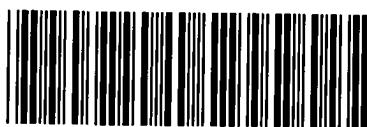

GSM LONDON HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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GSM LONDON HOLDINGS LIMITED

COMPANY INFORMATION

Directors	A J Blackmore D P K Bogg C M Holmes M K O'Donnell S B Macro
Registered number	07477490
Registered office	GSM London Study Centre 56 Tabard Street London SE1 4LG
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

GSM LONDON HOLDINGS LIMITED

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GSM LONDON HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

Introduction

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

Business review and future developments

GSM London Limited is the principal trading Company within the Group and provides higher education services. GSM London Holdings Limited is part of this Group.

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

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

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

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

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

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

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

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

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

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

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

GSM LONDON HOLDINGS LIMITED

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

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

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

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

Going Concern

The loss of the Company for the year ended 30 September 2017 was £27,860,207 (2016: £1,345,986), which is stated after a provision against intercompany debtors of £26,050,182 has been made, and net liabilities at the year end amounted to £27,732,682 (2016: £127,425).

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

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

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

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

Activities in the year

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

Investments

The directors have considered the carrying value of its assets and have concluded that as a result of the trading position of the business and current sales process it is appropriate to further impair the value of the investment balance within the Company down to zero. The resulting charge to the profit and loss of £424,510 is identified in the Statement of Comprehensive Income.

Other elements of turnaround plan

The continued theme of the Group companies' five-year plan is to focus on the recruitment of students from a wide range of backgrounds and to maintain our commitment to widening participation in higher education.

GSM LONDON HOLDINGS LIMITED

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

We will continue to invest to ensure that all our students receive a high quality educational experience and have the necessary tools to embark on successful careers after completing their studies. This investment will be focussed on improving our academic teaching facilities, increasing the number of full-time academic staff.

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

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

Principal risks and uncertainties

Risks and uncertainties facing the Group

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

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

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

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

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

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

Financial risk management objectives and policies

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

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

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

GSM LONDON HOLDINGS LIMITED

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

Interest rate risk

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

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

Credit risk

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

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

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

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

Summary of key performance indicators

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

Principal areas of focus include:

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


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

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

GSM LONDON HOLDINGS LIMITED

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

This report was approved by the board on 9th November 2018 and signed on its behalf.



S B Macro
Director

GSM LONDON HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is the development of a group focused on the provision of higher education, principally through the strategic development of GSM London.

Results and dividends

The loss for the year, after taxation, amounted to £27,860,207 (2016 - loss £1,345,986).

The Company's investments in subsidiary companies have been written down to £nil, a provision in the year of £424,510. This is response to difficulties with the main trading company, GSM London Limited, where the Board has implemented a immediate cost reduction programme, which was aligned to a more radical plan to focus the business on its profitable areas.

The Board concluded in early February 2018 that the group of companies headed by Clipper Group Limited would be marketed for sale on the back of this plan which, following an extended turnaround component, would return the group to a stable and sustainable profit performance within two years.

GSM LONDON HOLDINGS LIMITED

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

Directors

The directors who served during the year were:

A J Blackmore (appointed 3 July 2017)
D P K Bogg (appointed 1 February 2017)
C M Holmes (appointed 9 November 2016)
M K O'Donnell
W G Hunt (resigned 22 October 2016)
M Needley (resigned 1 February 2017)
S B Maco (appointed 9 November 2016, resigned 14 February 2017, appointed 1 November 2017)

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 9th November 2018 and signed on its behalf.



S B Maco
Director

GSM LONDON HOLDINGS LIMITED

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

Opinion

We have audited the financial statements of GSM London Holdings Limited for the year ended 30 September 2017, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Material uncertainty related to going concern

We draw attention to note 2.4 in the financial statements, which indicates that at the date of this report, the directors have secured further equity investment from Sovereign Capital Limited Partnership III to fully fund the group headed by Clipper Group Limited, which includes GSM London Holdings Limited and its turnaround plans. The DfE has confirmed its final approval of the redesignation for the 2018/19 academic year and has identified that it will closely monitor the delivery of the group's turnaround plan as an ongoing condition of designation. Application to register with the Office for Students in relation to future academic years will be submitted immediately after the filing of these financial statements. It is on this basis that the directors believe the business is a going concern.

