

GSM LONDON LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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GSM LONDON LIMITED

COMPANY INFORMATION

Directors	A J Blackmore 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 2018

Introduction

The Directors present their report and the financial statements for the year ended 30 September 2018.

Business review and future developments

GSM London Limited provides higher education services.

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

The company experienced a challenging year managing the well documented issues and necessary actions covered within the last set of statements.

On the 8th November 2018 Sovereign Capital Limited Partnership III invested further equity in Clipper Group Ltd to fully fund the Group's turnaround plan. The transaction included waiving creditors of £29.4m of long-term loans and associated interest, alongside a significant cash injection to the group. ("The Investment").

This Investment flowed through the Group which enabled GSM London Services Ltd to invest further equity in GSM London Ltd.

A proforma balance sheet is provided overleaf to represent the impact of the Investment on the balance sheet at 30th September 2018.

The Department for Education (DfE) confirmed its approval of the changes and designation of GSM London Limited for the 2018/19 academic year on 6 November 2018.

Designation was a prerequisite before GSM London could apply to register with the Office for Students in relation to future academic years. Due to the unavoidable delay an application to register GSM London Limited with the Office for Students in relation to future academic years could not be submitted until 13 November 2018. The Group awaits the outcome of the application which is being processed by the OfS within their usual timeframes.

The Group continues the implementation of its turnaround plan which focusses on:

- Improvement in the student experience along with better retention and progression;
- Developing a wider product portfolio;
- Business simplification.

A core theme of this last strand will include discontinuing teaching at the Greenford Campus in early 2020. This decision was communicated to all relevant students, staff and regulators in late November 2018. We continue to progress consultations with all related parties.

February 2019 has seen the successful launch of our new Postgraduate Masters programmes.

In November 2018, the QAA visited GSM London Limited as part of its standard annual review process. The monitoring visit serves as a short check on the provider's continuing management of academic standards and quality of provision. It focuses on progress since the previous review and concluded that GSM London is making acceptable progress in implementing the action plan, following its latest full review in September 2017. It reported that progress with the three areas of good practice and the commendation for enhancement, noted in the previous review visit, included the continuation of teaching excellence through student-centred learning that is promoted through staff workshops and communications and the development of an active learning tool kit for students and staff. It also noted that the College is embedding staff training for skills modules and personal tutoring, and it is further developing research informed teaching and digital education.

GSM LONDON LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Business review and future developments (continued)

The Higher Education (HE) market remains challenging but the Group remains committed and proud to offer educational opportunities to students who may not otherwise be able to access higher education, which is core to our mission.

Activities in the year

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

The company has been able to reduce its provision for intercompany debtors.

The final costs of the independent investigation noted in last year's Financial Statements was £498k.

GSM LONDON LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Proforma balance sheet

The schedule below represents the impact upon the balance sheet of GSM London Ltd of the investment completed on 8th November 2018 as if it had been completed prior to the balance sheet date.

1. Cash represents the amount invested in GSM London Ltd for shares and is mirrored by the change within the Share Capital balance.
2. The intercompany adjustments reflect the restructuring of intra group debt and the reversal of the provision against intercompany balances with other group companies.

The net result of the Transaction significantly strengthens the balance sheet highlighting a net worth of the Business as positive £9.5m compared to the negative position of £9.6m prior to this transaction and an improvement in Net Current Assets from a negative £8.8m to a positive £10.3m.

	Balance sheet at 30 September 2018 £	Refinancing £	Adjust Intercom- pany £	Balance sheet post Refinancing £
Fixed assets	1,052,341	-	-	1,052,341
Debtors	8,700,662	-	2,631,695	11,332,357
Cash at bank	182,662	12,800,000	-	12,982,662
Creditors amounts falling due within one year	(17,714,836)	-	3,677,741	(14,037,095)
Net current (liabilities)/assets	<u>(8,831,512)</u>	<u>12,800,000</u>	<u>6,309,436</u>	<u>10,277,924</u>
Provisions	(1,817,903)	-	-	(1,817,903)
Net (liabilities)/assets	<u>(9,597,074)</u>	<u>12,800,000</u>	<u>6,309,436</u>	<u>9,512,362</u>
Capital and reserves				
Called up share capital	1,700,100	12,800,000	-	14,500,100
Profit and loss account	(11,297,174)	-	6,309,436	(4,987,738)
	<u>(9,597,074)</u>	<u>12,800,000</u>	<u>6,309,436</u>	<u>9,512,362</u>

