

Global Education Management Systems Limited

Report and Financial Statements
Year Ended
31 August 2020

Company Number 04742550



Global Education Management Systems Limited

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Global Education Management Systems Limited

Company Information

Directors	J S Varkey
Secretary	M&R Secretarial Services Limited
Company number	04742550
Registered office	Botanic House 100 Hills Road Cambridge CB2 1PH
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD

Global Education Management Systems Limited

Strategic report for the year ended 31 August 2020

The Director presents his Strategic report for the year ended 31 August 2020.

Principal activities

The Group's principal activity during the year continued to be the provision of educational services to children up to the age of 18. The Group now consists of three schools in the UK; the Hampshire School Chelsea, Sherfield School and Webber Independent School. Each school is uniquely positioned in their market.

Principal risks and uncertainties

The three schools in the portfolio face different levels of risk and uncertainty in their local markets; The Hampshire School Chelsea has a highly temporary cohort. International students remain at the school for an average of only 2-3 years. Sherfield School is located in the South East of England where independent schools are a popular choice and where it has to compete with 124 other independent schools and 350 "good to outstanding schools" in Hampshire. Webbers local market has continued to gain traction with the relocation of large companies. In common with many independent schools, the schools face risks in attracting and retaining pupils due to the macroeconomic factors that may impact on parents' ability to pay tuition fees.

The Group mitigates this risk by ensuring that each school continues to be attractive to prospective and existing parents, and this is achieved through a mix of having a competitive fee structure, training and performance monitoring of the teaching staff, on-going investment in the school infrastructure and the facilities available to pupils, and continued monitoring of the pupil performance to ensure the needs of both parents and their children are ultimately met.

Performance and position

The Sherfield School senior leadership team continued to invest in staff both teaching and non-teaching and facilities. The market analysis in the 10 year plan also demonstrates that the school offers good value for money, at lower end of the price point for both preparatory and senior school. Amongst the nine independent schools that parents consider as the closest alternative to Sherfield, Sherfield is the only one that offers an all through co-educational provision or boarding facilities for preparatory pupils. The advance well furnished boarding house has attracted interest from international students for full boarding and from the local community for "flexi-board" adding to the overall offer of the school.

Webber has increased its enrolment numbers with continues improvement in quality of education, its use of locally targeted marketing and is continuing to gain momentum in growth and spreading its reputation for its badminton and STEM curriculum.

The Hampshire School made good progress in student enrolment, financial results, academic achievements and non-financial performance indicators. Key changes were made which are transforming the image of school from an educational institute to a community. These changes were instrumental in driving the management expectations, to achieve the strategic, financial and non-financial targets. The focus remains the recruitment of students from the local and international base.

Global Education Management Systems Limited

Strategic report for the year ended 31 August 2020 (continued)

The key performance indicators during the period were as follows:

	2020 £000	2019 £000
Revenue	10,167	12,396
Group loss before tax	(10,266)	(7,975)
Loss after tax	(10,266)	(7,975)
Equity shareholders' deficit	(108,401)	(98,135)
Average pupil numbers	735	799

The management team are in the process of developing a balanced scorecard for measuring the financial and non-financial performance that will assist in driving improvement in operations and educational standards. The schools are moving towards an efficient operating model that leads to value for money and quality education, and move closer towards achieving its goals.

The Group has put in place certain KPIs and budget for the year, however due to the impact of covid 19 pandemic, the Group did not achieve planned KPIs and the budget. The Group has reforecasted the KPIs and targets during the year and achieved them by end of the year.

Future Developments

The schools are currently below capacity, and the aim is for pupil numbers to continue to grow as the profile of the schools rises and we employ a more targeted marketing and enrolment strategy.

The Bellevue Group, a related company has taken over the day to day management of the schools, the management team are more commercially aware and in the process of building a strategic model for the schools that will assist it in managing risks, uncertainties and maximising opportunities.

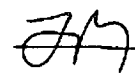
Financial instrument risks

The Group's principal financial instrument comprise, bank loans and intragroups loans. The main purpose of these instruments is to raise funds for and facilitate the Group's operations. Due to the nature of financial instruments used by the Group, there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

Liquidity risk is managed by maintaining a balance sufficient to meet the funds required for the Group's operations. Funding is partially provided by bank loans, but principally by loans from a company under common control. Credit risk is principally managed by requiring parents to pay school fees in advance.

Interest risk exposure is minimised through limiting the funding provided by banks and mainly relying on the loans from companies under common control.

On behalf of the Board



J S Varkey
Director

Date: 27/08/21

Global Education Management Systems Limited

Directors' report for the year ended 31 August 2020

The Director presents their report together with the audited Group financial statements for the year ended 31 August 2020.

Directors

The Directors who served the Company during the year were as follows:

J S Varkey

Results and dividends

During the year we have written off the amount of GBP 4,372,352 which pertains to the receivable balance from a related party that has already ceased operations. The profit for the year is set out in the consolidated profit and loss account on page 11.

Matters covered in the Strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic report as the Directors consider them to be of strategic importance to the Group.

Employees

The Group is an equal opportunities employer committed to equal opportunity extending beyond race, gender, ethnic origin, marital status, colour, nationality or disability, to encompass people with different backgrounds and experience.

The Group's policy is to consult and discuss with employees through meetings and general discussion, matters likely to affect employees' interests. Regular communications are used to inform on matters which directly concern them, and which seek to achieve a common awareness on the part of all the employees of the financial and economic factors affecting the Group's performance.

