Registered number: 09094164

CLIPPER GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

COMPANY INFORMATION

Directors	A J Blackmore D P K Bogg C M Holmes M K O'Donnell S B Macro
Registered number	09094164
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

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GROUP 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.

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.

Immediately after Panorama aired, a decision was taken by the Group was 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 Group for the year ended 30 September 2017 was £16,019,705 (2016: £8,482,026) and net liabilities at the year end amounted to £25,075,760 (2016: £10,077,779).

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

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

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

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

Activities in the year

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

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

During the year, the Group required and had budgeted for within its business plans and financing, significant support from interim management and legal and professional services to complete the refinancing of the Group and progress the Group turnaround. In total these costs, which were in line with these plans, amounted to £2.3m and are highlighted in the Consolidated Statement of Comprehensive Income.

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

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

Goodwill
The directors have considered the carrying value of the Group's 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 goodwill balance within the Group down to zero. The resulting charge to the profit and loss of £6,327,436 is identified in the Consolidated Statement of Comprehensive Income.

Bank charges
There were certain costs associated with the December 2016 refinancing, which amounted to £1.4m. These are being amortised over the period of the loan. An unamortised fee relating to the previous loan financing arrangement of £0.7m was fully written down in the year.

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. 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.

Interest rate risk

The Group's exposure to interest rate risk arises from bank loans and investor loan notes. As disclosed in note 19, the loans are at a variable interest rate. 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.

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

Credit risk

The Group'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 Group's trade debtors.

During the current financial year the Group 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.

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

S B Macro
Director

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 Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 *Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £16,019,705 *(2016 - loss £8,482,026).*

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

Directors

The directors who served during the year were:

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

Employee involvement

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

Disabled employees

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

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

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

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

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 and the Group'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 and the Group's auditor is aware of that information.

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

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 Macro
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLIPPER GROUP LIMITED

Opinion

We have audited the financial statements of Clipper Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated Balance sheet, the Company Balance sheet, the Consolidated Statement of changes in equity, the Company Statement of changes in equity and the Consolidated Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 2.3 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 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 2.3 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLIPPER GROUP LIMITED (CONTINUED)

As stated in note 2.3, these events or conditions, along with matters set forth in note 2.3 indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLIPPER GROUP 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 Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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.

Grant Thornton UK LLP

Perry Burton (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Senior Statutory Auditor
London Finsbury
Date: 9/11/18.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £	*2016 £*
Turnover	4	**38,083,665**	*38,581,597*
Cost of sales		**(16,129,629)**	*(15,337,000)*
Gross profit		**21,954,036**	*23,244,597*
Administrative expenses		**(24,352,890)**	*(30,636,537)*
Other operating income	5	**183,391**	*159,294*
Student record system write off		**(1,888,016)**	*-*
Reorganisation costs		**(2,298,863)**	*-*
Operating loss	6	**(6,402,342)**	*(7,232,646)*
Amounts written off goodwill		**(6,327,436)**	*-*
Interest receivable and similar income	10	**809**	*455*
Interest payable and expenses	11	**(2,927,965)**	*(1,490,487)*
Loss before taxation		**(15,656,934)**	*(8,722,678)*
Tax on loss	12	**(362,771)**	*240,652*
Loss for the financial year		**(16,019,705)**	*(8,482,026)*
Loss for the year attributable to:			
Non-controlling interests		**-**	*(411,009)*
Owners of the parent Company		**(16,019,705)**	*(8,071,017)*
		(16,019,705)	*(8,482,026)*

All amounts relate to continuing activities.

