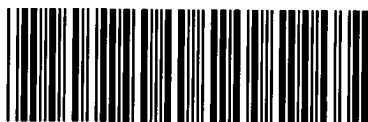

GSM LONDON LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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| GSM LONDON LIMITED |
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COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | A J Blackmore D P K Bogg C A Brady C M Holmes M Keen |
| Registered number | 01443436 |
| Registered office | Meridian House Royal hill Greenwich London SE10 8RD |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG |

GSM LONDON LIMITED

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GSM LONDON LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

Introduction

The Directors present their report and the financial statements for the year ended 30 September 2017.

Business review and future developments

The Higher Education (HE) market has remained challenging both within and following the reference year but following on from the refinancing on 21 December 2016 the Company largely delivered to targets in its first year of its initial turnaround operating plan and budget.

The Company operates from its two principal campuses in Greenford and Greenwich, together with its London Bridge study centre.

In doing so the Company had started, and was continuing, to make improvement in forward visibility and management of key business metrics relating to and supporting the success of committed students and aligned with the longer-term performance of the Company. These actions and metrics included reduction in exposure to student debt and improvement in long term retention and completion rates.

Some of these actions have an immediate consequence on the short-term profitability of the business via a reduction in recruitment numbers and short-term retention rates through:

- Increased rigour on probability of achieving Student Loan Company (SLC) funding
- Reviewing in more detail prospective students' motivations and commitment with reference to the self efficacy forms they are required to complete prior to application
- Higher requirements to satisfy full enrolment in the first three weeks.

These are critical for the long-term sustainability of the business in the eyes of regulatory and investment stakeholders.

In September 2017, GSM London Limited ('the College') underwent its HER (AP) QAA inspection, and we were delighted that the outcome was that the College "meets expectations" in three of the four indicators and a commendation in the other, for our strategic approach to embedding enhancement of student learning opportunities. Only 16% of HE institutions received a commendation in the previous two years of published QAA reports.

In November 2017, the Company was informed by the BBC that GSM London Limited was to be one of the parties covered within a Panorama investigation concerning inappropriate practices by agents commonly used in the public and private HE sector for the introduction of potential new students. The programme was aired on 13 November 2017.

The Company commissioned an independent investigation by Mishcon de Reya, solicitors, who were supported by other specialists in key areas. During the run up to the broadcast and throughout the investigation, the Company maintained a transparent dialogue with its regulators who agreed the scope and the reporting lines for the ultimate report.

The comprehensive independent investigation reported in January 2018 and concluded that there was no evidence of collusion, fraud or poor ethical practice in student recruitment.

Our regulatory stakeholders accepted the findings and concluded to take no further action and the QAA report (publication of which had been delayed pending conclusion of the investigation) was published with minimal change to include reference to the investigation findings.

Immediately after Panorama aired, a decision was taken by the Company to suspend all UK agent contracts and subsequently this suspension was followed up by termination. This step, in consultation with regulatory and other stakeholders, was considered a necessary action to protect the business for the foreseeable future against third

GSM LONDON LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

parties acting in breach of their contracts, to the detriment of the Company and its students.

Agents accounted for c.20% of all GSM recruitment numbers and this step was clearly understood to have major impacts upon the future performance of the business.

In January 2018, the Board agreed the implementation of an immediate cost reduction programme which was aligned to a more radical plan to focus on the core business and its newly developed postgraduate programmes. The removal of UK student recruitment agents was recognised by all financial stakeholders to impact on 2016 refinancing requirements from September 2018. As a result, the Board concluded in early February 2018 that a refinancing of the business would be necessary and at a level that would be sufficient to support the business plan which, following an extended turnaround component, would return the Company to a stable and sustainable profit performance within two years.

Going Concern

The net loss of the Company for the year ended 30 September 2017 was £9,869,000 (2016: £5,096,546), which is stated after a provision against intercompany debtors of £6,450,963 has been made, and net liabilities at the year end amounted to £9,749,699 (2016: £119,301).