The Group remains committed to the fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job due to disability.

Going concern

The Directors have performed an assessment on going concern including the effects of the recent Covid-19 pandemic and the associated lockdown restrictions which present operational, educational and financial challenges to the Group and Company as well as its customers. Assessments have been undertaken around achieving the expected student numbers and continuity in providing educational services as well as forecast cash flow.

In common with many independent schools, the Group faces a challenge of attracting new pupils and retaining existing pupils due to difficulties parents have faced following the Covid-19 outbreak, the impact of Brexit and the expected forthcoming recession. All these factors have impacted Parent's ability to pay the cost of a privately funded education for their children

Global Education Management Systems Limited

Directors' report (continued) for the year ended 31 August 2020

The Group mitigates the risks arising by ensuring that each school continues to be attractive to prospective and existing parents, and this is achieved through a mix of having a competitive fee structure, training and performance monitoring of the teaching staff, on-going investments in the school infrastructure and the facilities available to pupils, and continued monitoring of pupil performance to ensure the needs of both parents and their children are ultimately met.

With the recent and rapid development of the Coronavirus outbreak, classroom learning for the Group's schools was suspended during the lockdown period as instructed by the local governments of the countries in which the schools are operated, to contain the outbreak. The Group launched remote learning in response to lockdown and social distancing measures were enacted. The Group had also opened the schools fully or partially for a few weeks in accordance with the instructions received from the local governments. Accordingly, the Group has continued to provide educational services and collect tuition fees from parents.

As the outbreak continues to evolve, it is challenging at this juncture, to predict the full extent and duration of its financial impact on the Group. Management is closely monitoring the situation to assess the financial impact.

The Directors have considered the Group's liquid resources, access to borrowing facilities and the future cash flow forecasts and conclude that these give a reasonable expectation that the Group has adequate resources to continue as a going concern. The Parent Company has provided a letter of support indicating their willingness to support the Group for the foreseeable future. Management have considered the ability of the Parent Company to provide this support and are satisfied that the required financing will be provided albeit that the support that may be required cannot be guaranteed.

Taken all of these conditions into accounts, Management consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Statement of disclosure to auditor

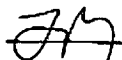
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with the company's articles, a resolution proposing that Moore Kingston Smith LLP be reappointed as auditor of the company will be put at a General Meeting.

Approval

This Director's report was approved by order of the Board.



J S Varkey
Director

Date: 27/08/21

Global Education Management Systems Limited

Director's Responsibilities Statement for the year ended 31 August 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with FRS 101 "Reduced Disclosure Framework" ('FRS101') and applicable law for the Parent Company and International Financial Reporting Standards (IFRS) as adopted by the European Union for the Group. Under company law, the Director 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 Group and Parent Company and of the profit or loss of the Group and Parent 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;
- 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.

Global Education Management Systems Limited

Independent Auditor's Report

To the Members of Global Education Management Systems Limited

Opinion

We have audited the financial statements of Global Education Management Systems Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 August 2020 which comprise the Consolidated income statement, Company income statement, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity and Consolidated statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2020 and of the Group's loss and the parent company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Material uncertainty in relation to going concern

We draw attention to note 2 of the accounting policies within the financial statements, which indicates that the cash flow forecasts show that in the most likely scenarios, the Group will be dependent on financial support from its Parent Company. There is also uncertainty in relation to the numbers of students that will return to the schools for the Autumn term and this is difficult to predict. A reduction in student numbers would further increase the requirement of support from the Parent Company. These conditions indicate that there is a material uncertainty which may cast significant doubt over the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Director is responsible for the other information. The other information comprises the information included in the Director's report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Global Education Management Systems Limited

Independent Auditor's Report

To the Members of Global Education Management Systems Limited

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 Director report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept 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 Director remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Director

As explained more fully in the Director's Responsibilities Statement, the Director is 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 Director determines 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 Director is 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 Director either intends to liquidate the Group or the Parent 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.

Global Education Management Systems Limited

Independent Auditor's Report

To the Members of Global Education Management Systems Limited

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

Chartered Accountants
Statutory Auditor

Date: 27 August 2021

Global Education Management Systems Limited

Consolidated income statement for the year ended 31 August 2020

	Note	2020 £	2019 £
Revenue	4	10,166,579	12,396,163
Cost of sales		(6,454,476)	(7,473,216)
Gross profit		3,712,103	4,922,947
Other Operating income	4a	1,347,848	-
Administrative expenses (excluding depreciation and amortisation)		(11,987,646)	(11,709,475)
Depreciation and Amortisation		(2,343,426)	(1,212,243)
Total administrative expenses		(14,331,072)	(12,921,718)
Operating loss from continuing operations	6	(9,271,121)	(7,998,771)
Finance income/cost	9	(994,687)	29,968
Exchange differences		195	(5,778)
Loss before taxation		(10,265,612)	(7,974,581)
Income tax expenses	10	-	-
Loss for the year		(10,265,612)	(7,974,581)
Total comprehensive loss for the year		(10,265,612)	(7,974,581)

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Company income statement for the year ended 31 August 2020

	Note	2020 £	2019 £
Revenue		290,240	799,116
Cost of sales		(2,977,029)	(4,013,128)
Gross loss		(2,686,789)	(3,214,012)
Administrative expenses (excluding depreciation and amortisation)		(4,372,352)	
Total administrative expenses		(4,372,352)	
Finance Income		-	31,767
Exchange differences		-	(5,780)
Loss before taxation		(7,059,141)	(3,188,025)
Income tax expenses	10	-	-
Total comprehensive loss for the year		(7,059,141)	(3,188,025)

