

## **Garnet Topco Limited**

Report and Consolidated Financial Statements

Year Ended

31 August 2017

Company Number: 10212217

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# **Garnet Topco Limited**

## **Report and Consolidated Financial Statements for the Year Ended 31 August 2017**

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# **Garnet Topco Limited**

## **Report and Consolidated Financial Statements for the Year Ended 31 August 2017**

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### **Directors**

A R Hill  
A L Cawood  
R E Milner

### **Registered office**

Eaton House The Manor  
58 Clapham Common North Side  
London  
SW4 9RU

### **Company number**

10212217

### **Auditor**

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, RH6 0PA

# Garnet Topco Limited

## Strategic Report for the Year Ended 31 August 2017

The directors present their Strategic Report and the audited Financial Statements for the year ended 31 August 2017.

### Business Model

The principal activity of the Group during the year was the provision of education services. The Group will look for suitable opportunities to expand the Group in the coming years either via organic growth or acquisition.

### Results and Business Review

In the previous period, the Group via its subsidiary, Garnet Bidco Limited, and in conjunction with Sovereign Capital IV Limited Partnership acquired Vale School (1980) Limited and its subsidiaries on 24 June 2016.

The principal activities remain aligned with the prior period. However, the Group is transitioning its school located at 2 Elvaston Place, London from a co-educational pre-preparatory school to a boys only preparatory school.

The loss for the year/period, after taxation, amounted to £4,784,000 (2016: £3,180,000) after £439,000 (2016: £1,684,000) of one off costs primarily associated with the acquisition of the Group.

### Key performance indicators

	Year ending 31 August 2017	Three month period ending 31 August 2016
Turnover from continuing operations (£m)	14.5	1.6
Operating margin from continuing operations (as a % of revenue)	6%	(48%)
Operating margin from continuing operations (£m)	0.9	(0.8)

### Principal risks and uncertainties

The directors consider that the major risks to which the Group is currently exposed include changes in the political and economic landscape and its impact on independent schools, changes in pupil numbers and adverse events which impact the Group's reputation.

Further financial risks include:

#### Interest rate risk

The Group is exposed to floating interest rates on the bank debt. This is not hedged.

# Garnet Topco Limited

## Strategic Report for the Year Ended 31 August 2017 (*continued*)

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### Liquidity risk

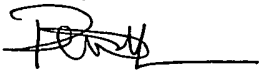
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

### Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have appropriate credit ratings.

### Approval

This Strategic Report was approved by order of the Board on 20/12/2017 and signed on its behalf.



R E Milner  
Director

# Garnet Topco Limited

## Report of the Directors for the Year Ended 31 August 2017

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The directors present their report and the audited Financial Statements for the year ended 31 August 2017.

### 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). 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 the Group and of the profit or loss of the Group for that year. 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- that 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 and the Group's auditor is aware of that information.

### Results

The loss for the year/period, after taxation, amounted to £4,784,000 (2016: £3,180,000) after £439,000 (2016: £1,684,000) of one off costs primarily associated with the acquisition of the Group.

### Directors

The directors of the Company throughout the year were:

A R Hill  
A L Cawood  
R E Milner

### Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the directors of Garnet Topco Limited.

# Garnet Topco Limited

## Report of the Directors for the Year Ended 31 August 2017 (*continued*)

### Dividends

No dividends were paid or proposed in the year.

### Political donations

No political donations were made in the year/period.

### Financial instruments

#### *Credit risk*

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The directors review the credit ratings of its banking partners on an annual basis.

A significant amount of cash is held with the following institution:

	Moody's Rating at 31 August 2017	Balance at 31 August 2017	Moody's Rating at 31 August 2016	Balance at 31 August 2016
Barclays Bank plc	A-	2,159	A-	757

Cash of £Nil (2016: £3,502,000) was also held at the client account of Eversheds LLP, the Company's legal advisor.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

#### *Cash flow interest rate risk*

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. Local operations are not permitted to borrow long-term from external sources. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During the year under review, the Group's borrowings at variable rate were denominated in Sterling.

The Group will consider the use of floating-to-fixed interest rate swaps.

