,428)	2,150,092

The notes on pages 9 to 15 form an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Period Ended 30 JUNE 2020

		30/06/2020 Unaudited	30/06/2019 Unaudited
		£	£
Cash flows from operating activities			
Operating loss		(1,004,044)	(438,563)
Depreciation		-	34,865
Finance cost		-	1,600
Decrease in payables		(95,119)	(11,337)
Increase in receivables	15	(66,447)	-
Net cash generated from operating activities		(1,165,610)	(413,435)
Cash flows from financing activities			
Transaction costs deducted from equity		-	(111,177)
Principal paid on lease liabilities		-	(58,206)
Interest paid on lease liabilities		-	(1,600)
Net cash used in financing activities		-	(170,983)
Net decrease in cash, cash equivalents and bank overdrafts			
		(1,165,610)	(584,418)
Cash, cash equivalents and bank overdrafts at beginning of the period		2,787,046	4,020,320
Exchange gains on cash and cash equivalents		298,963	-
Cash, cash equivalents and bank overdrafts at end of the period	14	1,920,399	3,435,902

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Starcrest Education The Belt & Road Limited (“the Company”) was incorporated and registered in the Cayman Islands as a private company limited by shares on 23 May 2018 under the Companies Law (as revised) of The Cayman Islands, with the name Starcrest Education The Belt & Road Limited, and registered number 337619.

The subsidiaries included in these condensed consolidated financial statements were incorporated in November 2019.

The Company’s registered office is located at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

2. PRINCIPAL ACTIVITIES

The principal activity of the Group is to seek education related acquisition opportunities in Europe.

3. RECENT ACCOUNTING PRONOUNCEMENT

a) New interpretations and revised standards effective for the period ended 30 June 2020

The International Accounting Standards Board (Board) has issued an amendment to IFRS 16 Leases to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of COVID-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue. The Group has no rent concessions to consider.

The Group's remaining lease has a term of 6 months and therefore the Group have elected not to recognise an asset or liability as per the short-term lease exemption of IFRS 16. The lease payments have been recognised in profit or loss on a straight-line basis over the lease term.

b) Standards and interpretations in issue but not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 1 January 2020 (the date on which the Company’s next annual financial statements will be prepared from) that the Company has decided not to adopt early. The Directors do not believe these standards and interpretations will have a material impact on the financial statements once adopted.

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4. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and prepared under the historic cost convention. The comparative figures as at 31 December 2019 have been extracted from the Group's Financial Statements for that financial year, but do not constitute these accounts.

The Company's functional currency is USD. The Company listed its shares on the main market of the London Stock Exchange on 31 January 2019. The directors have decided to present the consolidated interim financial information in Pounds Sterling (£), which is the Group's presentation currency, as the Company is listed in the UK.

These financial statements have been prepared on a going concern basis. The Directors consider that, having reviewed current cash flow forecasts, having taken into account current overheads and projected costs and including specific consideration of the potential risks associated with COVID-19, they have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign currency translation

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. 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.

Results at 30 June 2020 are translated into the presentation currency. Assets and liabilities are translated at the closing rate while income and expenses are translated at exchange rates at the dates of the transactions. Differences arising are recognised in Other Comprehensive Income in the period in which they arise (foreign currency translation reserve).

5.2 Financial instruments

A financial asset or a financial liability is recognised only when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at the transaction price as this represents fair value, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar instrument.

Financial assets

All financial assets are initially recognised at fair value, less transaction costs. Subsequent to initial recognition, they are recorded at amortised cost.

Financial liabilities

Financial liabilities are initially recognised at fair value. Subsequent to initial recognition, they are recorded at amortised cost.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or options in relation to ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

5.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.5 Earnings per share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the dilutive effect of dilutive potential ordinary shares outstanding during the year.

5.6 Leases

During the immediately preceding financial period to 31 December 2019 the Group recognised a right-of-use asset measured at an amount equal to the lease liability, in relation to leased office space. The lease liability is measured at the present value of the remaining lease payments, discounting using the Group's incremental borrowing rate at date of lease commencement. Lease modifications are accounted for at the effective date of the lease modification.

6. ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. There are no significant accounting estimates or judgements that affect reported amounts of assets, liabilities, income and expenses in this period.

There are no significant accounting estimates or judgements that affect reported amounts of assets, liabilities, income and expenses in this period.

7. FINANCIAL RISK MANAGEMENT

The Group has exposure to the liquidity risk, foreign currency risk and capital risks from its use of financial instruments. Credit, interest rate and market risks are not considered to be material to the Group. The Group is not subject to any externally imposed capital requirements.