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Consolidated statement of financial position as at 31 August 2020

	Note	2020 £	2019 £
Non-current assets			
Intangible assets	11	791	31,388
Right Of Use of Assets	24	14,137,304	0
Property and equipment	12	15,514,587	16,441,338
		<u>29,652,682</u>	<u>16,472,726</u>
Current assets			
Trade and other receivables	14	27,360,861	31,673,410
Cash at bank		950,585	1,370,825
Total current assets		<u>28,311,446</u>	<u>33,044,235</u>
Total assets		<u>57,964,128</u>	<u>49,516,961</u>
Equity and liabilities			
Capital and reserves			
Called up share capital	18	2,001,000	2,001,000
Retained earnings	19	(110,401,886)	(100,136,274)
Total equity		<u>(108,400,886)</u>	<u>(98,135,274)</u>
Non-current liabilities			
Financial liabilities	16	12,869,303	41,358
Total non-current liabilities		<u>12,869,303</u>	<u>41,358</u>
Current liabilities			
Trade and other payables	15	151,871,222	147,600,255
Financial liabilities	15/16	1,624,489	10,622
Total current liabilities		<u>153,495,711</u>	<u>147,610,877</u>
Total equity and liabilities		<u>57,964,128</u>	<u>49,516,961</u>

These financial statements were approved by the board of directors and authorised for issue on


J S Varkey

Director

Date: 27/08/21


The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Company statement of financial position as at 31 August 2020

	Not e	2020 £	2019 £
Non-current assets			
Intangible assets	11	0	18,429
Property and equipment	12	91,773	132,245
Right Of Use of Assets	24	0	
Investments	13	7	7
		91,780	150,681
Current assets			
Trade and other receivables	14	85,810,686	89,395,375
Cash at bank		257,025	255,442
Total current assets		<u>86,067,711</u>	<u>89,650,817</u>
Total assets		<u><u>86,159,491</u></u>	<u><u>89,801,498</u></u>
Equity and liabilities			
Called up share capital	18	2,001,000	2,001,000
Retained earnings	19	(62,711,097)	(55,651,956)
Total equity		<u>(60,710,097)</u>	<u>(53,650,956)</u>
Non-current liabilities			
Financial liabilities	16	0	0
Total non-current liabilities		0	0
Current liabilities			
Trade and other payables	15	146,869,588	143,452,454
Financial liabilities	16	0	
Total current liabilities		<u>146,869,588</u>	<u>143,452,454</u>
Total equity and liabilities		<u><u>86,159,491</u></u>	<u><u>89,801,498</u></u>

These financial statements were approved by the board of directors and authorised for issue on



J S Varkey
Director

Date: 27/08/21

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Consolidated statement of changes in equity for the year ended 31 August 2020

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 September 2019 (as previously stated)	2,001,000	(100,136,274)	(98,135,274)
Total comprehensive loss for the year		(10,265,612)	(10,265,612)
At 31 August 2020	2,001,000	(110,401,886)	(108,400,886)
At 1 September 2018 (as previously stated)	2,001,000	(92,161,693)	(90,160,693)
Total comprehensive loss for the year		(7,974,581)	(7,974,581)
At 31 August 2019	2,001,000	(100,136,274)	(98,135,274)

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Company statement of changes in equity for the year ended 31 August 2020

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 September 2019 (as previously stated)	2,001,000	(55,651,956)	(53,650,956)
Total comprehensive loss for the year		(7,059,141)	(7,059,141)
At 31 August 2020	2,001,000	(62,711,097)	(60,710,097)
At 1 September 2018 (as previously stated)	2,001,000	(52,463,931)	(50,462,931)
Total comprehensive loss for the year		(3,188,025)	(3,188,025)
At 31 August 2019	2,001,000	(55,651,956)	(53,650,956)

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Consolidated statement of cash flows for the year ended 31 August 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the year	(10,265,612)	(7,974,581)
Adjustments for:		
Cash flows from operating activities		
Depreciation/amortisation	853,979	1,212,243
Interest expense	994,691	1,799
Interest receivable	(4)	(31,767)
Decrease in trade and other receivables	4,461,454	27,610
(Decrease)/increase in trade and other payables	1,496,469	(684,689)
Cash used in operating activities	(2,459,023)	(7,449,385)
Interest paid	(994,691)	(1,799)
Net cash used in operating activities	(3,453,714)	(7,451,184)
Cash flows from investing activities		
Payments to acquire property and equipment	(356,438)	(945,847)
Payments to acquire intangible assets	(965)	-
Loss on disposal of property and equipment	626,997	837,341
Loss on disposal of intangible fixed assets	0	18,937
Interest received	4	31,767
Net cash used in investing activities	269,598	(57,802)
Cash flows from financing activities		
Repayment of borrowings	(10,622)	(10,243)
Proceeds from related party borrowings	2,774,498	7,609,289
Net cash generated from financing activities	2,763,876	7,599,046
Net cash inflow in the year	(420,240)	90,060
Cash at the beginning of the year	1,370,825	1,280,765
Cash at the end of the year	950,585	1,370,825

The notes on page 19 to 41 form part of these financial statements.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020

1. General information

Global Education Management Systems Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Contents and Company information page and the nature of Group's operations and principal activities is stated in the Strategic report.

2. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are presented in pound sterling, which is also the Group's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively IFRSs) effective for periods beginning on or after the 1 September 2019 which this year includes the adoption of new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect is disclosed in note 3.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments.