Sovereign Capital Limited Partnership III has provided further equity to fully fund the Group's headed by Clipper Group Limited, which includes GSM London Limited turnaround plans. The transaction was completed on 8 November 2018 and includes creditors waiving in excess of £26m of long-term loans and a significant cash injection to the group. The Department for Education (DfE) has confirmed its approval of the changes and has designated GSM London Limited for 2018/19 academic year on 6 November 2018, based on the ongoing structure and the Turnaround Plan presented to the DfE. The DfE has identified that it will monitor the delivery of the Group's turnaround as an ongoing condition of the designation. Application to register with the Office for Students in relation to future academic years will be submitted immediately after the filing of these financial statements.

Management consider that the revised capital structure is sufficient to provide adequate funding and liquidity to support the successful implementation of the Group's turnaround plan.

It is on this basis that the Directors believe the business is a going concern.

However, the turnaround plans and associated financial forecasts are not without risk and include a number of inherent assumptions and uncertainties. If the assumptions used overall were to prove too optimistic or events crystallise in a materially negative manner for the Group then the Group may need to secure further funding to enable it to continue to operate as a going concern. If further funding was not arranged then there would be a significant doubt over the Group's ability to continue as a going concern.

Activities in the year

There have been some notable costs in respect of the activities or events which have been highlighted on the face of the accounts as follows.

The Student Record System project was cancelled following the Panorama broadcast. The decision, while not directly related to the investigation, was influenced by the uncertainty of trading at that time alongside the increasing cash requirements of a project which had reducing level of certainty of completing on time and to expectation. In February 2018, the business reached agreement with the main supplier over the commercial terms of this cancellation and the final full cost of the project of £1.9m had been provided for within these statements.

During the year, the Company required and had budgeted for within its business plans and financing, significant support from interim management and legal and professional services to complete the refinancing of the Group and progress the Group turnaround. In total these costs, which were in line with these plans, amounted to £883k and are highlighted in the Statement of Comprehensive Income.

GSM LONDON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

The expected costs of the independent investigation highlighted above is expected to be in the region of £500k, which will be an expense within the 2017/18 financial year.

Other elements of turnaround plan

The continued theme of the Company's five-year plan is to focus on the recruitment of students from a wide range of backgrounds and to maintain our commitment to widening participation in higher education. We will continue to invest to ensure that all our students receive a high quality educational experience and have the necessary tools to embark on successful careers after completing their studies. This investment will be focussed on improving our academic teaching facilities, increasing the number of full-time academic staff.

The plan also features significant increase in postgraduate programmes to further diversify the College's portfolio and to provide a new programme for its alumni and the international students to support these programmes and in addition we will be seeking to extend partnerships with the international community.

The five-year plan recognises the ongoing transition and turnaround that the Company will be embarking on and as a result makes modest assumptions in terms of revised student growth largely aimed to replace the missing UK agency based volume. In addition, the focus on life time student value will be driven through retention, personal tutoring and student engagement programmes. The directors are pleased that the Company has continued to attract students from a wide range of backgrounds, particularly those for whom higher education is not readily accessible.

Principal risks and uncertainties

Risks and uncertainties facing the Company

Risks are identified through the day to day involvement of management in the Company and by regular reviews of strategic and material risks by the Board. The Company has sought to adopt risk management processes that ensure an appropriate and proportionate management of risk and relevant mitigation.

Currently the business is notably focusing on the success or otherwise of achieving a solvent sale and the current position on this is noted above.

In general, the Company remains dependent upon a four monthly recruitment cycle and as such any significant drop in the student number forecasts would represent a potential risk given the cost structure of the business. The Company monitors these numbers against forecast closely and seeks to mitigate such risks and any shortfalls by maintaining flexible capacity and the ability to reduce other non-committed costs.

A similar risk would occur should the number of students returning each semester drop against projections. The Company is investing significantly in student engagement, progression and retention activities to both mitigate this risk and support our students in achieving their aims.

The ongoing changes to the regulatory framework bring risks and opportunity. From August 2019, all Higher Education providers must be registered with the Office for Students (OfS) as they will replace the Higher Education Funding Council for England (HEFCE) and Department for Education (DfE) as the independent regulator of Higher Education and through them access to SLC loans for our students. Our application for registration with the OfS is pending the outcome of the sale process.