The Group's financial instruments consist mainly of cash and accounts receivable and payable.

a. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's financial liabilities comprise trade payables, amounts due to the parent company and accruals.

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7. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's financial assets comprise cash and cash equivalents, trade and other receivables.

The Group has sufficient cash to meet their liabilities as they fall due.

b. Foreign currency risk

During the period, the board decided to convert 80% of the U.S. Dollars in Singapore's OCBC Bank to British pounds and transfer them to HSBC bank account in the UK. Financial risks of variations in foreign currency exchange rates have been significantly reduced as a result.

c. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit allowances are made for estimated losses that are anticipated to be incurred by the reporting date.

8. CAPITAL MANAGEMENT

The Group actively manages the capital available to fund the Group, comprising equity and reserves. The Group's objectives when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

9. SEGMENT REPORTING

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Board of Directors to assess performance and determine the allocation of resources. The Board of Directors are of the opinion that under IFRS 8 the Group has only one operating segment. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the Financial Statements. Segmental reporting will be reviewed and considered in light of the development of the Group's business over the next reporting period.

10. OPERATING LOSS

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

	6 months ended	6 months ended
	30 June 2020	30 June 2019
Foreign exchange (gains)	-	(1,824)
Lease expense	47,206	-

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11. STAFF COSTS AND KEY MANAGEMENT EMOLUMENTS

	Period ended 30 June 2020	Period ended 30 June 2019
Key management emoluments		
Remuneration	136,288	64,583
Executive Directors		
Xingchen Zhu	10,000	12,500
Xiaojun Zhang	15,000	12,500
Peng Luo	5,000	-
Non-executive Directors		
John McLean OBE	17,500	14,583
Norman Cumming	15,000	12,500
Nicholas Petford DSc	15,000	12,500
	<u>77,500</u>	<u>64,583</u>
Employees		
Zhixian Feng	48,488	-
Yang Lu-Bourner	10,300	-
	<u>58,788</u>	<u>-</u>

12. TAXATION

The Company is incorporated in the Cayman Islands, and its activities are subject to taxation at a rate of 0%.

The Company's wholly owned subsidiaries, Starcrest Education PLC and Starcrest Education Management (UK) Ltd are incorporated in England and Wales, and its activities are subject to taxation at a rate of 19%. For the period to 30 June 2020 the entities have made a taxable loss. No deferred tax asset has been recognised.

13. EARNINGS PER SHARE

The Company presents basic and diluted earnings per ordinary share information for its ordinary shares. Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the reporting period.

There is no difference between the basic and diluted loss per share.

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13. EARNINGS PER SHARE (CONTINUED)

	6 months ended 30/06/2020	6 months ended 30/06/2019
Loss attributable to ordinary shareholders	(1,004,044)	(438,563)
Weighted average number of shares	21,560,000	18,004,420
Losses per share (expressed as pence per share)	(4.66)	(2.44)

14. CASH AND CASH EQUIVALENTS

	Unaudited 30/06/2020	Audited 31/12/2019
	£	£
Cash and cash equivalents	1,920,399	2,787,046

Cash at bank earns interest at floating rates based on daily bank deposit rates.

15. TRADE AND OTHER RECEIVABLES

	Unaudited 30/06/2020	Audited 31/12/2019
	£	£
Trade receivables	16,324	14,600
VAT and other receivables	64,723	-
	81,047	14,600

16. TRADE AND OTHER PAYABLES

	Unaudited 30/06/2020	Audited 31/12/2019
	£	£
Trade payables	107,221	-
Amounts due to the parent company	211,517	203,788
Accruals	308,810	455,034
	627,549	658,822

All payables are financial liabilities measured at amortised cost.

Amounts due to the parent company are unsecured, interest free and repayable on demand.

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17. SHARE CAPITAL

	Number of shares	Nominal value
	£	£
Authorised		
Ordinary shares of GBP £0.01 each	1,000,000,000	10,000,000
Issues and fully paid		
Issue of ordinary shares of £0.01 each	<u>21,560,000</u>	<u>215,600</u>

18. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is Starcrest Education Management Company Ltd. The Company's ultimate parent company is Fubao Group Holdings Ltd. The ultimate controlling party is Mr Peng Luo, who is also a director of the Company.

19. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Other reserve	Consideration received for shares which are not yet issued.
Retained earnings	All other net gains and losses and transactions not recognised elsewhere.
Foreign exchange reserve	Gains/losses arising on retranslation of net assets from functional to presentation currency.

20. RELATED PARTY TRANSACTIONS

As at 30 June 2020, an amount of £211,517 (unaudited) (31 December 2019 (audited): £203,788) was owed to Starcrest Education Management Company Ltd. This amount mainly arose from business expenses paid on behalf of the Group by the parent company.