Financial reporting standard 101 - reduced disclosure exemptions

In preparing these financial statements the Parent Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, in respect of the Parent Company these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Global Education Management Systems Limited group of companies.

Group financial statements

The Group's financial statements include the results of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The results of subsidiaries are included in the Group income statement from the date of acquisition, or in the case of disposals, up to the effective date of disposal. Intercompany transactions and balances between Group entities are eliminated upon consolidation.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Directors have considered the company's and group's liquid resources, access to borrowing facilities and the future cash flow forecasts and concluded that these give a reasonable expectation that the company and the group has adequate resources to continue as a going concern. They accept that the financial viability of the group is wholly dependent upon the continuing financial support from the Ultimate Parent Company, Varkey Group Limited, and a letter of support has been issued to this effect. In making their assessment the directors considered events, including the impact of Covid-19 pandemic outbreak. The directors utilised the government grants available and reviewed the cost basis for each entity within the group. The directors that the company and the group has sufficient resources to remain operational with continuing support from the Parent Company, for the 12 months from the date of finalising these financial statements and the going concern basis of accounts preparation is appropriate. Therefore, these accounts have been prepared on that basis.

In common with many independent schools, the Group faces a challenge of attracting new pupils and retaining existing pupils due to difficulties parents have faced following the Covid-19 outbreak and the impact of Brexit. Despite these challenges pupil numbers have increased across the group as a whole. In addition whilst the government had imposed restrictions on working practices and had enacted social distancing and lockdown measures which resulted in the suspension of the classroom learning during the lockdown period to contain the outbreak, the schools have managed to decrease their costs which has helped the financial position of the school post year end.

The Group mitigates the risks arising by ensuring that each school continues to be attractive to prospective and existing parents, and this is achieved through a mix of having a competitive fee structure, training and performance monitoring of the teaching staff, on-going investments in the school infrastructure and the facilities available to pupils, and continued monitoring of pupil performance to ensure the needs of both parents and their children are ultimately met. In addition, the Group has launched remote learning in response to lockdown, gave 30% discount on summer term fees to support the parents, introduced a hardship fund for families that require additional support, invested in technology for delivering online education smoothly and implementation of social distancing measures in the school.

Management continue to monitor the situation carefully and current projections for the 12 months following the signing of these accounts suggest that the schools will move towards a more profitable position if the growth in pupil numbers materialises. There is material uncertainty in being able to predict future pupil numbers and therefore the group will continue to be dependent upon the Ultimate Parent company for financial support. Management have considered the ability of the Ultimate parent company to provide this support and are satisfied that on going financing will be provided if required, but accept there are no guarantees.

Taken all of these conditions into accounts, Management consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

Standards in effect in 2020 adopted by the Group

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

IFRS 16 Leases took effect from 1 January 2019 and has been adopted for the year ended 31 August 2020. The Group has chosen to use the modified retrospective approach, recognising transitional adjustments on the date of initial application (i.e. 1 September 2019) without restatement of the comparative figures. Leases which the group were party to were previously classified as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership to the lessee. Under IFRS 16 the Group now recognises right of use assets and lease liabilities for leases other than those for low value assets or for short term leases of 12 months or less.

Note 24 gives more detail of the effect of the changes, but they have increased assets by £15,207k and increased liabilities by £15,115k with a net increase in net assets of £92k.

Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangible less their residual values over their estimated lives, using the straight-line method. Software costs are amortised over 3 years.

Tangible assets

Property and equipment is stated at cost, net of depreciation and any provision for impairment. Provision is made for depreciation on all classes of assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings - 2% per annum cost
Fixtures and fittings - 15-33% straight line
Motor vehicles - 25% reducing balance
Leasehold buildings - evenly over the lease term

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call and overdrafts with banks.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

Financial instruments

Financial assets

The Group and Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group and Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Group or Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised Cost

These assets arise principally from the provision of goods and services to customers (eg trade debtors), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Provision for expected credit losses (ECL)-trade and other debtors

The Group applies a simplified approach in calculating the Expected Credit Losses (ECL) and a full provision is made for any debtors outstanding over 90 days.

Intercompany debtors

The Group recognises an allowance for expected credit losses (ECLs) for receivables from related party balances in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial liabilities

The Group and Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group and Company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss. The Group and Company's accounting policy is as follows:

Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

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

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

Leases

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor are charged to profit and loss on a straight line basis over the lease term.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax Liabilities/(assets) are settled/(recovered).

Revenue

The Group is in the business of providing educational and educational support services. Revenue from contracts with customers is recognised on completion of the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. The Group enters into a contract with the customer for providing educational services (primarily tuition fee) and determines the transaction price based on the published school fees less any discount provided. The Group and Company also assess the collectability of contractual amount on periodic basis. The Group recognises the revenue only when it is probable that it will collect the consideration to which it will be entitled in exchange for the services that have been provided.

Government Coronavirus Job Retention grant is recognised in the period in which the expenditure has been incurred and claim made. The income is recognised as other operating income.

The revenue from different contracts with customers is recognised as follows:

Tuition, learning support fees are recognised over the period of time the services are rendered. Registration and admission fees are recognised at a point in time on enrolment to the school. Transportation fees are recognised over the period of time the services are rendered. Sports coaching fees and facility rental are recognised at the point in time the services are rendered. Management fees are recognised over time reflecting the professional support services provided to the school.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

The Group considers whether there are other services in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Generally, the Group receives short-term advances from its customers (fee received in advance). Using the practical expedient in IFRS 15, the Group and Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or

Interest receivable

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

Finance costs

Finance costs are charged to the consolidated statement of comprehensive income 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.