### Post balance sheet events

There were no material post balance sheet events.

### Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 1.

# Garnet Topco Limited

## Report of the Directors for the Year Ended 31 August 2017 (*continued*)

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### Going Concern

Having considered all relevant factors, including material uncertainties, the Directors consider it appropriate to continue to prepare the Financial Statements on a going concern basis.

### Existence of branches of the Company outside of the United Kingdom

The Group has no branches outside of the United Kingdom.

### Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate.

### Employee involvement

The Group operates an equal opportunities hiring process and welcomes job enquiries from disabled as well as ethnic groups. The directors believe the most important asset of the Group are its employees.


Consequently, the Group maintains open lines of communication with employees to exchange views on matters of concern to them as employees, including the financial and economic factors affecting the performance of the Company. The employees are free to express views on matters that affect them anonymously as well as share their ideas on how the business can be improved. All such communication is carefully considered and, where appropriate, acted on by management.

### Auditor

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information. The directors are not aware of any relevant audit information of which the Group's auditor is unaware.

### Approval

This Directors' Report was approved by order of the Board on 20/12/2017.



R E Milner  
Director



# **Garnet Topco Limited**

## **Independent Auditor's Report For the Year ending 31 August 2017**

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### **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF GARNET TOPCO LIMITED**

#### **Opinion**

We have audited the Financial Statements of Garnet Topco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 August 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated and Company 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 Group's and of the Parent Company's affairs as at 31 August 2017 and of the Group's 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

# Garnet Topco Limited

## Independent Auditor's Report for the Year ending 31 August 2017 (*continued*)

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the 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 Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

# Garnet Topco Limited

## Independent Auditor's Report for the Year ending 31 August 2017 (*continued*)

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### Auditor's responsibilities for the audit of the Financial Statements

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.

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

BDO LLP

**Anna Draper (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor  
Gatwick

Date 20 December 2017

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

# Garnet Topco Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 31 August 2017

	Note	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
<b>Turnover</b>	3	14,545	1,623
Administrative expenses (included within administrative expenses are non-recurring items totalling £439,000 (2016: £1,684,000))		(14,098)	(4,085)
<b>Group operating profit/(loss)</b>	4	447	(2,462)
Interest receivable and similar income	8	1	-
Interest payable and similar charges	9	(5,228)	(965)
<b>Loss on ordinary activities before taxation</b>		(4,780)	(3,427)
Taxation on loss on ordinary activities	10	(4)	247
<b>Loss for the financial year/period</b>		(4,784)	(3,180)
Other comprehensive income for the year/period		-	-
<b>Total comprehensive income for the year/period</b>		(4,784)	(3,180)

The notes on pages 16 to 27 form part of these Financial Statements.

# Garnet Topco Limited

Consolidated Balance Sheet  
at 31 August 2017  
Company Number: 10212217

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Intangible assets	12	30,049		33,466	
Tangible assets	13	21,849		17,856	
			51,898		51,322
<b>Current assets</b>					
Debtors	15	1,488		435	
Cash at bank and in hand		2,159		4,259	
		3,647		4,694	
<b>Creditors: amounts falling due within one year</b>	16	(5,071)		(3,850)	
<b>Net current (liabilities)/assets</b>			(1,424)		844
<b>Total assets less current liabilities</b>			50,474		52,166
<b>Financed by:</b>					
<b>Creditors: amounts falling due after more than one year</b>	17		58,408		55,336
<b>Capital and reserves</b>					
Called up share capital	20	10		10	
Share premium account	21	20		-	
Profit and loss account		(7,964)		(3,180)	
<b>Equity attributable to owners of the parent Company</b>			(7,934)		(3,170)
<b>Total equity and creditors falling due in more than one year</b>			50,474		52,166

The Financial Statements were approved by the Board of Directors and authorised for issue on 20/12/2017.



**R E Milner**  
Director

The notes on pages 16 to 27 form part of these Financial Statements.