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

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 20 to 40 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 £		As restated 2016 £
Fixed assets					
Intangible assets	13		**172,350**		*9,141,013*
Tangible assets	14		**3,064,881**		*4,144,681*
			3,237,231		*13,285,694*
Current assets					
Debtors: amounts falling due within one year	16	**8,467,582**		*8,965,905*	
Cash at bank and in hand	17	**2,149,236**		*1,601,259*	
		10,616,818		*10,567,164*	
Creditors: amounts falling due within one year	18	**(10,351,689)**		*(17,092,579)*	
Net current assets/(liabilities)			**265,129**		*(6,525,415)*
Total assets less current liabilities			**3,502,360**		*6,760,279*
Creditors: amounts falling due after more than one year	19		**(26,583,850)**		*(14,635,301)*
Provisions for liabilities					
Deferred taxation	22		**(336,860)**		-
Other provisions	23		**(1,657,410)**		*(2,202,757)*
Net liabilities			**(25,075,760)**		*(10,077,779)*
Capital and reserves					
Called up share capital	24		**132,636**		*10,321*
Share premium account	25		**146,543**		-
Profit and loss account	25		**(25,354,939)**		*(9,197,446)*
Equity attributable to owners of the parent Company			**(25,075,760)**		*(9,187,125)*
Non-controlling interests			**-**		*(890,654)*
			(25,075,760)		*(10,077,779)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
9th November 2018

S B Macro
Director
The notes on pages 20 to 40 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 £		As restated 2016 £
Fixed assets					
Investments	15		-		5,099,313
Cash at bank and in hand	17	100,827		-	
		100,827		-	
Creditors: amounts falling due within one year	18	(8,342,464)		(7,565,221)	
Net current liabilities			(8,241,637)		(7,565,221)
Net liabilities			(8,241,637)		(2,465,908)
Capital and reserves					
Called up share capital	24		132,636		10,321
Share premium account	25		146,543		-
Profit and loss account brought forward		(2,476,229)		(1,974,672)	
Loss for the year		(6,044,587)		(501,557)	
Profit and loss account carried forward			(8,520,816)		(2,476,229)
			(8,241,637)		(2,465,908)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
9th November 2018

S B Macro
Director

The notes on pages 20 to 40 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£
At 1 October 2016 (restated)	10,321	-	(9,197,446)	(9,187,125)	(890,654)	(10,077,779)
Loss for the year	-	-	(16,019,705)	(16,019,705)	-	(16,019,705)
Loss of control over subsidiaries	-	-	(70,113)	(70,113)	-	(70,113)
Total comprehensive income for the year	-	-	(16,089,818)	(16,089,818)	-	(16,089,818)
Shares issued during the year	122,315	146,543	-	268,858	-	268,858
Dilution of non-controlling interests	-	-	-	-	822,979	822,979
Reduction on refinancing	-	-	(67,675)	(67,675)	67,675	-
Total transactions with owners	122,315	146,543	(67,675)	201,183	890,654	1,091,837
At 30 September 2017	132,636	146,543	(25,354,939)	(25,075,760)	-	(25,075,760)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£
At 1 October 2015 (as previously stated)	10,321	(174,789)	(164,468)	(1,431,285)	(1,595,753)
Prior year adjustment	-	(951,640)	(951,640)	951,640	-
At 1 October 2015 (as restated)	10,321	(1,126,429)	(1,116,108)	(479,645)	(1,595,753)
Loss for the year	-	(8,071,017)	(8,071,017)	(411,009)	(8,482,026)
Total comprehensive income for the year	-	(8,071,017)	(8,071,017)	(411,009)	(8,482,026)
At 30 September 2016	10,321	(9,197,446)	(9,187,125)	(890,654)	(10,077,779)