In the meantime the Company continues to work closely with the legacy bodies and others, ensuring open and collaborative dialogue.

GSM LONDON LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Financial risk management objectives and policies

The Company uses various financial instruments, including cash, and has trade debtors and trade creditors arising directly from operations. The main purpose of these financial instruments is to improve the efficiency of the balance sheet, lower the cost of capital and raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below.

The main risks arising from the Company's financial instruments are interest rate risk and credit risk.

Interest rate risk

The Company's exposure to interest rate risk arises from bank loans and investor loan notes. The Directors believe that the existing risk, which is limited to the movement in the Libor rate, is manageable without requiring hedging facilities. The Company at various points in the year has high levels of cash deposits; any large increase within the level of Libor is expected to result in some mitigation from cash deposit interest available.

The financing arrangement agreed in December 2016 provides for all debt interest to be rolled into the debt balance until 30 September 2018. Interest receivable or payable is provided on intra group balances at the same rate the Group incurs on the Group finance arrangements.

Credit risk

The Company's principal assets are cash and trade debtors. The credit risk associated with cash deposits is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk arises, therefore, from the Company's trade debtors.

During the current financial year the Company has made further, major impacts upon its understanding and management of its student debt and how it arises. The impacts of actions such as:

- Equitable but prompt action on students unable to fund their tuition
- More robust criterion for the confirmation of SLC funds
- More robust provision of debts outstanding and forecast to be received, which will give rise to higher debt provisions.

The directors are now comfortable that clear visibility and actions are in place to identify the scale and causes of likely bad debt issues and proactive steps are in place to limit and reduce the occurrence of these.

GSM LONDON LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Summary of key performance indicators

The directors are now monitoring the company weekly and monthly by reference to certain financial and non financial key performance indicators, these indicators are regularly reviewed to ensure they are appropriate and relevant to the challenges and planned improvements in the business.

Principal areas of focus include:

- (a) Retention and returning rates
- (b) Attendance
- (c) Progression and completion performance
- (d) Student funding status
- (e) Student and staff satisfaction

Given that these factors have recently been introduced as part of the turnaround activity there are limited comparable components which are available or consistent with those available in the reference period. The measurements provide forward visibility of a range of areas including:

- 1. Short and long-term cash and debtor performance
- 2. Cash
- 3. Detailed performance against detailed annual and five-year business plan.

This report was approved by the board on 9/11/2018 and signed on its behalf.



A J Blackmore
Director

GSM LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

The business review is not shown in the Directors' Report as it is shown in the Strategic Report under s414C(11).

Results and dividends

The loss for the year, after taxation, amounted to £9,869,000 (2016 - loss £5,096,546).

The Company's results for the year and the financial position at the end of the year are shown in the attached financial statements. The directors have not proposed a dividend during the year (2016: £Nil).

Directors

The directors who served during the year were:

A J Blackmore (appointed 3 July 2017)
D P K Bogg (appointed 1 February 2017)
C A Brady
R G Burgess (resigned 31 July 2018)
C M Holmes (appointed 9 November 2016)
M Keen (appointed 29 March 2017)
S B Macro (appointed 9 November 2016, resigned 14 February 2017)
M Needley (resigned 1 February 2017)

Qualifying third party indemnity provisions

During the year, a qualifying third party indemnity provision for the benefit of the directors was in force.

Employee involvement

There are several methods of communication used to inform staff about our business, how we operate, our performance and future developments. Staff briefings are held three times a year, in each of our locations. The Academic staff also attend a Faculty Day once a semester to provide updates on teaching, learning and best practices to support students. The Senior Leadership Team meet weekly and decisions are communicated verbally to teams and through the relevant Executives. Enhancement and Improvement discussions are held approximately six times a year and information is cascaded to the relevant teams.

GSM LONDON LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

Disabled employees

At GSM London, we appreciate the importance of creating an environment in which all of our employees, regardless of their protected characteristics, can feel valued, included and empowered to bring great ideas to the table.