# Garnet Topco Limited

## Consolidated Statement of Changes in Equity For the Year Ended 31 August 2017

	Share capital £'000	Profit and loss account £'000	Equity attributable to owners of the Parent Company £'000
<b>At incorporation</b>	-	-	-
Loss for the period	-	(3,180)	(3,180)
<b>Total comprehensive income for the period</b>	-	(3,180)	(3,180)
<b>Contributions by and distributions to owners</b>			
Purchase of shares	10	-	10
<b>Total contributions by and distributions to owners</b>	10	-	10
<b>At 31 August 2016</b>	10	(3,180)	(3,170)
	Share capital £'000	Profit and loss account £'000	Total equity £'000
<b>At 1 September 2016</b>	10	(3,180)	(3,170)
Loss for the year	-	(4,784)	(4,784)
<b>Total comprehensive income for the year</b>	-	(4,784)	(4,784)
<b>Contributions by and distributions to owners</b>			
Purchase of shares	20	-	20
<b>Total contributions by and distributions to owners</b>	20	-	20
<b>At 31 August 2017</b>	30	(7,964)	(7,934)

The notes on pages 16 to 27 form part of these Financial Statements.

# Garnet Topco Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 August 2017

	Note	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
<b>Cash flows from operating activities</b>			
<b>Operating profit/(loss) for the financial year/period</b>		447	(2,462)
Adjustments for:			
Depreciation, impairment and amortisation of fixed assets	12/13	3,691	818
(Increase)/decrease in trade and other debtors		(235)	190
Decrease in trade and other creditors		109	(964)
<b>Cash from operations</b>		4,012	(2,418)
Income taxes paid		(700)	-
<b>Net cash generated from operating activities</b>		3,312	(2,418)
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	13	(4,470)	(1,159)
Purchase of subsidiary undertaking		203	(39,901)
Cash acquired with subsidiary undertaking		-	2,811
<b>Net cash from investing activities</b>		(4,267)	(38,249)
<b>Cash flows from financing activities</b>			
Issue of share capital	21	20	10
New bank loans	17	-	29,128
Repayment of bank loans	17	-	(7,504)
New shareholder loans	17	3,000	23,292
Interest received	8	1	-
Interest paid	9	(4,166)	-
<b>Net cash (used)/generated (in)/from financing activities</b>		(1,145)	44,926
<b>Net (decrease)/increase in cash and cash equivalents</b>		(2,100)	4,259
Cash and cash equivalents at beginning of year/period		4,259	-
<b>Cash and cash equivalents at end of year/period</b>		2,159	4,259
<b>Cash and cash equivalents comprise</b>			
Cash at bank and in hand		2,159	4,259

The notes on page 16 to 27 form part of these Financial Statements.

# Garnet Topco Limited

Company Balance Sheet  
at 31 August 2017  
Company number: 10212217

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Investments	14		-		-
			<hr/>		<hr/>
<b>Current assets</b>					
Debtors	15	11		11	
Cash at bank and in hand		20		-	
		<hr/>		<hr/>	
			31		11
<b>Creditors: amounts falling due within one year</b>	16	(8)		(4)	
		<hr/>		<hr/>	
<b>Net current assets</b>			23		7
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			23		7
			<hr/>		<hr/>
<b>Net assets</b>			23		7
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	20		10		10
Share premium account	21		20		-
Profit and loss account			(7)		(3)
			<hr/>		<hr/>
<b>Total equity</b>			23		7
			<hr/>		<hr/>

The Company made a loss of £4,000 (2016: £3,000) for the year ended 31 August 2017.

The Financial Statements were approved by the Board of Directors and authorised for issue on 20/12/2017.



**R E Milner**  
Director

The notes on pages 16 to 27 form part of these Financial Statements.