The notes on pages 20 to 40 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2015	10,321	-	(1,974,672)	(1,964,351)
Loss for the year	-	-	(501,557)	(501,557)
At 1 October 2016	10,321	-	(2,476,229)	(2,465,908)
Loss for the year	-	-	(6,044,587)	(6,044,587)
Total comprehensive income for the year	-	-	(6,044,587)	(6,044,587)
Shares issued during the year	122,315	146,543	-	268,858
Total transactions with owners	122,315	146,543	-	268,858
At 30 September 2017	132,636	146,543	(8,520,816)	(8,241,637)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017 £	*2016 £*
Cash flows from operating activities		
Loss for the financial year	**(16,019,705)**	*(8,482,026)*
Adjustments for:		
Amortisation of intangible assets	**3,377,387**	*3,145,054*
Depreciation of tangible assets	**1,386,336**	*2,027,719*
Impairments of intangible assets	**6,327,436**	*-*
Interest paid	**2,927,965**	*1,490,487*
Interest received	**(809)**	*(455)*
Taxation charge	**362,771**	*(240,652)*
(Increase)/decrease in debtors	**(65,071)**	*5,219,829*
(Decrease)/increase in creditors	**(3,014,066)**	*1,064,544*
(Decrease)/increase in provisions	**(205,347)**	*1,670,000*
Corporation tax received/(paid)	**667,446**	*(1,378,118)*
Other movements	**-**	*4,297*
Net cash generated from operating activities	**(4,255,657)**	*4,520,679*
Cash flows from investing activities		
Sale of intangible assets	**86,819**	*-*
Purchase of tangible fixed assets	**(328,536)**	*(1,920,533)*
Sale of tangible fixed assets	**22,000**	*456,553*
Interest received	**809**	*455*
Release of previously controlled companies	**(70,113)**	*-*
Net cash from investing activities	**(289,021)**	*(1,463,525)*

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

	2017 £	*2016* *£*
Cash flows from financing activities		
Issue of ordinary shares	**268,858**	-
Repayment of loans	**(1,798,789)**	*(1,499,793)*
Other new loans	**9,550,551**	-
Repayment of/new finance leases	**-**	*(3,759)*
Interest paid	**(2,927,965)**	*(1,490,487)*
Net cash used in financing activities	**5,092,655**	*(2,994,039)*
Net increase in cash and cash equivalents	**547,977**	*63,115*
Cash and cash equivalents at beginning of year	**1,601,259**	*1,538,144*
Cash and cash equivalents at the end of year	**2,149,236**	*1,601,259*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**2,149,236**	*1,601,259*
	2,149,236	*1,601,259*

The notes on pages 20 to 40 form part of these financial statements.

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

1. General information

The company is a private company, limited by shares and is registered in England and Wales. The company's registered number is 09094164. 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 Group's functional and presentational currency is GBP.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 October 2014.

2. Accounting policies (continued)

2.3 Going concern

Sovereign Capital Limited Partnership III has provided further equity to fully fund the Group's 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.

2.4 Turnover

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

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated profit and loss account on a straight line basis over the lease term.

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

2.6 Interest income

Interest income is recognised in the Consolidated profit and loss account using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Consolidated profit and loss account 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. Accounting policies (continued)

2.8 Borrowing costs

All borrowing costs are recognised in the Consolidated profit and loss account in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated profit and loss account 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 Group in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated profit and loss account, 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 and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2. Accounting policies (continued)

2.11 Prior year adjustment

A prior year adjustment has been processed in relation to an error in the calculation of non-controlling interests. The adjustment has been processed within reserves, between the profit and loss account and non-controlling interests. The impact of this is that the non-controlling interests shown within reserves have been reduced and the profit and loss account attributable to the owners of the Group has been increased.

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated profit and loss account over its useful economic life.

Other intangible assets

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

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

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Short-term leasehold property	- over the remaining lease term
Fixtures and fittings	- 4 years
Computer equipment	- 3-4 years
Other fixed assets	- 3-4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated profit and loss account.

2. Accounting policies (continued)

2.14 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.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 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.

2.17 Cash and cash equivalents

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

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

2.18 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.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated profit and loss account in the year that the Group 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. Accounting policies (continued)

2.20 Financial instruments

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

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

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

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 Group would receive for the asset if it were to be sold at the balance sheet date.