Pensions

The Group pays pension contributions into the personal pension schemes of selected employees and directors. Contributions are charged to the income statement as they become payable.

Share capital

The Company's ordinary shares are classified as equity instruments.

Retained earnings

All other net gains, losses and transactions with owners (eg dividends) not recognised elsewhere.

3 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The following is a summary of the critical accounting estimates that were made in the preparation of these financial statements.

a) Useful lives of tangible assets and intangible assets

Depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the Group and Company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount for intangible assets is included in note 11 and the carrying amount of property, plant and equipment by each class is included in note 12.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

b) Fixed asset impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

c) Useful lives of tangible assets

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the Group and Company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of tangible assets would reduce accordingly. The carrying amount of tangible assets by each class is included in note 12.

d) Expected credit losses

The Group applies a simplified approach in calculating the Expected Credit Losses (ECL) and a full provision is made for any debtors outstanding over 90 days.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

4 Revenue

All revenue arose from the Group's principal activity being the provision of educational services.

Dissaggregation of revenue - revenue streams

	2020 £	2019 £
Tuition, learning support fees	9,696,036	11,523,570
Registration and admission fees	29,121	45,274
Transportation fees	115,740	185,750
Sports coaching fees	325,681	244,367
Management fees	-	397,202
	<u>10,166,579</u>	<u>12,396,163</u>

Dissaggregation of revenue - timing of transfer of goods and services

	2020 £	2019 £
Recognised at a point in time	354,802	289,641
Recognised over time	9,811,777	12,106,522
	<u>10,166,579</u>	<u>12,396,163</u>

Contract balances

	Contract liabilities	
	2020 £	2019 £
At 1 September	(5,078,025)	(5,478,064)
Amounts included in contract liabilities that were recognised as revenue during the year	5,078,025	5,478,064
Cash received in advance of performance and not recognised as revenue in the year	(4,426,808)	(5,078,025)
At 31 August	<u>(4,426,808)</u>	<u>(5,078,025)</u>

4a Other operating income

	2020 £	2019 £
Grant income	1,022,250	-
Rental income	70,150	-
Other revenue	319,303	-
Other revenue - commissions payable	(63,855)	-
	<u>1,347,848</u>	<u>-</u>

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

5 Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor:		
For the audit of the parent undertaking and group financial statements	79,519	27,500
For the audit of the financial statements of the company's subsidiaries	71,236	64,615
	<u>150,755</u>	<u>92,115</u>

6 Operating loss

	2020 £	2019 £
This is arrived at after charging:		
Depreciation	822,417	1,140,468
Amortisation	31,564	71,775
Operating lease rentals:		
- land and buildings	1,598,561	1,861,372
- other	112,267	169,193
	<u>2,564,809</u>	<u>3,242,808</u>

7 Key management personnel

Key management personnel are defined as directors of the company and remuneration is set out below:

	2020 £	2019 £
Wages and salaries	135,580.00	135,580
Social security costs	17,510.00	17,536
Other pension costs	3,600.00	2,900
	<u>156,690</u>	<u>156,016</u>

During the period pension contributions were paid in respect of one director (2019 - one).

The highest paid director received remuneration in the period of £139,180 (2019 - £138,480).

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

8 Employees

	2020	2019
Group	£	£
Wages and salaries	7,676,986	9,447,913
Social security costs	795,454	889,987
Other pension costs	867,548	697,844
	<u>9,339,988</u>	<u>11,035,744</u>

Company		
Wages and salaries	1,520,310	2,100,632
Social security costs	189,000	249,117
Other pension costs	21,192	33,117
	<u>1,730,502</u>	<u>2,382,866</u>

Group	Number	Number
Teaching	186	133
Administration	94	101
	<u>280</u>	<u>234</u>

Company		
Administration	9	13
	<u>9</u>	<u>13</u>

9 Net finance income/(costs)

Group	2020	2019
	£	£
Interest income from group companies	4	31,767
On bank and other loans	(994,691)	(1,799)
	<u>(994,687)</u>	<u>29,968</u>

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

10 Tax

	Group 2020 £	Group 2019 £
a) Tax on loss		
Corporation tax arising in the year	-	-
b) Reconciliation of the total tax charge		
Loss before tax	(10,265,612)	(7,974,581)
Multiplied by standard rate of corporation tax in the UK of 19% (2019-19%)	(1,950,466)	(1,515,170)
Effects of:		
Losses carried forward		
Deferred capital allowances, disallowable depreciation	157,629	186,747
Consolidation adjustment not effective for tax		-
Non-deductible expenses	832,934	11,904
Unutilised excess losses carried forward	959,903	1,316,519
Total tax expense	-	-

Factors that may affect future tax charges

As at the reporting date, reductions in the UK tax rate from 19% to 17%, effective from 1 April 2020, had been substantively enacted. Deferred tax assets and liabilities have been calculated based on the rate substantively enacted at the reporting date.

Under legislation substantively enacted on 17 March 2020, after the reporting date, the UK tax rate will remain at 19% from 1 April 2020 onwards. This will affect the calculation of future deferred tax charges.