**Garnet Topco Limited**  
**Company Statement of Changes in Equity**  
**For the Year ended 31 August 2017**

	Share capital £'000	Profit and loss account £'000	Total equity £'000
<b>At incorporation</b>	-	-	-
Loss for the period ending 31 August 2016	-	(3)	(3)
<b>Total comprehensive income for the period</b>	-	(3)	(3)
<b>Contributions by and distributions to owners</b>			
Purchase of shares	10	-	10
<b>Total contributions by and distributions to owners</b>	10	-	10
<b>At 31 August 2016</b>	10	(3)	7
	Share capital £	Profit and loss account £	Total equity £
<b>At 1 September 2016</b>	10	(3)	7
Loss for the year	-	(4)	(4)
<b>Total comprehensive income for the year</b>	-	(7)	3
<b>Contributions by and distributions to owners</b>			
Purchase of shares	20	-	20
<b>Total contributions by and distributions to owners</b>	20	-	20
<b>At 31 August 2017</b>	30	(7)	23

The notes on pages 16 to 27 form part of these Financial Statements.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017

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# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017

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### 1 Accounting policies

Garnet Topco Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the Strategic Report. The Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

In preparing the separate Financial Statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Cash Flow Statement has been presented for the Parent Company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

#### *Basis of consolidation*

The consolidated Financial Statements present the results of Garnet Topco Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### *Revenue*

Revenue from the sales of services is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the services are delivered to the buyer.

#### *Tangible fixed assets*

Tangible fixed assets, other than investment properties, 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (*continued*)

### 1 Accounting policies (*continued*)

#### *Depreciation*

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	The term of the lease
Motor vehicles	-	4 years
Fixtures, fittings, tools and equipment	-	4 years

Assets under construction are depreciated from the date the assets are brought into service.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within 'other operating income or losses' in the Consolidated Statement of Comprehensive Income.

#### *Valuation of investments*

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

#### *Impairment of fixed assets and goodwill*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior years may no longer exist or may have decreased.

#### *Financial instruments*

The Group only has financial assets and liabilities of a kind which qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at transaction price, less any impairment. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions are recognised when the Group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discount due.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (*continued*)

### 1 Accounting policies (*continued*)

#### *Finance costs*

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate 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.

#### *Intangible fixed assets*

##### *a) Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible fixed assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. Goodwill is being amortised to 'administrative expenses' over 11 years, the estimated average period from the date of a pupil's registration to the date of their departure.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

#### *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or 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 reporting date in the countries where the Group's subsidiaries operate and generate taxable income.

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

- 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;
- 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (*continued*)

### 1 Accounting policies (*continued*)

#### *Pension costs*

The Group contributed to the Teacher's Pension Defined Benefit Scheme ("the Scheme") at rates set by the Scheme Actuary and advised to the Group by the Scheme Administrator. The Scheme is a multi-employer Scheme where it is not possible, in the normal course of events to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore as required by Chapter 28 of FRS 102 the Group accounts for this Scheme as if it was a defined contribution Scheme. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the Scheme in respect of the accounting year.

The Group also operates a defined contribution pension scheme, for employees who do not participate in the Teacher's Pension Defined Benefit Scheme. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the Statement of Comprehensive Income.

#### *Holiday pay accrual*

Employees are not entitled to carry holiday from one financial year to the next and consequently the Group does not post a holiday pay accrual.

#### *Reserves*

The Group and Company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued;
- Share premium represents the amount paid for shares in excess of their nominal value;
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these Financial Statements, the directors have made the following judgements:

Determine whether there are indicators of impairment of the Group's intangible fixed assets, including acquired goodwill. The directors consider that the useful life of the acquired goodwill is the estimated time between the date a pupil registers and a pupil's normal date of departure. The useful life was estimated to be 11 years. If the Group reduced the number of year groups taught for either boys or girls, then the directors would review the useful life of the goodwill. In addition, the directors have considered if there are any key indicators of a material impairment of the intangible fixed assets. These include overall profitability, pupil numbers and the level of school fees. On balance having considered the aggregate impact of all these factors, the directors do not believe there is an indication of material impairment.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 3 Analysis of turnover

The whole of the Turnover is attributable to the principal activity of the Group and all the turnover arose within the United Kingdom.

### 4 Operating profit/(loss)

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
This is arrived at after charging:		
Acquisition and reorganisation costs following acquisition (note 5)	204	1,062
One off expenses relating to the cost of a temporary kitchen (note 5)	190	55
One off expenses relating to the investigation of a senior school	45	-
Depreciation of tangible fixed assets	477	155
Amortisation of intangible fixed assets, including goodwill	3,214	663
Operating lease expense	92	12
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	41	40
	<hr/>	<hr/>

The auditors have been appointed for a term of a year which is reviewed annually.