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

Significant judgements and estimates relate to:

- Bad debt provision – judgement is applied to when a student's debt is unlikely to be recovered. Debt that is considered to be at doubt of recovery is provided for. When management deem that the debt will not be repaid, the debt is written off.
- Depreciation – judgement is applied to setting useful economic lives (see note 2.6).
- Intercompany loans – judgement is applied to determine the suitable market rate at which interest is charged.
- VAT - the commercial provider of education sector may be impacted by the SAE Education Limited v HMRC case. The board keep this case under regular review and it's disclosed in the accounts as a contingent liability.
- Deferred tax assets - judgement is applied in assessing whether deferred tax assets are recognised. The board consider that given the losses of the Group and current net liabilites position, it is prudent to not recognise these deferred tax assets at the year end.

4. Turnover

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

Analysis of turnover by country of destination:

	2017 £	*2016 £*
United Kingdom	**38,083,665**	*38,581,597*

5. Other operating income

	2017 £	*2016 £*
Other operating income	**183,391**	*159,294*

6. Operating loss

The operating loss is stated after charging:

	2017 £	*2016 £*
Depreciation of tangible fixed assets	**1,386,336**	*2,027,719*
Amortisation of intangible assets, including goodwill	**3,377,387**	*3,145,054*
Impairment of intangible assets	**6,327,436**	*-*
Other operating lease rentals	**2,078,162**	*2,261,307*
Defined contribution pension cost	**147,643**	*140,302*

7. Auditor's remuneration

	2017 £	*2016 £*
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**98,000**	*56,000*
Fees payable to the Group's auditor for:		
Taxation compliance services	**39,500**	*46,250*
Other services relating to taxation	**152,870**	*-*
	192,370	*46,250*

8. Employees

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

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Wages and salaries	**14,168,544**	*12,762,197*	-	-
Social security costs	**1,421,626**	*1,274,594*	-	-
Cost of defined contribution scheme	**147,643**	*140,302*	-	-
	15,737,813	*14,177,093*	-	-

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

	2017 No.	*2016 No.*
Administrative staff	**239**	*246*
Academic delivery staff	**174**	*146*
	413	*392*

9. Directors' remuneration

	2017 £	*2016 £*
Directors' emoluments	**184,550**	*597,437*
Directors pension costs	**852**	-
	185,402	*597,437*

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

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

10. Interest receivable

	2017 £	*2016 £*
Other interest receivable	**809**	*455*

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	1,841,644	1,143,396
Bank arrangement fees	1,086,321	347,091
	2,927,965	1,490,487

12. Taxation

	2017 £	2016 £
Corporation tax		
Adjustments in respect of previous periods	(218,541)	(208,241)
Deferred tax		
Origination and reversal of timing differences	425,786	(64,217)
Changes to tax rates	-	31,806
Adjustments in respect of previous periods	155,526	-
Total deferred tax	581,312	(32,411)
Taxation on profit/(loss) on ordinary activities	362,771	(240,652)

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2017 £	*2016 £*
Loss on ordinary activities before tax	**(15,656,934)**	*(8,722,678)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	**(3,053,102)**	*(1,744,534)*
Effects of:		
Expenses not deductible for tax purposes	**1,930,132**	*1,093,447*
Capital allowances for year in excess of depreciation	**34,030**	*85,175*
Adjustments to tax charge in respect of prior periods - current tax	**(218,541)**	*(208,241)*
Adjustments to tax charge in respect of prior periods - deferred tax	**155,526**	*-*
Non-taxable income	**-**	*(366,295)*
Losses carried back	**-**	*164,192*
Adjust closing deferred tax to average rate	**241,654**	*153,245*
Deferred tax not recognised	**1,375,186**	*582,359*
Adjust opening deferred tax to average rate	**(102,114)**	*-*
Total tax charge for the year	**362,771**	*(240,652)*

At the year end, the Group had unrecognised deferred tax assets of £1,981,008 (2016: £410,024).

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.