GSM LONDON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Going concern

The net loss of the Company for the year ended 30 September 2018 was £1,547,375 (2017: £9,869,000), which is stated after a release of provision against intercompany debtors of £2,936,012 (2017: provision made £6,450,693) has been made, and net liabilities at the year end amounted to £9,597,074 (2017: £9,749,699).

The Group and the Company is implementing its turnaround plan which Sovereign Capital Limited Partnership III has fully funded through further equity. The transaction was completed on 8 November 2018 and includes creditors waiving £29.4m of long-term loans and associated interest alongside a significant cash injection to the group.

The Department for Education (DfE) confirmed its approval of the changes and designation of GSM London Limited for the 2018/19 academic year on 6 November 2018. Designation was a prerequisite before GSM London could apply to register with the Office for Students in relation to future academic years. Due to the unavoidable delay an application to register GSM London Limited with the Office for Students in relation to future academic years could not be submitted until 13 November 2018. The Group awaits the outcome of the application which is being processed by the OfS within their usual timeframes.

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.

The turnaround plan 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 required and could not be arranged, then there would be a significant doubt over the Group's ability to continue as a going concern.

Other elements of turnaround plan

The continued theme of the Group'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 focused on improving our academic teaching facilities.

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

The five-year plan recognises the ongoing transition and turnaround that the Group will be embarking on and as a result makes modest assumptions in terms of revised undergraduate student growth, largely aimed at replacing the previous 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 Group has continued to attract students from a wide range of backgrounds, particularly those for whom higher education is not readily accessible.

GSM LONDON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.

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. The result of our application for registration with the OfS is pending.

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.

Principal risks and uncertainties (continued)

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.

GSM LONDON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Interest rate risk

From November 2018 the Company has no debt outside of the normal trade liabilities therefore its exposure to interest rate risk is minimal.

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 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.

Summary of key performance indicators

The directors are 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.

GSM LONDON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Structure, governance and management

GSM London is a subsidiary company of Clipper Group Limited. GSM London, as a corporate entity, is managed by its Board of Directors. The Instrument of Government defines the roles and responsibilities of the Board of Directors.

Under the Articles of Association and the Instrument of Government, the Board of Directors has specific responsibility, among other things, for the determination of the educational character and mission of the College, oversight of its activities, financial solvency, compliance with the law, approval of budgets, and acts as the steward of the College's long-term health and sustainability.

The Board of Directors approves the College's mission, vision and values and strategy, and is responsible, with the wider College community and the College Executive, for ensuring that those objectives are effectively delivered. The Board of Directors agrees Key Performance Indicators and associated targets against which it can monitor College performance.

The Board of Directors comprises:

- a non-executive chair;
- one other non-executive director;
- a representative of the majority shareholder (when appointed);
- President & Chief Executive Officer; and
- Chief Operating Officer.

The Deputy President & Executive Dean; College Secretary & Academic Registrar and SU President also attend all GSM London Board meetings.

Board meetings are held every two months and the agenda includes standard items for report, key policy items for discussion and items for decision. Members of the College Executive Group are invited to present papers on specific items or themes as and when required.

There is one sub-committee of the Board of Directors. The Audit and Risk Committee is chaired by a Non-Executive Director with one further Non-Executive Director appointed as a member. The President and Chief Executive and Chief Finance Officer are in attendance.

The audit and risk committee meets twice a year.

In addition, the People and Remuneration Committee is a sub-committee of Clipper Group Limited. It is chaired by a Non-Executive Director with one further Non-Executive Director appointed as a member. It meets at least twice each year and on an ad hoc basis as required.