### 5 Costs of acquisition

The Group did not undertake any acquisitions or disposals in the year. In the previous period, the Group acquired Vale School (1980) Limited and its subsidiaries. The acquisition and reorganisation costs of £204,000 (2016: £1,062,000) relate to the costs of the acquisition and its integration within the division. They comprise the costs of professional fees and other reorganisation costs affecting the administrative function. The costs have been charged to operating profit and included in administrative expenses in the Consolidated Statement of Comprehensive Income. Further, issuer costs related to issuing debt have been offset against the loan principal and will be amortised over the life of the loan. The Group incurred one off costs relating to a temporary kitchen which were incurred pending completion of a new kitchen and dining block.

### 6 Employees

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
Staff costs (including directors) consist of:		
Wages and salaries	5,904	1,123
Social security costs	630	108
Pension contributions	647	123
	<hr/>	<hr/>
	7,181	1,354
	<hr/>	<hr/>
The average number of employees (including directors) was as follows:		
	Number	Number
Teaching staff	156	154
Administration	38	47
	<hr/>	<hr/>
	194	201
	<hr/>	<hr/>

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 6 Employees (continued)

The pension charge represents contributions payable by the Group to the pension funds and amounted to £647,000 (2016: £123,000). There was £84,000 (2016: £Nil) outstanding at the year end which was paid to the pension funds in September 2017.

### 7 Directors' remuneration

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
Directors' emoluments	377	69
Group contributions to money purchase pension schemes	26	5
	<u>403</u>	<u>74</u>

There was one director in the Group's defined contribution pension scheme.

Emoluments of the highest paid director were £161,000 (2016: £27,000). In addition, Group pension contributions of £26,000 (2016: £5,000) were made to a money purchase scheme on their behalf.

### 8 Interest receivable and similar income

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
Interest receivable	<u>1</u>	<u>-</u>

### 9 Interest payable and similar charges

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
Bank loans and overdrafts	2,400	447
Shareholder loans	2,828	518
	<u>5,228</u>	<u>965</u>

Interest payable includes arrangement fees of £419,000 (2016: £78,000) which are being amortised over the life of the loans.



# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (*continued*)

### 10 Taxation on profit on ordinary activities

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
<i>UK corporation tax</i>		
Current tax (credit) on loss for the year/period	-	(400)
Total current tax (credit)	-	(400)
<i>Deferred tax</i>		
Origination and reversal of timing differences	4	153
Taxation charge/(credit) on loss on ordinary activities	4	(247)

The tax assessed for the year/period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ending 31 August 2017 £'000	Three month period ending 31 August 2016 £'000
Loss on ordinary activities before tax	(4,780)	(3,427)
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19.58% (2016: 20%)	(936)	(685)
Effects of:		
Expenses not deductible for tax purposes	574	272
Fixed asset differences	112	61
Change in tax rates	(1)	(3)
Deferred tax not recognized	32	67
Transfer pricing (thin capitalisation)	223	41
Total tax charge/(credit) for year/period	4	(247)

For further information on deferred tax balances see note 19.

### 11 Parent Company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Consolidated Statement of Comprehensive Income in these Financial Statements. The loss after tax of the Parent Company for the year/period was £4,000 (2016: £3,000).

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 12 Intangible fixed assets

Group	Goodwill on consolidation £'000	Total £'000
<i>Cost or valuation</i>		
At 31 August 2016	35,483	35,483
Consolidated goodwill on acquisition of subsidiary	(203)	(203)
	<hr/>	<hr/>
At 31 August 2017	<b>35,280</b>	<b>35,280</b>
	<hr/>	<hr/>
<i>Amortisation</i>		
At 31 August 2016	(2,017)	(2,017)
Provision for year	(3,214)	(3,214)
	<hr/>	<hr/>
At 31 August 2017	<b>(5,231)</b>	<b>(5,231)</b>
	<hr/>	<hr/>
<i>Net book value:</i>		
At 31 August 2016	33,466	33,466
	<hr/>	<hr/>
At 31 August 2017	<b>30,049</b>	<b>30,049</b>
	<hr/>	<hr/>

The reduction of £203,000 (2016: £Nil) to the cost of goodwill was an adjustment as a result of the finalisation of the completion accounts.