However, as stated in note 2.4 the turnaround plans and associated financial forecasts are not without risk and include a number of inherent assumptions and uncertainties. If the assumptions used overall were to prove too optimistic or events crystallise in a materially negative manner for the group then the group may need to secure further funding to enable it to operate as a going concern.

As stated in note 2.4, these events or conditions, along with matters set forth in note 2.4 indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a

GSM LONDON HOLDINGS LIMITED

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

Matters on which we are required to report by exception

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

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

GSM LONDON HOLDINGS LIMITED

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



Perry Burton (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

London

Date: 9/11/18

GSM LONDON HOLDINGS LIMITED

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

	Note	2017 £	2016 £
Turnover	4	1,012,901	808,313
Administrative expenses		(1,528,551)	(806,512)
Provision against intercompany debtors		(26,050,182)	-
Professional fees		(735,702)	(720,778)
Employee settlements		-	(316,975)
Operating loss		(27,301,534)	(1,035,952)
Amounts written off investments	12	(424,510)	-
Interest receivable and similar income	8	2,102,815	606,567
Interest payable and expenses	9	(2,236,978)	(843,620)
Loss before tax		(27,860,207)	(1,273,005)
Tax on loss	10	-	(72,981)
Loss after tax		(27,860,207)	(1,345,986)
Retained earnings at the beginning of the year		112,103	1,458,089
Loss for the year		(27,860,207)	(1,345,986)
Retained earnings at the end of the year		(27,748,104)	112,103

All amounts relate to continuing operations.

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

The notes on pages 13 to 25 form part of these financial statements.

GSM LONDON HOLDINGS LIMITED
REGISTERED NUMBER: 07477490

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	-	3,923
Investments	12	-	424,510
		<u>-</u>	<u>428,433</u>
Current assets			
Debtors: amounts falling due within one year	13	2,750	7,687,798
Cash at bank and in hand	14	5,828	56,032
		<u>8,578</u>	<u>7,743,830</u>
Creditors: amounts falling due within one year	15	(27,741,260)	(7,852,081)
Net current liabilities		<u>(27,732,682)</u>	<u>(108,251)</u>
Total assets less current liabilities		<u>(27,732,682)</u>	<u>320,182</u>
Other provisions	17	-	(192,757)
Net (liabilities)/assets		<u><u>(27,732,682)</u></u>	<u><u>127,425</u></u>
Capital and reserves			
Called up share capital	18	12,774	12,674
Share premium account	19	2,648	2,648
Profit and loss account	19	(27,748,104)	112,103
		<u><u>(27,732,682)</u></u>	<u><u>127,425</u></u>

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


S B Macro
 Director

Date: 9th November 2018

The notes on pages 13 to 25 form part of these financial statements.

GSM LONDON HOLDINGS LIMITED

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

1. General information

The company is private company, limited by shares and is registered in England and Wales. The company's registered number is 07477490. The company's registered address is GSM London Study Centre, 56 Tabard Street, London, SE1 4LG.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

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

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

GSM LONDON HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.4 Going concern

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

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

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

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

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Interest income

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

GSM LONDON HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.7 Finance costs

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

2.8 Pensions

Defined contribution pension plan

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

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

2.9 Taxation

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

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

2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Computer equipment	- 4 years straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

GSM LONDON HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet 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 balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Debtors

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

2.14 Cash and cash equivalents

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

2.15 Creditors

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

2.16 Provisions for liabilities

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

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

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

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other

GSM LONDON HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.17 Financial instruments (continued)

third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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

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

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

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

Significant judgements and estimates relate to:

- Intercompany loans – judgement is applied to determine the suitable market rate at which interest is charged.

4. Turnover

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

All turnover arose within the United Kingdom.