We recognise that each employee's unique experiences, perspectives, and viewpoints are critical to creating a unique and successful business that engages and inspires its students and staff. We aim to foster an environment that is an incubator for great ideas, is attractive to the best talent, and that creates a profound sense of pride across the college.

Our diversity and inclusion efforts apply to all staff including those staff with the protected characteristic of mental and physical disabilities.

Application for employment is by a CV which allows applicants to present themselves as they feel most appropriate. Specifically, selection criteria applied during the recruitment process are focused on the skills of the applicant with no requirement to divulge characteristics such as disability that would allow discrimination. Training and development is provided to all staff to learn or improve skills required to achieve their work goals. Occupational Health assessments are provided to define mental and physical disabilities. Recommended Reasonable Adjustments are acted upon to ensure that those with disabilities have the same positive work experience as other members of staff.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GSM LONDON LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Disclosure of information to auditor


Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 9/11/2018 and signed on its behalf.



A J Blackmore
Director

GSM LONDON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GSM LONDON LIMITED

Opinion

We have audited the financial statements of GSM London Limited for the year ended 30 September 2017, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows and the related notes, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that at the date of this report, the directors have secured further equity investment from Sovereign Capital Limited Partnership III to fully fund the group headed by Clipper Group Limited, which includes GSM London Limited and its turnaround plans. The DfE has confirmed its final approval of the redesignation for the 2018/19 academic year and has identified that it will closely monitor the delivery of the group's turnaround plan as an ongoing condition of designation. Application to register with the Office for Students in relation to future academic years will be submitted immediately after the filing of these financial statements. It is on this basis that the directors believe the business is a going concern.

However, as stated in note 2.2 the turnaround plans and associated financial forecasts are not without risk and include a number of inherent assumptions and uncertainties. If the assumptions used overall were to prove too optimistic or events crystallise in a materially negative manner for the group then the group may need to secure further funding to enable it to operate as a going concern.

As stated in note 2.2, these events or conditions, along with matters set forth in note 2.2 indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a

GSM LONDON LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GSM LONDON LIMITED
(CONTINUED)**

going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

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

Matter on which we are required to report by the Companies Act 2006

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 or the Directors' report.

Matters on which we are required to report by exception

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.

GSM LONDON LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GSM LONDON LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 7, 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.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



Perry Burton (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

London Finsbury

Date:

9/10/18

GSM LONDON LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| | Note | 2017 £ | 2016 £ |
|---|------|---------------------|--------------------|
| Turnover | 4 | 38,083,665 | 38,581,597 |
| Cost of sales | | (16,129,629) | (15,337,000) |
| Gross profit | | 21,954,036 | 23,244,597 |
| Administrative expenses | | (23,193,366) | (26,220,572) |
| Other operating income | 5 | 183,391 | 159,294 |
| Provision against intercompany debtors | | (6,450,963) | - |
| Building maintenance provision | | - | (1,670,000) |
| Student record system write down | | (1,888,016) | (430,750) |
| Reorganisation costs | | (883,347) | - |
| Operating loss | 6 | (10,278,265) | (4,917,431) |
| Interest receivable and similar income | 10 | 1,249,458 | 282 |
| Interest payable and expenses | 11 | (579,103) | (371,160) |
| Loss before tax | | (9,607,910) | (5,288,309) |
| Tax on loss | 12 | (261,090) | 191,763 |
| Loss after tax | | (9,869,000) | (5,096,546) |
| Retained earnings at the beginning of the year | | 119,201 | 5,215,747 |
| Loss for the year | | (9,869,000) | (5,096,546) |
| Retained earnings at the end of the year | | (9,749,799) | 119,201 |

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

The notes on pages 16 to 30 form part of these financial statements.