The College Executive Group (CEG) and Academic Board report directly to the Board of Directors.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

College Executive Group (CEG)

Operational management of GSM London is delegated to the College Executive Group (CEG) which comprises the following executive officers: The President & Chief Executive Officer; Group CFO; Deputy President & Executive Dean; Chief Operating Officer; College Secretary & Academic Registrar; Dean of Education and Development; Dean of Students; Director of Marketing and Recruitment; Director of People; and Head of IT Services. The membership of the CEG also includes the President of the Students' Union and Student Representatives.

CEG is a vital mechanism for formulating overall strategy, monitoring performance, setting enhancement goals and developing shared College expectations. It also provides for senior-level consideration of management information and interacts with the Academic Board in the governance of academic development. The CEG provides a clear framework for the development of governance within the College.

CEG meets every two months to consider strategic development and operations relating to all aspects of College business. In addition, there are weekly College Leadership Team (CLT) meetings where emerging issues are raised, considered and discussed, actions formed, and plans monitored. CLT meeting members are: President & Chief Executive; Group CFO; Deputy President & Executive Dean; Chief Operating Officer; College Secretary & Academic Registrar; Director of Marketing and Recruitment and Director of People.

Academic Board and academic governance

The Academic Board is the senior academic committee of the College. The Academic Board was established by the Board of Directors in November 2012 to act as the College's academic authority to take measures to best promote the academic and professional work of the College and to safeguard the academic quality and standards of awards. Responsibility for academic matters is delegated to the Academic Board by the Board of Directors through its Terms of Reference.

The Academic Board meets at least four times a year and is chaired by the President and Chief Executive. The Academic Board appraises the Board of Directors of its business through its minutes which are received for information and the consideration of items requiring approval.

Awarding Institutions and Partnerships

The College has a partnership agreement with two awarding institutions:

University of Plymouth for all undergraduate and postgraduate taught programmes and postgraduate research.
University of Wales for postgraduate research. No new students have been recruited to these programmes since 2013 and the remaining students are in the late stages of completion.

GSM London takes responsibility for delivery of validated programmes, their assessment and all functions supporting those processes. The Awarding Institutions maintain ultimate responsibility for the standards and quality of awards given in their name. The responsibilities of GSM London and the Awarding Institutions are delineated to staff through regular training programmes and as part of the academic staff induction process.

GSM LONDON LIMITED

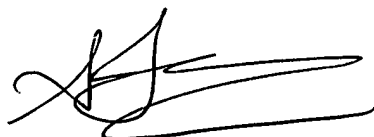
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Public interest governance principles

As outlined below, our governance arrangements uphold the principles of public interest governance through:

- Consolidated Academic Policies and Regulations which provides for academic freedom and freedom of speech;
- An Academic Board constituted through our Articles of Association as the academic authority of the College;
- Student Engagement embedded through the committee structure via Student Representatives and an independent Students' Union represented on the Board of Directors, College Executive Group and Academic Board;
- Risk management, value for money and accountability, overseen by the Board of Directors, which includes independent, external membership.

This report was approved by the board on 8th March 2019 and signed on its behalf.



A J Blackmore
Director

GSM LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

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 £1,547,375 (2017 - loss £9,869,000).

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 (2017: £Nil).

Directors

The directors who served during the year were:

A J Blackmore
D P K Bogg (resigned 14 November 2018)
C A Brady
C M Holmes
M Keen
R Burgess (resigned 31 July 2018)

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.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 2018**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8th March 2019 and signed on its behalf.



A J Blackmore
Director



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

Opinion

We have audited the financial statements of GSM London Limited (the 'company') for the year ended 30 September 2018, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and 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 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 2018 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.

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 received 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 plan. 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 has been submitted with the outcome pending. It is on this basis that the directors believe the business is a going concern.

As stated in note 2.2 the turnaround plan 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 going concern. Our opinion is not modified in respect of this matter.



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

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.



**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 set out on page 11, 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.

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.