GSM LONDON HOLDINGS LIMITED

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

5. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>4,000</u>	<u>5,000</u>

6. Employees

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

	2017 £	2016 £
Wages and salaries	184,550	539,035
Social security costs	24,828	58,959
Pension costs	852	21,713
	<u>210,230</u>	<u>619,707</u>

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

	2017 No.	2016 No.
	<u>3</u>	<u>3</u>

GSM LONDON HOLDINGS LIMITED

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

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	184,550	404,680
Company contributions to defined contribution pension schemes	852	-
Compensation for loss of office	-	192,756
	<u>185,402</u>	<u>597,436</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £70,000 (2016 - £432,941).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2016 - £NIL).

Certain directors receive remuneration via third parties. The total amount paid during the year amounts to £353,529.

8. Interest receivable

	2017 £	2016 £
Interest receivable from group companies	2,102,815	606,460
Other interest receivable	-	107
	<u>2,102,815</u>	<u>606,567</u>

9. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	-	81,141
Loans from group undertakings	2,236,978	762,479
	<u>2,236,978</u>	<u>843,620</u>

GSM LONDON HOLDINGS LIMITED

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

10. Taxation

	2017 £	2016 £
Deferred tax		
Origination and reversal of timing differences	-	62,034
Changes to tax rates	-	10,947
Total deferred tax	<u>-</u>	<u>72,981</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>72,981</u>

Factors affecting tax charge for the year

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

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(27,860,207)</u>	<u>(1,273,005)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	<u>(5,432,740)</u>	<u>(254,601)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,162,683	236,374
Income not taxable for tax purposes	-	(121,292)
Group relief surrendered	-	243,654
Transfer pricing adjustments	-	(105,106)
Adjust closing deferred tax to average rate of tax	48,951	17,223
Adjust opening deferred tax to average rate of tax	(14,345)	-
Deferred tax not recognised	235,451	56,729
Total tax charge for the year	<u>-</u>	<u>72,981</u>

At the year end, an unrecognised deferred tax asset of £333,049 (2016: £97,604) exists in relation to losses carried forward.

Factors that may affect future tax charges

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

GSM LONDON HOLDINGS LIMITED

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

11. Tangible fixed assets

	Computer equipment £
Cost or valuation	
At 1 October 2016	32,317
At 30 September 2017	<u>32,317</u>
Depreciation	
At 1 October 2016	28,394
Charge for the year on owned assets	3,923
At 30 September 2017	<u>32,317</u>
Net book value	
At 30 September 2017	<u>-</u>
At 30 September 2016	<u>3,923</u>

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 October 2016	424,510
Amounts written off	(424,510)
At 30 September 2017	<u>-</u>
Net book value	
At 30 September 2017	<u>-</u>
At 30 September 2016	<u>424,510</u>

GSM LONDON HOLDINGS LIMITED

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

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
GSM London Services Limited	Ordinary	100 %	To provide support services to the group
GSM London Limited *	Ordinary	100 %	The provision of higher education as an affiliate of Plymouth University
Greenford Facilities Limited *	Ordinary	100 %	To provide support services to the group

* shares held via GSM London Services Limited

The registered offices of GSM London Services Limited and Greenford Services Limited is: GSM London Study Centre, 56 Tabard Street, London, SE1 4LG. The registered office of GSM London Limited is Meridian House, Royal Hill, Greenwich, London, SE10 8RD.

The aggregate of the share capital and reserves as at 30 September 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
GSM London Services Limited	(41,974,363)	(43,983,156)
GSM London Limited	(9,749,699)	(9,869,000)
Greenford Facilities Limited	(4,061,220)	(2,180,934)

13. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	-	7,141,128
Other debtors	-	45,017
Prepayments and accrued income	2,750	501,653
	<u>2,750</u>	<u>7,687,798</u>

14. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>5,828</u>	<u>56,032</u>

GSM LONDON HOLDINGS LIMITED

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

15. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	133,324	105,584
Amounts owed to group undertakings	27,509,392	7,307,796
Other taxation and social security	18,969	12,890
Other creditors	675	-
Accruals and deferred income	78,900	425,811
	<u>27,741,260</u>	<u>7,852,081</u>

16. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>-</u>	<u>7,186,145</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(27,722,291)</u>	<u>(7,839,191)</u>

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

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

17. Provisions

	Severance £
At 1 October 2016	192,757
Utilised in year	(192,757)
At 30 September 2017	<u>-</u>

Provision for severance package for loss of office paid to a former director. This was fully utilised in the year to 30 September 2017.