GSM LONDON LIMITED
REGISTERED NUMBER: 01443436

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

| | Note | 2017 £ | 2016 £ |
|--|------|---------------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 172,350 | 492,117 |
| Tangible assets | 14 | 1,467,388 | 2,247,553 |
| | | <u>1,639,738</u> | <u>2,739,670</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 15 | 7,045,388 | 23,553,619 |
| Cash at bank and in hand | 16 | 280,377 | - |
| | | <u>7,325,765</u> | <u>23,553,619</u> |
| Creditors: amounts falling due within one year | 17 | (17,057,792) | (24,163,988) |
| Net current liabilities | | <u>(9,732,027)</u> | <u>(610,369)</u> |
| Total assets less current liabilities | | <u>(8,092,289)</u> | <u>2,129,301</u> |
| Provisions | 20 | (1,657,410) | (2,010,000) |
| Net (liabilities)/assets | | <u><u>(9,749,699)</u></u> | <u><u>119,301</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 100 | 100 |
| Profit and loss account | 22 | (9,749,799) | 119,201 |
| | | <u><u>(9,749,699)</u></u> | <u><u>119,301</u></u> |

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



A J Blackmore

Director

Date: 9/11/2018

The notes on pages 16 to 30 form part of these financial statements.

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| GSM LONDON LIMITED |
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| | 2017 £ | 2016 £ |
|---|------------------|--------------------|
| Cash flows from operating activities | | |
| Loss for the financial year | (9,869,000) | (5,096,546) |
| Adjustments for: | | |
| Amortisation of intangible assets | 232,948 | - |
| Depreciation of tangible assets | 1,038,122 | 1,680,764 |
| Interest paid | 579,103 | (282) |
| Interest received | (1,249,458) | 371,160 |
| Taxation charge | 261,090 | (191,763) |
| Decrease/(increase) in debtors | 15,583,272 | (3,610,106) |
| (Decrease)/increase in creditors | (6,663,170) | 5,182,172 |
| (Decrease)/increase in provisions | (352,590) | 1,670,000 |
| Corporation tax received | 663,869 | 174,422 |
| Net cash generated from operating activities | <u>224,186</u> | <u>179,821</u> |
| Cash flows from investing activities | | |
| Sale of intangible assets | 86,819 | - |
| Purchase of tangible fixed assets | (279,957) | (1,874,872) |
| Sale of tangible fixed assets | 22,000 | 452,802 |
| Interest received | 1,249,458 | 282 |
| Net cash from investing activities | <u>1,078,320</u> | <u>(1,421,788)</u> |

GSM LONDON LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| | 2017 £ | 2016 £ |
|---|-----------------------|-------------------------|
| Cash flows from financing activities | | |
| Repayment of/new finance leases | - | (3,759) |
| Interest paid | (579,103) | (371,160) |
| Net cash used in financing activities | <u>(579,103)</u> | <u>(374,919)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>723,403</u> | <u>(1,616,886)</u> |
| Cash and cash equivalents at beginning of year | (443,026) | 1,173,860 |
| Cash and cash equivalents at the end of year | <u><u>280,377</u></u> | <u><u>(443,026)</u></u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 280,377 | - |
| Bank overdrafts | - | (443,026) |
| | <u><u>280,377</u></u> | <u><u>(443,026)</u></u> |

The notes on pages 16 to 30 form part of these financial statements.

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information

The company is a private company, limited by shares and is registered in England and Wales. The company's registered number is 01443436. The company's registered address is Meridian House, Royal Hill, Greenwich, London, SE10 8RD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Sovereign Capital Limited Partnership III has provided further equity to fully fund the Group's headed by Clipper Group Limited, which includes GSM London Limited turnaround plans. The transaction was completed on 8 November 2018 and includes creditors waiving in excess of £26m of long-term loans and a significant cash injection to the group. The Department for Education (DfE) has confirmed its approval of the changes and has designated GSM London Limited for 2018/19 academic year on 6 November 2018, based on the ongoing structure and the Turnaround Plan presented to the DfE. The DfE has identified that it will monitor the delivery of the Group's turnaround as an ongoing condition of the designation. Application to register with the Office for Students in relation to future academic years will be submitted immediately after the filing of these financial statements.

Management consider that the revised capital structure is sufficient to provide adequate funding and liquidity to support the successful implementation of the Group's turnaround plan.

It is on this basis that the Directors believe the business is a going concern.

However, the turnaround plans and associated financial forecasts are not without risk and include a number of inherent assumptions and uncertainties. If the assumptions used overall were to prove too optimistic or events crystallise in a materially negative manner for the Group then the Group may need to secure further funding to enable it to continue to operate as a going concern. If further funding was not arranged then there would be a significant doubt over the Group's ability to continue as a going concern.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).