13. Intangible assets

Group

	Software (as restated) £	Goodwill £	Total £
Cost			
At 1 October 2016	1,204,153	15,725,266	16,929,419
Additions	-	822,979	822,979
Disposals	(87,646)	-	(87,646)
At 30 September 2017	1,116,507	16,548,245	17,664,752
Amortisation			
At 1 October 2016	712,036	7,076,370	7,788,406
Charge for the year	232,948	3,144,439	3,377,387
On disposals	(827)	-	(827)
Impairment charge	-	6,327,436	6,327,436
At 30 September 2017	944,157	16,548,245	17,492,402
Net book value			
At 30 September 2017	172,350	-	172,350
At 30 September 2016	*492,117*	*8,648,896*	*9,141,013*

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

14. Tangible fixed assets

Group

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment (as restated) £	Total £
Cost or valuation				
At 1 October 2016	5,760,061	1,922,625	3,701,128	11,383,814
Additions	-	281,842	46,694	328,536
Disposals	(22,000)	(351,937)	(604,919)	(978,856)
At 30 September 2017	5,738,061	1,852,530	3,142,903	10,733,494
Depreciation				
At 1 October 2016	3,146,972	1,395,687	2,696,474	7,239,133
Charge for the year on owned assets	623,191	223,512	539,633	1,386,336
Disposals	-	(351,937)	(604;919)	(956,856)
At 30 September 2017	3,770,163	1,267,262	2,631,188	7,668,613
Net book value				
At 30 September 2017	1,967,898	585,268	511,715	3,064,881
At 30 September 2016	*2,613,089*	*526,938*	*1,004,654*	*4,144,681*

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

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
GSM London Holdings Limited	Ordinary	99.9 %	Group development
GSM London Services Limited	Ordinary	100 %	Provision of finance to group companies
GSM London Limited	Ordinary	100 %	Provision of higher education
Greenford Facilities Limited	Ordinary	100 %	Provision of facilities to group companies

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 Holdings Limited	(27,732,682)	(27,860,207)
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)

* investment held via GSM London Holdings Limited
** investment held via GSM London Services Limited

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 October 2016	5,099,313
Additions	100
Amounts written off	(5,099,413)
At 30 September 2017	-
Net book value	
At 30 September 2017	-
At 30 September 2016	*5,099,313*

16. Debtors

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Trade debtors	5,436,201	*5,987,326*	-	-
Other debtors	730,468	*6,034*	-	-
Prepayments and accrued income	1,861,589	*1,969,827*	-	-
Tax recoverable	439,324	*758,266*	-	-
Deferred taxation	-	*244,452*	-	-
	8,467,582	*8,965,905*	-	-

17. Cash and cash equivalents

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Cash at bank and in hand	2,149,236	*1,601,259*	100,827	-

18. Creditors: Amounts falling due within one year

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Revolving Credit Facility	1,553,213	-	-	-
Bank loans	-	5,750,000	-	-
Trade creditors	3,459,512	2,048,959	-	-
Amounts owed to group undertakings	-	-	8,342,464	7,445,221
Amounts owed to other participating interests	100,799	-	-	-
Corporation tax	129,963	-	-	-
Other taxation and social security	598,065	550,091	-	20,000
Other creditors	111,502	3,125,015	-	-
Accruals and deferred income	4,398,635	5,618,514	-	100,000
	10,351,689	17,092,579	8,342,464	7,565,221

19. Creditors: Amounts falling due after more than one year

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Bank loans	18,586,512	14,635,301	-	-
Other loans	7,997,338	-	-	-
	26,583,850	14,635,301	-	-

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

20. Loans

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Revolving credit facility	1,553,213	-	-	-
Bank loans falling due within one year	-	*5,750,000*	-	-
Bank loans falling due 1-2 years	18,586,512	*1,750,000*	-	-
Bank loans falling due 2-5 years	-	*12,885,301*	-	-
Other loans	7,997,338	-	-	-
	28,137,063	*20,385,301*	-	-

At 30 September 2017 and 2016, loans consist of a bank loan, which is secured against the assets of the group, and loan notes, which are secured by a fixed and floating charge held by over the assets of the group of companies headed by Clipper Group Limited.

The bank loan includes capitalised debt issue costs of £954,618 (2016: £677,456), £1,086,321 (2016: £249,950) being charged to the statement of income and retained earnings in the year.