Paul Naylor (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
London Finsbury
Date: 8 March 2019

GSM LONDON LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	30,382,609	38,083,665
Cost of sales		(13,871,531)	(16,129,629)
Gross profit		16,511,078	21,954,036
Administrative expenses		(20,169,433)	(23,193,366)
Other operating income	5	115,114	183,391
Release/(provision) against intercompany debtors		2,936,012	(6,450,963)
Student record system write down		-	(1,888,016)
Agent investigation		(498,693)	(883,347)
Operating loss	6	(1,105,922)	(10,278,265)
Interest receivable and similar income	9	714,934	1,249,458
Interest payable and expenses	10	(938,864)	(579,103)
Loss before tax		(1,329,852)	(9,607,910)
Tax on loss	11	(217,523)	(261,090)
Loss after tax		(1,547,375)	(9,869,000)
Retained earnings at the beginning of the year		(9,749,799)	119,201
Loss for the year		(1,547,375)	(9,869,000)
Retained earnings at the end of the year		(11,297,174)	(9,749,799)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of income and retained earnings.

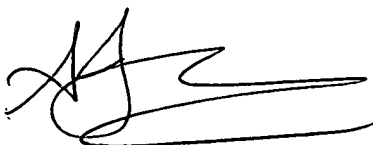
The notes on pages 20 to 34 form part of these financial statements.

GSM LONDON LIMITED
REGISTERED NUMBER:01443436

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	51,874	172,350
Tangible assets	13	1,000,467	1,467,388
		<u>1,052,341</u>	<u>1,639,738</u>
Current assets			
Debtors: amounts falling due within one year	14	8,700,662	7,045,388
Cash at bank and in hand	15	182,662	280,377
		<u>8,883,324</u>	<u>7,325,765</u>
Creditors: amounts falling due within one year	16	(17,714,836)	(17,057,792)
Net current liabilities		<u>(8,831,512)</u>	<u>(9,732,027)</u>
Total assets less current liabilities		<u>(7,779,171)</u>	<u>(8,092,289)</u>
Provisions	18	(1,817,903)	(1,657,410)
Net liabilities		<u><u>(9,597,074)</u></u>	<u><u>(9,749,699)</u></u>
Capital and reserves			
Called up share capital	19	1,700,100	100
Profit and loss account	20	(11,297,174)	(9,749,799)
		<u><u>(9,597,074)</u></u>	<u><u>(9,749,699)</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:

8th MARCH 2019

The notes on pages 20 to 34 form part of these financial statements.

GSM LONDON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	100	(9,749,799)	(9,749,699)
Comprehensive income for the year			
Loss for the year	-	(1,547,375)	(1,547,375)
Total comprehensive income for the year	-	(1,547,375)	(1,547,375)
Shares issued during the year	1,700,000	-	1,700,000
Total transactions with owners	1,700,000	-	1,700,000
At 30 September 2018	1,700,100	(11,297,174)	(9,597,074)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	100	119,201	119,301
Comprehensive income for the year			
Loss for the year	-	(9,869,000)	(9,869,000)
Total comprehensive income for the year	-	(9,869,000)	(9,869,000)
Total transactions with owners	-	-	-
At 30 September 2017	100	(9,749,799)	(9,749,699)

The notes on pages 20 to 34 form part of these financial statements.

GSM LONDON LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(1,547,375)	(9,869,000)
Adjustments for:		
Amortisation of intangible assets	135,936	232,948
Depreciation of tangible assets	761,442	1,038,122
Interest paid	938,864	579,103
Interest received	(714,934)	(1,249,458)
Taxation charge	217,523	261,090
Decrease in debtors	1,583,143	15,583,272
(Increase)/decrease in amounts owed by related parties	(3,677,741)	-
(Decrease) in creditors	(1,075,525)	(6,663,170)
Increase in amounts owed to related parties	1,732,568	-
Increase/(decrease) in provisions	160,492	(352,590)
Corporation tax received	221,801	663,869
Net cash generated from operating activities	(1,263,806)	224,186
Cash flows from investing activities		
Purchase of intangible fixed assets	(15,460)	-
Sale of intangible assets	-	86,819
Purchase of tangible fixed assets	(294,519)	(279,957)
Sale of tangible fixed assets	-	22,000
Interest received	714,934	1,249,458
Net cash from investing activities	404,955	1,078,320
Cash flows from financing activities		
Issue of ordinary shares	1,700,000	-
Interest paid	(938,864)	(579,103)
Net cash used in financing activities	761,136	(579,103)
Net (decrease)/increase in cash and cash equivalents	(97,715)	723,403
Cash and cash equivalents at beginning of year	280,377	(443,026)
Cash and cash equivalents at the end of year	182,662	280,377
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	182,662	280,377