### 13 Tangible fixed assets

Group	Assets under construction £'000	Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 31 August 2016	3,941	15,919	26	1,675	21,561
Additions	3,748	342	-	380	4,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2017	<b>7,689</b>	<b>16,261</b>	<b>26</b>	<b>2,055</b>	<b>26,031</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 31 August 2016	-	(2,226)	(26)	(1,453)	(3,705)
Provision for the year	-	(358)	-	(119)	(477)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2017	<b>-</b>	<b>(2,584)</b>	<b>(26)</b>	<b>(1,572)</b>	<b>(4,182)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 August 2016	3,941	13,693	-	222	17,856
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 August 2017	<b>7,689</b>	<b>13,677</b>	<b>-</b>	<b>483</b>	<b>21,849</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in freehold property is land of £1,265,000 (2016: £1,265,000) which is not depreciated.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 14 Fixed asset investments

The Company did not make any acquisitions in the year ending 31 August 2017. In the prior period, it acquired a 100% interest in Garnet Midco Limited on 24 June 2016 for £1.

The principal undertakings in which the Company's interest at the year end is 20% or more are listed below. The interest in subsidiaries other than Garnet Midco Limited is indirect. The registered address for all the entities is 58 Clapham Common North Side, London, SW4 9RU.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Garnet Midco Limited	United Kingdom	100%	Holding Company
Garnet Bidco Limited	United Kingdom	100%	Holding Company
Vale School (1980) Limited	United Kingdom	100%	Provision of Education
Eaton House School Limited	United Kingdom	100%	Provision of Education
Eaton House School	United Kingdom	100%	Provision of Education
Belgravia Limited			

### 15 Debtors

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	273	-	13	-
Other debtors	2	-	4	-
Amounts owed by Group undertakings	-	10	-	10
Corporation tax recoverable	886	1	94	-
Prepayments and accrued income	278	-	301	-
Deferred tax asset (see note 19)	49	-	23	-
	<u>1,488</u>	<u>11</u>	<u>435</u>	<u>10</u>

The impairment loss recognised in the Group Statement of Comprehensive Income for the year/period in respect of bad and doubtful trade debtors was £28,000 (2016: £19,000). The impairment loss recognised in the Company Statement of Comprehensive Income for the year/period in respect of bad and doubtful trade debts was £Nil (2016: £Nil).

### 16 Creditors: amounts falling due within one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
School deposits and fees in advance	1,568	-	1,057	-
Trade creditors	526	-	317	-
Corporation tax	182	-	90	-
Deferred corporation tax (note 19)	138	-	108	-
Taxation and social security	160	-	177	-
Other creditors	307	-	290	-
Accruals and deferred income	2,190	8	1,811	4
	<u>5,071</u>	<u>8</u>	<u>3,850</u>	<u>4</u>

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 17 Creditors: amounts falling due after more than one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Bank loans	29,278	-	29,128	-
Shareholder loans	26,561	-	23,292	-
	<u>55,839</u>	<u>-</u>	<u>52,420</u>	<u>-</u>
School deposits	2,569	-	2,916	-
	<u>58,408</u>	<u>-</u>	<u>55,336</u>	<u>-</u>

The school deposits are repayable in a pupil's last term at school.

The maturity of sources of debt finance are as follows:

Group	Bank loans 2017 £'000	Director & Shareholder loans 2017 £'000	Total 2017 £'000	Bank loans 2016 £'000	Director & Shareholder loans 2016 £'000	Total 2016 £'000
Between two to five years	29,278	-	29,278	-	-	-
In more than five years	-	26,561	26,561	29,128	23,292	52,420
	<u>29,278</u>	<u>26,561</u>	<u>55,839</u>	<u>29,128</u>	<u>23,292</u>	<u>52,420</u>

On 24 June 2016, the Group borrowed funds from its bankers under one term loan of £30,000,000. The first reporting date carrying amount of £30,000,000 is repayable in full on 23 June 2022. The loan accrues interest at a variable rate to LIBOR plus 6.5%. Issue costs of £900,000 were incurred, which have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the effective interest rate method.