This information is included in the consolidated financial statements of Clipper Group Limited as at 30 September 2017 and these financial statements may be obtained from Companies House.

2.4 Turnover

Turnover comprises fees receivable from the provision of higher education courses. Fees are credited to turnover as educational and related services are delivered to students. Where an element of the fees relates to services to be provided in subsequent accounting periods, that proportion is accounted for as deferred income and released to turnover when the service has been delivered.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-------------------------------|-----------------------|
| Short-term leasehold property | - over the lease term |
| Fixtures and fittings | - 4 years |
| Computer equipment | - 3 - 4 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Significant judgements and estimates relate to:

- bad debt provision - judgement is applied to when a student's debt is unlikely to be recovered. Debt that is considered to be at doubt of recovery is provided for. When management deem that the debt will not be repaid, the debt is written off. There is a strong relationship with successful progression of students, their return in the following semester and the level of bad debt incurred. This relationship is closely monitored with strategies being implemented to improve the student experience.
- depreciation - judgement is applied to setting useful economic lives (see note 2.5).
- intercompany loans - judgement is applied to determine the suitable market rate at which interest is charged. The rate applied is the external rate of interest incurred by the Group plus a small margin.
- VAT - the commercial provider of education sector may be impacted by the SAE Education Limited v HMRC case. The board keep this case under regular review and it's disclosed in the accounts as a contingent liability.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

5. Other operating income

| | 2017 £ | 2016 £ |
|------------------------|----------------|----------------|
| Other operating income | <u>183,391</u> | <u>159,294</u> |

6. Operating loss

The operating loss is stated after charging:

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Depreciation of tangible fixed assets | 1,038,122 | 1,680,764 |
| Amortisation of intangible assets, including goodwill | 232,948 | - |
| Other operating lease rentals | <u>977,092</u> | <u>961,707</u> |

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

7. Auditor's remuneration

| | 2017 £ | 2016 £ |
|---|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | <u>32,000</u> | <u>29,500</u> |
| Fees payable to the Company's auditor and its associates in respect of: | | |
| All other services | <u>-</u> | <u>4,750</u> |

8. Employees

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

| | 2017 £ | 2016 £ |
|-------------------------------------|-------------------|-------------------|
| Wages and salaries | 13,934,652 | 12,249,760 |
| Social security costs | 1,393,549 | 1,274,594 |
| Cost of defined contribution scheme | 147,080 | 140,302 |
| | <u>15,475,281</u> | <u>13,664,656</u> |

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

| | 2017 No. | 2016 No. |
|----------------------|-------------|-------------|
| Administrative staff | 234 | 238 |
| Lecturer staff | 174 | 146 |
| | <u>408</u> | <u>384</u> |

9. Directors' remuneration

| | 2017 £ | 2016 £ |
|-----------------------|----------------|---------------|
| Directors' emoluments | <u>155,677</u> | <u>85,000</u> |

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

10. Interest receivable

| | 2017 £ | 2016 £ |
|--|------------------|------------|
| Interest receivable from group companies | 1,248,649 | - |
| Other interest receivable | 809 | 282 |
| | <u>1,249,458</u> | <u>282</u> |

11. Interest payable and similar charges

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Bank interest payable | 144 | - |
| Loans from group undertakings | 578,959 | 368,339 |
| Finance leases and hire purchase contracts | - | 2,821 |
| | <u>579,103</u> | <u>371,160</u> |

12. Taxation

| | 2017 £ | 2016 £ |
|---|----------------|------------------|
| Corporation tax | | |
| Adjustments in respect of previous periods | (218,541) | (178,901) |
| Deferred tax | | |
| Origination and reversal of timing differences | 324,831 | (82,877) |
| Effect of tax rate change on opening balance | - | 70,015 |
| Adjustments in respect of previous periods | 154,800 | - |
| Total deferred tax | <u>479,631</u> | <u>(12,862)</u> |
| Taxation on profit/(loss) on ordinary activities | <u>261,090</u> | <u>(191,763)</u> |