GSM LONDON HOLDINGS LIMITED

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

18. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
114,900 'A' Ordinary shares of £0.10 each	11,490	11,490
2,536 'B' Ordinary shares of £0.10 each	254	254
9,300 Ordinary shares of £0.10 each	930	930
10,000,000 A1 Ordinary shares of £0.00001 each	100	-
	<u>12,774</u>	<u>12,674</u>

With regard to dividends and other income distributions, 'A' Ordinary, A1 Ordinary and Ordinary shares rank pari passu as though they are one and the same class of share. 'B' Ordinary shares do not carry any right to receive dividends or other income distributions.

With regard to return of assets on liquidation or otherwise, all share classes rank pari passu as if they constituted one class of share.

During the year, the company allotted and issued 10,000,000 A1 Ordinary shares for £0.00001 each at nominal value.

19. Reserves

Share premium account

Includes all amounts paid in excess of the par value of the share capital in issue.

Profit and loss account

Includes all current and prior period retained profits and losses.

20. Contingent liabilities

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

21. Capital commitments

The company had no capital commitments at 30 September 2017 and 30 September 2016.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £852 (2016: £21,713). Contributions totalling £675 (2016: £nil) were payable to the fund at the balance sheet date.

GSM LONDON HOLDINGS LIMITED

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

23. Related party transactions

Sovereign Capital Partners LLP is considered to be a related party by virtue of it being the investment advisor to the ultimate controlling party. Sovereign Capital Partners LLP charged the group fees of 3,865 during the year (2016: £Nil). The total amount due to Sovereign Capital Partners LLP at 30 September 2017 is £Nil (2016: £Nil).

Cranbrook Business Services Limited is considered to be a related party by virtue of shared directorships. Cranbrook Business Services Limited charged the group fees of £83,082 during the year (2016: £Nil). The total amount due at 30 September 2017 is £Nil (2016: £Nil). All amounts are stated gross of VAT as it is not reclaimable by the Group.

Connect Business Management Limited is considered to be a related party by virtue of shared directorships. Connect Business Management Limited charged the group fees of £438,900 during the year (2016: £Nil). The total amount due at 30 September 2017 is £126,000 (2016: £Nil). All amounts are stated gross of VAT as it is not reclaimable by the Group.

Ebbtide Partners Limited is considered to be a related party by virtue of shared directorships. Ebbtide Partners Limited charged the group fees of £45,000 during the year (2016: £Nil). The total amount due at 30 September 2017 is £Nil (2016: £Nil). All amounts are stated gross of VAT as it is not reclaimable by the Group.

24. Controlling party

At 30 September 2017 and 2016, Clipper Group Limited is considered to be the immediate parent undertaking and Sovereign Capital Limited Partnership III is considered to be the ultimate controlling party by virtue of its controlling shareholding in Clipper Group Limited.

The consolidated accounts for both the largest and smallest group of undertakings are prepared by Clipper Group Limited (company number 09094164), who prepares consolidated accounts, which includes GSM London Holdings Limited. The registered office of Clipper Group Limited is GSM London Study Centre, 56 Tabard Street, London SE1 4LG.

25. Post Balance Sheet Events

On the 25th September 2018 Sovereign Capital subscribed to an additional £1.7m of fully paid shares and on the 8 November 2018 a further £12.8m fully paid shares in Clipper Group Ltd which has been used to increase its investment in GSM Holdings Limited by subscribing to £14.5m of fully paid shares. GSM London Holdings Limited then used the funds to increase its investment in GSM London Services Limited by the same amount.