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

The net loss of the Company for the year ended 30 September 2018 was £1,547,375 (2017: £9,869,000), which is stated after a release of provision against intercompany debtors of £2,936,012 (2017: provision made £6,450,693) has been made, and net liabilities at the year end amounted to £9,597,074 (2017: £9,749,699).

The Group and the Company is implementing its turnaround plan which Sovereign Capital Limited Partnership III has fully funded through further equity. The transaction was completed on 8 November 2018 and includes creditors waiving £29.4m of long-term loans and associated interest alongside a significant cash injection to the group.

The Department for Education (DfE) confirmed its approval of the changes and designation of GSM London Limited for the 2018/19 academic year on 6 November 2018. Designation was a prerequisite before GSM London could apply to register with the Office for Students in relation to future academic years. Due to the unavoidable delay an application to register GSM London Limited with the Office for Students in relation to future academic years could not be submitted until 13 November 2018. The Group awaits the outcome of the application which is being processed by the OfS within their usual timeframes.

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.

The turnaround plan 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 required and could not be 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 2018

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 2018

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 2018

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 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

2.12 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.

2.13 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.14 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.

2.15 Interest income

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.17 Taxation

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.

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 2.6).
- 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. Judgement is also applied for the provision against intercompany loans and the release based on the group company's ability to repay.
- 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 is disclosed in the accounts as a contingent liability.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

	2018	2017
	£	£
Other operating income	115,114	183,391

6. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	761,442	1,038,122
Amortisation of intangible assets, including goodwill	135,936	232,948
Exchange differences	120	-
Other operating lease rentals	1,086,822	977,092
Defined contribution pension cost	188,177	147,080
Release/(provision) against intercompany debtors	2,936,012	(6,450,963)
Student record system write down	-	(1,888,016)
Agent investigation	(498,693)	(883,347)

7. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	40,000	32,000

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

8. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	12,855,555	13,934,652
Social security costs	1,274,984	1,393,549
Cost of defined contribution scheme	188,177	147,080
	<u>14,318,716</u>	<u>15,475,281</u>

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

	2018 No.	2017 No.
Administrative staff	202	234
Lecturer staff	179	174
	<u>381</u>	<u>408</u>

Directors are paid through other group companies.

9. Interest receivable

	2018 £	2017 £
Interest receivable from group companies	710,379	1,248,649
Other interest receivable	4,555	809
	<u>714,934</u>	<u>1,249,458</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	-	144
Loans from group undertakings	938,864	578,959
	<u>938,864</u>	<u>579,103</u>

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

11. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	217,523	(218,541)
Deferred tax		
Origination and reversal of timing differences	-	324,831
Adjustments in respect of previous periods	-	154,800
Total deferred tax	-	479,631
Taxation on profit on ordinary activities	217,523	261,090

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.5%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(1,329,852)	(9,607,910)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	(252,672)	(1,873,542)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	57,209	1,258,750
Capital allowances for year in excess of depreciation	18,131	21,021
Income not taxable for tax purposes	(557,842)	-
Adjustments to tax charge in respect of prior periods - current tax	-	(218,541)
Adjustments to tax charge in respect of prior periods - deferred tax	-	154,800
Group relief surrendered	-	7,499
Adjust closing deferred tax to average rate	236,058	197,269
Adjust opening deferred tax to average rate	(158,671)	(122,142)
Deferred tax not recognised	875,310	835,976
Total tax charge for the year	217,523	261,090

At the year end, the Company had unrecognised deferred tax assets of £657,787 (2017: £1,342,168).

GSM LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

11. Taxation (continued)

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.