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

| | 2017 £ | 2016 £ |
|--|-----------------------|-------------------------|
| Loss on ordinary activities before tax | <u>(9,607,910)</u> | <u>(5,288,309)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%) | <u>(1,873,542)</u> | <u>(1,057,662)</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 1,258,750 | 75,152 |
| Capital allowances for year in excess of depreciation | 21,021 | 72,870 |
| Adjustments to tax charge in respect of prior periods - current tax | (218,541) | (178,901) |
| Adjustments to tax charge in respect of prior periods - deferred tax | 154,800 | - |
| Group relief surrendered | 7,499 | 96,685 |
| Losses carried back | - | 164,193 |
| Adjust closing deferred tax to average rate | 197,269 | 177,160 |
| Adjust opening deferred tax to average rate | (122,142) | - |
| Deferred tax not recognised | 835,976 | 524,240 |
| Transfer pricing adjustments | - | (65,500) |
| Total tax charge for the year | <u><u>261,090</u></u> | <u><u>(191,763)</u></u> |

At the year end, the Company had unrecognised deferred tax assets of £1,342,168 (2016: £311,025).

Factors that may affect future tax charges

The UK corporation tax rate decreased from 20% to 19% from April 2017 and a further reduction to 17% in April 2020 is currently planned.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

13. Intangible assets

| | Software (restated) £ |
|-----------------------|-----------------------------|
| Cost | |
| At 1 October 2016 | 1,204,153 |
| Disposals | (87,646) |
| At 30 September 2017 | <u>1,116,507</u> |
| Amortisation | |
| At 1 October 2016 | 712,036 |
| Charge for the year | 232,948 |
| On disposals | (827) |
| At 30 September 2017 | <u>944,157</u> |
| Net book value | |
| At 30 September 2017 | <u>172,350</u> |
| At 30 September 2016 | <u>492,117</u> |

Software has been stated for a transfer of assets from computer equipment within tangible fixed assets.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

14. Tangible fixed assets

| | Short-term leasehold property £ | Fixtures and fittings £ | Computer equipment (restated) £ | Total £ |
|-------------------------------------|--|-------------------------------|--|------------|
| Cost or valuation | | | | |
| At 1 October 2016 | 2,633,865 | 1,876,965 | 3,650,695 | 8,161,525 |
| Additions | - | 234,976 | 44,981 | 279,957 |
| Disposals | (22,000) | (351,937) | (604,919) | (978,856) |
| At 30 September 2017 | 2,611,865 | 1,760,004 | 3,090,757 | 7,462,626 |
| Depreciation | | | | |
| At 1 October 2016 | 1,873,680 | 1,387,308 | 2,652,984 | 5,913,972 |
| Charge for the year on owned assets | 300,957 | 204,855 | 532,310 | 1,038,122 |
| Disposals | - | (351,937) | (604,919) | (956,856) |
| At 30 September 2017 | 2,174,637 | 1,240,226 | 2,580,375 | 5,995,238 |
| Net book value | | | | |
| At 30 September 2017 | 437,228 | 519,778 | 510,382 | 1,467,388 |
| At 30 September 2016 | 760,185 | 489,657 | 997,711 | 2,247,553 |

Computer equipment has been stated for a transfer of assets to software within intangible assets.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

15. Debtors

| | 2017 £ | 2016 £ |
|------------------------------------|------------------|-------------------|
| Trade debtors | 5,436,201 | 5,987,326 |
| Amounts owed by group undertakings | - | 15,179,252 |
| Other debtors | 493,574 | 944,935 |
| Prepayments and accrued income | 1,115,613 | 962,475 |
| Deferred taxation | - | 479,631 |
| | <u>7,045,388</u> | <u>23,553,619</u> |

16. Cash and cash equivalents

| | 2017 £ | 2016 £ |
|--------------------------|----------------|------------------|
| Cash at bank and in hand | 280,377 | - |
| Less: bank overdrafts | - | (443,026) |
| | <u>280,377</u> | <u>(443,026)</u> |