Bank Loan – 20 June 2015
On 20 June 2015, the Group obtained a bank loan for £25,000,000 which includes a £4,000,000 revolving credit facility of which £4,000,000 has been drawn down at 30 September 2016. The bank loan bears interest at LIBOR plus 4.5% and the revolving credit facility bears interest at LIBOR plus 4.25%. The bank loan is repayable in sixteen quarterly instalments of £437,500 each followed by four quarterly instalments of £875,000 each and two final payments of £5,250,000 on 31 December 2019 and 20 June 2020 respectively. The revolving facility is repayable on a one month revolving notice period. This loan was fully repaid on 21 December 2016 and the outstanding balance at 30 September 2017 was £nil (2016: £21,062,500).

Bank Loan - 21 December 2016
On 21 December 2016, the Group obtained a bank loan for £17,062,500 and a £4,000,000 revolving credit facility, of which £1,500,000 has been drawn down at 30 September 2017. The bank loan bears interest at LIBOR plus 8.0% for the period between 21 December 2016 and 30 September 2018 and then LIBOR plus 6.5% thereafter. For the period from 21 December until 30 September 2018 no interest will be paid but will be compounded quarterly and rolled into the existing debt. Payment of interest will commence on the adjusted debt balances in the quarter ending 31 December 2018 and quarterly thereafter. The revolving credit facility bears interest at LIBOR plus 4.0%. The undrawn balance incurs a non-utilisation fee of half of the interest rate equivalent to LIBOR plus 4%. The bank loan is repayable in seven quarterly instalments of £350,000 each starting 31 December 2019, followed by one final payment of £14,612,500 on 30 September 2021. The revolving facility is repayable on a one month revolving notice period. The outstanding balance at 30 September 2017 was £19,730,603 (2016: £nil).

20. Loans (continued)

List of Securities held in which GSM London Services Limited participates as at 30 September 2017

Description of security	**Date of Security**
Omnibus Guarantee & Set Off Agreement	01/04/2011
Debenture	01/04/2011

Loan notes

During the year, the company issued loan notes amounting to £7,500,000. The loan notes bear interest at LIBOR plus 8.0% for the period between 21 December 2016 and 30 September 2018 and then LIBOR plus 6.5% thereafter. The loan notes are due for repayment in full, plus accrued interest, on 30 September 2021. The outstanding balance at 30 September 2017 was £7,997,358 (2016: £nil).

21. Financial instruments

	Group 2017 £	*Group 2016 £*	**Company 2017 £**	*Company 2016 £*
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**6,166,669**	*5,993,360*	**-**	*-*
Financial liabilities				
Financial liabilities measured at amortised cost	**(36,207,511)**	*(31,177,789)*	**(8,342,464)**	*(7,545,221)*

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

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts due to participating interests, accruals and deferred income, and bank and other loans.

22. Deferred taxation

Group

	2017 £	*2016 £*
At beginning of year	**244,452**	*212,039*
Credit to the profit and loss account	**(581,312)**	*32,413*
At end of year	**(336,860)**	*244,452*

22. Deferred taxation (continued)

At end of year

The deferred taxation balance is made up as follows:

	Group 2017 £	*Group 2016 £*
Accelerated capital allowances	**(199,090)**	*244,452*
Short term timing differences	**(137,770)**	-
	(336,860)	*244,452*

23. Provisions

Group

	Building maint-enance £	**Reorgan-isation provision £**	**Dilapi-dations £**	**Severance £**	**Total £**
At 1 October 2016	**1,670,000**	-	**340,000**	**192,757**	**2,202,757**
Charged to profit or loss	-	**67,000**	-	-	**67,000**
Utilised in year	**(419,590)**	-	-	**(192,757)**	**(612,347)**
At 30 September 2017	**1,250,410**	**67,000**	**340,000**	-	**1,657,410**