	2020 £	2019 £
(c) Deferred taxation not recognised		
Decelerated capital allowances	141,272	152,918
Available losses	15,451,160	14,596,776
Unrecognised deferred taxation asset	15,592,432	14,749,694

As at 31 August 2020 the Group had loss of £81m (2019 - £77m) and deferred capital allowances of £0.7m (2019 - £Nil) available to carry forward against future taxable profits. No deferred taxation asset has been recognised due to the uncertainty of the amount and timing of future profits.

There were no carried forward losses or deferred taxation in the Company.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

11 Intangible assets

Group

	2020 Software £	2019 Software £
<i>Cost</i>		
At 1 September	228,598	247,535
Additions	965	-
Disposals	-	(18,937)
At 31 August	229,563	228,598
<i>Amortisation and impairment</i>		
At 1 September	197,210	119,638
Amortisation charge for the year	31,562	71,775
Transfer from property, plant and equipment	0	5,797
At 31 August	228,772	197,210
<i>Net book value</i>		
Carried forward	791	31,388
Brought forward	31,388	127,897

Company

	2020 Software £	2019 Software £
<i>Cost</i>		
At 1 September	94,110	113,047
Additions	-	-
Disposals	-	(18,937)
At 31 August	94,110	94,110
<i>Amortisation and impairment</i>		
At 1 September	75,681	18,648
Amortisation charge for the year	18,429	51,236
Transfer to/ from property, plant and equipment	0	5,797
At 31 August	94,110	75,681
<i>Net book value</i>		
Carried forward	0	18,429
Brought forward	18,429	94,399

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

12 Property, plant and equipment

	Freehold land & buildings	Leasehold buildings & improvement	Fixtures fittings & equipment	Motor vehicles	Assets under construction
	£	£	£	£	£
Group					
<i>Cost or valuation</i>					
At 1 September 2019	4,507,606	18,604,915	6,787,270	388,418	363,166
Additions	39,544	128,605	188,289	0	
Transfers between classes	4,661,803	(4,661,803)		0	
Disposals	(393)	(163,786)	(610,845)	(369,738)	(363,166)
At 31 August 2020	9,208,560	13,907,931	6,364,714	18,680	0
<i>Accumulated depreciation</i>					
At 1 September 2019	3,358,472	4,410,238	6,062,053	379,274	0
Charge in period	296,466	283,776	238,644	3,531	
Transfer between assets	1,858,022	(1,858,022)			
Write-off of assets		(166,225)			
Disposals		(163,786)	(347,407)	(369,738)	
At 31 August 2020	5,512,960	2,505,981	5,953,290	13,067	0
<i>Net book value</i>					
At 31 August 2020	3,695,600	11,401,950	411,424	5,613	0
At 31 August 2019	1,149,134	14,194,677	725,217	9,144	363,166
	Freehold land & buildings	Leasehold buildings & improvement	Fixtures fittings & equipment	Motor vehicles	Assets under construction
	£	£	£	£	£
Group					
<i>Cost or valuation</i>					
At 1 September 2018	4,504,593	17,106,865	6,293,684	235,057	2,402,670
Additions	3,013	22,266	300,053	153,361	467,154
Transfers between classes	-	1,493,346	198,751	-	(1,692,097)
Disposals	-	(17,562)	(5,218)	-	(814,561)
At 31 August 2019	4,507,606	18,604,915	6,787,270	388,418	363,166

Global Education Management Systems Limited
Notes to the Financial Statements
for the year ended 31 August 2020 (continued)

<i>Accumulated depreciation</i>					
At 1 September 2018	3,284,705	3,909,593	5,659,213	221,855	-
Charge in period	73,767	500,645	408,637	157,419	-
Transfer to intangible assets	-	-	(5,797)	-	-
At 31 August 2019	<u>3,358,472</u>	<u>4,410,238</u>	<u>6,062,053</u>	<u>379,274</u>	<u>-</u>
<i>Net book value</i>					
At 31 August 2019	<u>1,149,134</u>	<u>14,194,677</u>	<u>725,217</u>	<u>9,144</u>	<u>363,166</u>
At 31 August 2018	<u>1,219,888</u>	<u>13,197,272</u>	<u>634,471</u>	<u>13,202</u>	<u>2,402,670</u>

12 Property, plant and equipment (continued)

	Leasehold buildings & improvement	Fixtures fittings & equipment	Assets under construction	Total
	£	£	£	£
<i>Company</i>				
<i>Cost or valuation</i>				
At 1 September 2019	278,592	270,697	-	549,289
Additions	-	1,862	-	1,862
Transfer between assets	-	-	-	-
At 31 August 2020	<u>278,592</u>	<u>272,559</u>	<u>-</u>	<u>551,151</u>
<i>Accumulated depreciation</i>				
At 1 September 2019	182,751	234,293	-	417,044
Charge in period	4,818	37,516	-	42,334
Transfer between assets	-	-	-	0
At 31 August 2020	<u>187,569</u>	<u>271,809</u>	<u>-</u>	<u>459,378</u>
<i>Net book value</i>				
At 31 August 2020	<u>91,023</u>	<u>750</u>	<u>-</u>	<u>91,773</u>
At 31 August 2019	<u>95,841</u>	<u>36,404</u>	<u>-</u>	<u>132,245</u>

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

	Leasehold buildings & improvement	Fixtures fittings & equipment	Assets under construction	Total
	£	£	£	£
Company				
<i>Cost or valuation</i>				
At 1 September 2018	278,592	263,272	29,256	571,120
Additions	-	7,425	-	7,425
Disposals			(29,256)	(29,256)
At 31 August 2019	278,592	270,697	-	549,289
<i>Accumulated depreciation</i>				
At 1 September 2018	161,875	213,095	-	374,970
Charge in period	20,876	26,995	-	47,871
Transfer to intangible assets		(5,797)		(5,797)
At 31 August 2019	182,751	234,293	-	417,044
<i>Net book value</i>				
At 31 August 2019	95,841	36,404	-	132,245
At 31 August 2018	116,717	50,177	29,256	196,150