12. Intangible assets

	Software £
Cost	
At 1 October 2017	1,116,507
Additions	15,460
At 30 September 2018	<u>1,131,967</u>
Amortisation	
At 1 October 2017	944,157
Charge for the year	135,936
At 30 September 2018	<u>1,080,093</u>
Net book value	
At 30 September 2018	<u>51,874</u>
At 30 September 2017	<u>172,350</u>

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

13. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 October 2017	2,611,865	1,760,004	3,090,757	7,462,626
Additions	-	240,376	54,144	294,520
At 30 September 2018	<u>2,611,865</u>	<u>2,000,380</u>	<u>3,144,901</u>	<u>7,757,146</u>
Depreciation				
At 1 October 2017	2,174,637	1,240,226	2,580,375	5,995,238
Charge for the year	198,284	214,806	348,351	761,441
At 30 September 2018	<u>2,372,921</u>	<u>1,455,032</u>	<u>2,928,726</u>	<u>6,756,679</u>
Net book value				
At 30 September 2018	<u>238,944</u>	<u>545,348</u>	<u>216,175</u>	<u>1,000,467</u>
At 30 September 2017	<u>437,228</u>	<u>519,778</u>	<u>510,382</u>	<u>1,467,388</u>

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

14. Debtors

	2018 £	2017 £
Trade debtors	3,977,728	5,436,201
Amounts owed by group undertakings	3,677,741	-
Other debtors	149,469	493,574
Prepayments and accrued income	895,724	1,115,613
	<u>8,700,662</u>	<u>7,045,388</u>

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	182,662	280,377
	<u>182,662</u>	<u>280,377</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	3,781,217	3,368,945
Amounts owed to group undertakings	12,586,380	10,853,811
Other taxation and social security	403,455	579,096
Other creditors	13,113	110,828
Accruals and deferred income	930,671	2,145,112
	<u>17,714,836</u>	<u>17,057,792</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 2018**

17. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,127,196</u>	<u>5,929,775</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(16,380,710)</u>	<u>(14,333,584)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors.

18. Provisions

	Building maintenance provision £	Reorgani- sation provision £	Dilapidations provision £	Other £	Total £
At 1 October 2017	1,250,410	67,000	340,000	-	1,657,410
Provided in year	-	500,000	-	-	500,000
Transfer from accruals	-	-	-	250,257	250,257
Utilised in year	(102,058)	(467,706)	-	(20,000)	(589,764)
At 30 September 2018	<u>1,148,352</u>	<u>99,294</u>	<u>340,000</u>	<u>230,257</u>	<u>1,817,903</u>

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

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.

Other provisions - transfer from accruals for liabilities relating to staff which are expected to be crystallised in the next 12 months.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,700,100 (2017 - 100) Ordinary shares of £1.00 each	1,700,100	100

During the year, the following shares were allotted and issued:
- 1,700,000 ordinary shares of £0.0001 each for £1,700,000.

20. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

21. 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.

22. 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 £200,388 (2017 - £147,080). Contributions totalling £40,586 (2017 - £nil) were payable to the fund at the balance sheet date.

GSM LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

23. Commitments under operating leases

At 30 September 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land & buildings		
Not later than 1 year	1,012,723	924,609
Later than 1 year and not later than 5 years	3,523,656	2,805,228
Later than 5 years	-	338,164
	<u>4,536,379</u>	<u>4,068,001</u>
Other operating leases		
Not later than 1 year	111,841	111,841
Later than 1 year and not later than 5 years	175,457	287,299
	<u>287,298</u>	<u>399,140</u>

24. 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.

25. Controlling party

At 30 September 2018 and 2017, 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.

26. Post Balance Sheet Events

On the 8th November 2018, Sovereign Capital subscribed to an additional £12.8m full paid shares in Clipper Group Limited, in addition to the £1.7m of fully paid shares subscribed to on 25th September 2018. This has been used to increase the issued capital of the respective holding companies and ultimately increase GSM London Limited's fully paid share capital by £14.5m.

On 8th November 2018 holders of debt with GSM London Services Limited waived £29.4m of long term loans and deferred fees (balance at 30 September 2017 - £26.5m).