17. Creditors: Amounts falling due within one year

| | 2017 £ | As restated 2016 £ |
|------------------------------------|-------------------|--------------------------|
| Bank overdrafts | - | 443,026 |
| Trade creditors | 3,368,945 | 1,522,469 |
| Amounts owed to group undertakings | 10,853,811 | 16,502,089 |
| Other taxation and social security | 579,096 | 563,049 |
| Other creditors | 110,828 | 3,125,906 |
| Accruals and deferred income | 2,145,112 | 2,007,449 |
| | <u>17,057,792</u> | <u>24,163,988</u> |

Accruals and deferred income and amounts owed to group undertakings have been restated on the basis of group accruals identified.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

18. Financial instruments

| | 2017 £ | 2016 £ |
|---|---------------------|---------------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | <u>5,929,775</u> | <u>22,111,513</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(16,478,696)</u> | <u>(23,600,939)</u> |

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings and accruals and deferred income.

19. Deferred taxation

| | 2017 £ | 2016 £ |
|---------------------------|-----------|----------------|
| At beginning of year | 479,631 | 466,769 |
| Charged to profit or loss | (479,631) | 12,862 |
| At end of year | <u>-</u> | <u>479,631</u> |

The deferred tax asset is made up as follows:

| | 2017 £ | 2016 £ |
|--------------------------------|-----------|----------------|
| Accelerated capital allowances | <u>-</u> | <u>479,631</u> |

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

20. Provisions

| | Building maintenance provision £ | Reorganisation provision £ | Dilapidations provision £ | Total £ |
|-----------------------------|---|----------------------------------|---------------------------------|------------------|
| At 1 October 2016 | 1,670,000 | - | 340,000 | 2,010,000 |
| Charged to profit or loss | - | 67,000 | - | 67,000 |
| Utilised in year | (419,590) | - | - | (419,590) |
| At 30 September 2017 | 1,250,410 | 67,000 | 340,000 | 1,657,410 |

Building maintenance provision - provision for phase improvement upgrade of the leasehold premises which is being carried out over the next two years.

Reorganisation provision - provision for reorganisation costs, which are expected to be incurred in the next year.

Dilapidations provision - provision for costs associated with leases and expected costs of bringing property back to the condition in which it was taken on. The timing of the expense is dependent on future events and is not expected to crystallise within the next 12 months.

21. Share capital

| | 2017 £ | 2016 £ |
|---|------------|------------|
| Allotted, called up and fully paid | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

22. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Contingent liabilities

A fixed and floating charge exists over the company's assets in connection with the borrowings of the group headed by the ultimate parent company, Clipper Group Limited.

VAT

The commercial provider of education sector may be impacted by the SAE Education Limited v HMRC case. The board keep this case under regular review and as the result is still unknown it is not possible to estimate the potential cost, if any, to the Company.

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £147,080 (2016 - £140,302). Contributions totalling £nil (2016 - £nil) were payable to the fund at the balance sheet date.

25. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Not later than 1 year | 1,036,450 | 961,707 |
| Later than 1 year and not later than 5 years | 3,092,526 | 3,028,530 |
| Later than 5 years | 338,164 | 1,039,471 |
| | <u>4,467,140</u> | <u>5,029,708</u> |

26. Related party transactions

The company has taken advantage of the exemption in FRS 102 paragraph 33.1A and has not disclosed transactions with group undertakings which are members of the Clipper Group Limited group and are wholly owned by a group member.

27. Controlling party

At 30 September 2017 and 2016, the immediate parent company is GSM London Services Limited and the ultimate parent company is Clipper Group Limited, a company incorporated in England and Wales (company number 09094164). The accounts of Clipper Group Limited are available from Companies House.

Sovereign Capital Limited Partnership III is considered to be the ultimate controlling party by virtue of its controlling shareholding. Consolidated accounts are prepared for Clipper Group Limited only, as the ultimate parent.

28. Post Balance Sheet Events

On the 25th September 2018 Sovereign Capital subscribed to an additional £1.7m of fully paid shares and on the 8 November 2018 a further £12.8m fully paid shares in Clipper Group Ltd which has been used to increase the issued capital of the respective holding Companies and ultimately increase GSM London Limited fully paid share capital by £14.5m.