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

13 Investments in subsidiary undertakings

Company	£
<i>Cost</i>	
At 31 August 2019 and 31 August 2020	<u>7</u>

The Company's subsidiaries are:

Direct holdings	Principal	Holding
GEMS Spartacus Limited	Investment holding	100%
GEMS Property Management Limited	Property management	100%
GEMS School Finance Limited	Investment holding	100%
Indirect holdings		
GEMS Schools Limited	Education services	100%
Webber Independent School Limited	Education services	100%
Sherfield School Limited	Education services	100%
Hampshire Schools Limited	Support services	100%
HS Transport Limited	Support services	100%

All the above companies are incorporated in England and Wales and are all registered at Botanic House, 100 Hills Road, Cambridge, CB2 1PH.

14 Trade and other receivables	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade receivables	2,120,890	1,779,648	7,533	7,533
Less: provision for impairment	(275,669)	(343,487)	0	-
Trade receivables-net	<u>1,845,221</u>	<u>1,436,161</u>	<u>7,533</u>	<u>7,533</u>
Other receivables	527,603	772,563	149,569	458,965
Due from group companies	-	-	61,382,169	52,757,941
Due from related companies	24,086,655	28,339,931	24,086,655	35,928,011
Accrued income	0	72,585	0	72,585
Total financial assets other than cash cash equivalents classified as amortised cost	<u>26,459,479</u>	<u>30,621,240</u>	<u>85,625,926</u>	<u>89,225,035</u>
VAT receivable	106,106	43,475	106,106	48,240
Prepayments	795,276	1,008,695	78,654	122,100
	<u>27,360,861</u>	<u>31,673,410</u>	<u>85,810,686</u>	<u>89,395,375</u>

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

Amounts due from Group and related companies are interest free and repayable on demand.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

15 Trade and other payables	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade payables	2,371,202	1,392,125	1,315,683	713,842
Other payables	1,553,372	2,000,549	81,063	88,790
Accruals	127,119	362,617	29,557	31,244
Due to group companies	0	-	3,967,879	4,023,678
Due to related companies	140,518,807	137,744,309	140,371,231	137,744,309
Directors loan account	1,184,779	779,093	1,184,779	779,093
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	145,755,279	142,278,693	146,950,192	143,380,956
Other taxes and social securities	1,689,135	243,537	509,396	71,498
Deferred income	4,426,808	5,078,025	-590,000	-
	151,871,222	147,600,255	146,869,588	143,452,454
Lease Liabilities	1,624,489	0	0	0

Amounts due to Group and related companies are interest free and repayable on demand.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

16 Financial liabilities	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Current				
Bank loans	10,622	10,622	0	-
Non-current				
Bank loans between one and two	20,216	10,888	0	-
Bank loans between two and five	10,553	21,694	0	-
Bank loans later than five years	0	8,776	0	-
	41,391	41,358	0	-
Lease Liabilities	12,827,912	0	0	0
	12,869,303	41,358	0	0

Bank loans are secured by a fixed charge over assets including property of the Group. A cross guarantee and debenture is also in place between the Group companies.

Included in non-current liabilities above are the following amounts repayable by instalments.

The Group has one existing bank loan:

The loan was drawn down in two tranches with the major part being repayable in equal monthly instalments over a period of 20 years between April 2004 and March 2024. Interest is payable at 2% above the bank's base rate per annum. The minor tranche has been repaid in full.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

17 Financial instruments

Risks

The Group's principal financial instruments comprise cash at bank, bank loans, loans from companies under common control, trade payables and trade receivables. The main purpose of these instruments is to raise funds for and facilitate the Group's operations.

Due to the nature of the financial instruments used by the Group, there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

Liquidity risk is managed by maintaining a balance sufficient to meet the funds required for the Group's operations. Funding is partially provided by bank loans, but principally by loans from a company under common control.

Credit risk is principally managed by requiring parents to pay school fees in advance.

Interest risk exposure is minimised through limiting funding provided by banks and mainly relying on the loans from companies under common control.

Contractual maturity

The table below summarises the maturity profile of the Group's financial liabilities at 31 August 2020 and 31 August 2019 based on contractual undiscounted payments:

2020	Less than 1 year £	1 to 2 years £	2 to 5 years £	More than 5 years £	Total £
Trade payables	2,371,202				2,371,202
Other payables	1,553,372				1,553,372
Amounts owing to related parties	140,518,807				140,518,807
Bank loans	10,622	20,216	10,553	0	41,391
	144,454,003	20,216	10,553	-	144,484,772
2019	Less than 1 year £	1 to 2 years £	2 to 5 years £	More than 5 years £	Total £
Trade payables	1,392,125	-	-	-	1,392,125
Other payables	2,000,549	-	-	-	2,000,549
Amounts owing to related parties	137,744,309	-	-	-	137,744,309
Bank loans	10,622	10,888	30,470	0	51,980
	141,147,605	10,888	30,470	-	141,188,963

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

17 Financial instruments (continued)

Fair values

The directors consider that the carrying value of all financial instruments approximates to their fair value.