On 24 June 2016, the Group borrowed funds from Sovereign Capital IV Limited Partnership under one term loan of £18,472,000. The first reporting date carrying amount of £18,472,000, is repayable in full on 23 June 2023. The loan accrues interest at a fixed rate of 10%. Issue costs of £1,878,000 were incurred, which have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the effective interest rate method.

On 24 June 2016, the Group borrowed funds from its directors under the Management Loan notes of £249,747. The first reporting date carrying amount of £249,747, is repayable in full on 23 June 2023. The loan accrues interest at a fixed rate of 10%.

The loans above are secured by fixed and floating charges over the Group assets and a first legal charge over the freehold property of the Group.

On 24 June 2016, the Group borrowed funds from its directors under the Executive Loan notes of £6,397,840. The first reporting date carrying amount of £6,397,840, is repayable in full on 23 June 2023. The loan accrues interest at a fixed rate of 10% and is unsecured.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (*continued*)

### 18 Pensions

The Group contributed to the Teacher's Pension Defined Benefit Scheme ("the Scheme") at rates set by the Scheme Actuary and advised to the Group by the Scheme Administrator. The scheme is a multi-employer scheme where it is not possible to identify the Group's share of assets and liabilities. Therefore as required by Chapter 28 of FRS102 "Retirement Benefits" the Group accounts for this scheme as if it was a defined contribution scheme. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting year/period.

The Group also operates a defined contribution pension scheme, for employees who do not participate in the Teacher's Pension Defined Benefit Scheme. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the Statement of Comprehensive Income.

There were aggregate outstanding contributions of £84,000 (2016: £9,000) at year/period end. The total contributions to the Group's pension schemes for the year/period were £647,000 (2016: £123,000).

### 19 Deferred taxation

#### Deferred tax liabilities - Group

	Accelerated capital allowances 2017 £'000	Other timing differences 2017 £'000	Total £'000
As at 31 August 2016	108	(23)	85
Movement in the year/period	41	(37)	4
As at 31 August 2017	149	(60)	89

The Company did not have any deferred tax assets or liabilities.

### 20 Share capital

	2017 £'000	2016 £'000
<i>Allotted, called up and fully paid</i>		
728,283 A ordinary shares of 1p each	7	7
171,717 B ordinary shares of 1p each	2	2
79,293 C ordinary shares of 1p each	1	1
	10	10

Share capital representing 9,793 C ordinary shares of 1p each were issued for £20,000 on 27 March 2017. £98 has been credited to share capital, the balance to share premium.

### 21 Share premium

	2017 £'000	2016 £'000
Premium arising on issue of equity shares in the year	20	-

Share capital representing 9,793 C Ordinary Shares of 1p each were issued for £20,000 on 27 March 2017. £19,902 has been credited to share premium, the balance to share capital.

# Garnet Topco Limited

## Notes forming part of the Consolidated Financial Statements for the Year Ended 31 August 2017 (continued)

### 22 Commitments under operating leases

#### Lessee

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	2017 £'000	2016 £'000
1-2 years	177	130
3-5 years	234	195
Later than 5 years	851	915
Total	1,262	1,240

### 23 Related party disclosures

At 31 August 2017, the Group owed Sovereign Capital IV Limited Partnership £20,272,000 (2016: £16,989,000) comprising loan principal and accrued interest offset by deferred arrangement fees.

Key management personnel include all directors of the Company who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group is set out in note 7. In addition the Group has borrowed funds from the directors. At 31 August 2017, the Group owed management £7,436,000 (2016: £6,771,000) comprising loan principal and accrued interest.

### 24 Capital commitments

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Contractual commitment	75	-	3,220	-

### 25 Ultimate controlling party

Garnet Topco Limited is the largest group to consolidate these Financial Statements. The registered office of Garnet Topco Limited is 58 Clapham North Side, London, SW4 9RU. Copies of their consolidated Financial Statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party of the Group is Sovereign Capital IV Limited Partnership.