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

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

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

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

24. Share capital

	2017	*2016*
	£	*£*
Allotted, called up and fully paid		
10,202 *(2016 - 11,576)* Ordinary shares of £0.10 each	**1,020**	*1,158*
93,008 *(2016 - 85,014)* 'A' Ordinary shares of £0.10 each	**9,301**	*8,501*
3,310 'C' Ordinary shares of £0.20 each	**-**	*662*
1,214,570 'D' Ordinary shares of £0.10 each	**121,457**	-
8,500,000 'A1' Ordinary shares of £0.0001 each	**850**	-
75,000 'E' Ordinary shares of £0.0001 each	**8**	-
	132,636	*10,321*

Ordinary Shares, A ordinary Shares and A1 Ordinary Shares are entitled to one vote, entitled to dividend payments and return of assets on liquidation and a reduction in capital after payment of E ordinary holders.

D Ordinary shares are entitled to one vote on a show of hands and on a poll or written resolution, each holder of D Ordinary shares shall be entitled to 5% of the vote provided that the number of votes attributable to the D Ordinary Shares as a class shall not exceed 20% of the total votes being cast. Holders are entitled to dividend payments and return of assets on liquidation and a reduction in capital after payment of E ordinary holders.

E Ordinary Shares hold no voting rights but are entitled to dividend payments. They hold preferential rights to receive payment on reduction of capital and a return of assets on liquidation.

During the year, the company transferred 3,310 'C' ordinary shares £0.20 to 6,620 'A' ordinary A shares of £0.10 each.

During the year, the following shares were allotted and issued:
- 1,214,570 D ordinary shares of £0.10 each for £268,000.
- 8,500,000 A1 ordinary shares of £0.0001 each for £850.
- 75,000 E ordinary shares of £0.0001 each for £8.

25. Reserves

Share premium account

Includes amounts paid in excess of nominal values of share capital

Profit and loss account

Includes all current and prior period retained profits and losses.

26. Contingent liabilities

A fixed and floating charge exists over the group's assets in connection with the borrowings of the group.

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

27. Pension commitments

The Group participates in a defined contribution pension scheme for the benefit of all enrolled UK employees. The pension cost for the year represents contributions due by the company to the scheme in respect of the financial year and amounted to £147,643 (2016: £140,302).

28. Commitments under operating leases

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

	Group 2017 £	*Group 2016 £*
Land and buildings		
Not later than 1 year	**2,604,609**	*2,221,707*
Later than 1 year and not later than 5 years	**9,147,803**	*8,068,530*
Later than 5 years	**338,164**	*2,016,471*
	12,090,576	*12,306,708*

	Group 2017 £	*Group 2016 £*
Other commitments		
Not later than 1 year	**111,841**	-
Later than 1 year and not later than 5 years	**287,298**	-
	399,139	-

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29. Related party transactions

Sovereign Capital Limited Partnership III is considered to be the ultimate controlling party of the Group. During the year, GSM London Services Limited issued loan notes of £7.5m to Sovereign Capital Limited Partnership III, on which interest of £497,338 was charged (2016: £Nil). The total amount due to Sovereign Capital Limited Partnership III at 30 September 2017 is £7,997,338 (2016: £Nil).

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 £22,934 during the year (2016: £81,142). The total amount due to Sovereign Capital Partners LLP at 30 September 2017 is £Nil (2016: £59,039).

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.

Sovereign Capital also receive a fee for Guaranteeing half of the Revolving Credit Facility (RCF). The fee being an amount equal to the interest and non-utilisation fees as set out in the Loans note on page 35. The fee for the period ended 30th September 2017 is £66,568 (2016: £Nil). The outstanding balance at 30 September 2017 was £47,499 (2016: £Nil).

30. Controlling party

Sovereign Capital Limited Partnership III is considered to be the ultimate controlling party by virtue of its controlling shareholding in Clipper Group Limited. The largest and smallest group in which the results of the group are consolidated is that headed by Clipper Group Limited.

31. Post Balance Sheet Events

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

On the 8 November 2018 holders of debt with GSM London Services Limited waived £29.7m of long term loans and deferred fees (balance at 30 September 2017 £26.6m).