Capital management

The Directors consider that the Group's capital consists of share capital, bank loans, other loans and loans from companies under common control, as set out below:

	2020 £	2019 £
Share capital	1,000	1,000
Non-voting shares	2,000,000	2,000,000
Bank loans non-current –	30,769	41,358
Bank loans current –	10,622	10,622
Loans from companies under common control	140,518,807	137,744,309
	<u>142,561,198</u>	<u>139,797,289</u>

The Group's capital mix is designed to maintain its liquidity and optimise returns to shareholders.

The Group's Financial instruments can be categorised as follows:

Group	2020 £	2019 £
Financial assets measured at amortised cost	<u>26,459,479</u>	<u>30,621,240</u>
Financial liabilities measured at amortised cost	<u>158,624,582</u>	<u>142,320,051</u>

Financial assets measured at amortised cost comprise of cash at bank and in hand, trade and other receivables and amounts due from group and related companies.

Financial liabilities measured at amortised cost comprise of trade and other payables, amounts due to group and related companies, bank loans and accruals.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

18 Share capital

	2020	2020	2019	2019
	£	Number	£	Number
Authorised				
Non-voting shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>2,001,000</u>	<u>2,001,000</u>	<u>2,001,000</u>	<u>2,001,000</u>
Allotted, called up and fully paid				
Non-voting shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>2,001,000</u>	<u>2,001,000</u>	<u>2,001,000</u>	<u>2,001,000</u>

1,000 ordinary shares are held by Kuranda International Limited and have full voting rights of one vote per

19 Reserves

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

Share capital

Share capital represents the nominal value of shares issued.

Non-voting shares

Ordinary shares designated by a written resolution as non-voting shares.

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

20 Commitments under operating leases

At the statement of financial position date, the Group had commitments under non-cancellable operating leases as set out below:

	2020	2019
	£	£
Within one year	0	1,792,500
In two to five years	0	6,810,000
Over five years	0	16,450,000
	<u>0</u>	<u>25,052,500</u>

21 Related party transactions

The Parent Company has taken advantage of the exemption in FRS101 not to disclose transactions with wholly owed subsidiaries within the group.

At the Statement of Financial Position date Global Education Management Systems Limited owed £1,184,779 in the Director's Loan account to J Varkey a Director of the Group (2019 - £779,093).

During the year the Company took the decision to write off ETOY £4,372,352 as the Company was no longer trading and the write off has been taken to administrative expenses.

The net inter-company group and related companies balances totals £116,432,152. A letter of support is in place from the Varkey group.

Included in the company debtors are the following amounts receivable from subsidiaries: £15,804,567 (2019 - £16,237,773) receivable from GEMS School Finance Ltd, £436,980 (2019 - £546,686) receivable from GEMS Property Management UK Ltd and £12,015 (2019 - £9,985) receivable from GEMS Spartacus Ltd.

During the year Global Education Management Systems Limited waived the outstanding debt of £Nil (2019 - £104,570) owed by Varkey Foundation. The debt waiver has been recognised in the income statement as a cost to the Group.

During the year Global Education Management Systems Limited waived the outstanding debt of £Nil (2019 - £91,674) owed by GEMS Pamoja Ltd UK. The debt waiver has been recognised in the income statement as a cost to the Group.

In the prior year the group waived the outstanding debt of £Nil (2019 - £12,404,628) owed by GEMS Spartacus. The debt waiver was in the income statement as an impairment of an investment.

During the year, the Parent Company paid rent amounting to £Nil (2019 - £590,000) to Kuranda International Limited.

During the year Global Education Management Systems Limited charged management charges amounting to £Nil (2019 - £63,970) to Kuranda International Limited a fellow group company.

At the Statement of Financial Position date Kuranda International Limited owed the Group £Nil (2019 -

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

22 Immediate parent undertaking and ultimate controlling party

The Company's immediate parent undertaking is Kuranda International Limited, a Company registered in The British Virgin Islands.

The ultimate controlling party is The Varkey Settlement, of which Mr Sunny Varkey and his immediate family members are beneficiaries.

The largest and smallest group for which group accounts are drawn up is Varkey Group Limited, a company registered at C/o Tricor Services (BVI) Limited, P.O Box 3340, Road Town, Tortola, British Virgin Islands.

23 The Group has seven leases of properties in the UK.

The Group also leases certain items of plant and equipment. These contain only fixed payments over the lease term.

Some of the leases contain break clauses. At 31 August 2020 the carrying amount of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the group would not exercise its right to exercise any right to break the lease.

24 Right-of-Use Assets

	Land and buildings	Plant, machinery and motor vehicles	Total
	£	£	£
Initial recognition as result of adoption of IFRS 16	15,159,635	46,940	15,206,575
Additions	-	-	-
Amortisation for the year	(1,053,708)	(15,563)	(1,069,271)
At 31 August 2020	<u>14,105,927</u>	<u>31,377</u>	<u>14,137,304</u>

Global Education Management Systems Limited

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

Lease liabilities	Land and buildings	Plant, machinery and motor vehicles	Total
	£	£	£
Initial recognition as result of adoption of IFRS 16	15,073,802	40,950	15,114,752
Additions	-	-	-
Interest expense	986,503	2,422	988,925
Repayments	(1,643,500)	(7,777)	(1,651,277)
At 31 August 2020	<u>14,416,805</u>	<u>35,595</u>	<u>14,452,400</u>
Repayable within 1 year			1,624,489
Repayable within more than 1 year			<u>12,827,912</u>
			<u><u>14,452,401</u></u>