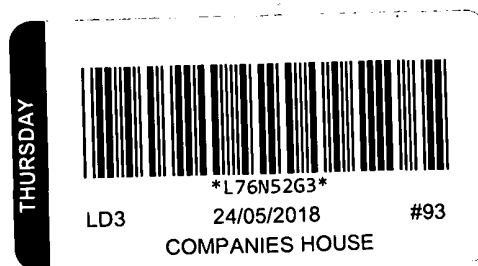


Company Registration No.09446245 (England and Wales)

BIMM 1 LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017



BIMM 1 LIMITED

COMPANY INFORMATION

Directors

A P Carswell
D Jones-Owen
D P K Bogg
A R Wadsworth
D J Myers (resigned 2nd October 2017)

Secretary

A P Carswell

Company number

09446245

Registered office

38-42 Brunswick Street West
Hove
Brighton
East Sussex
BN3 1EL

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Bankers

National Westminster Bank Plc
Brighton, Castle Square Branch
8-11 Pavilion Buildings
Castle Square
Brighton
BN1 1DP

BIMM 1 LIMITED

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BIMM 1 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The Directors present their strategic report and financial statements for the year ended 31 August 2017.

Review of the business

The Directors of the business are satisfied with the results for the year.

All of the group's colleges have continued to deliver a strong financial and academic performance, which has enabled the group to explore additional investment to continue to support the growth of the business and change the capital structure, returning some capital to shareholders in the process, including the repayment of loan notes. The group incurred a number of costs supporting this process, which are shown as exceptional items in the profit and loss account for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The majority of the group's revenue is secured at the start of the year by virtue of an annual recruitment process which ensures the vast majority of students have contracts in place by 1 September. In addition, the group has a number of contracts in place with university and college funding partners with these contracts generally being for a 3 to 5 year period.

The principal risk in the business is student achievement and retention rates. In the event that these were to fall significantly, this could result in a decline in student numbers and the potential loss of funding contracts with university and college partners. This risk is managed by placing educational quality at the heart of the group's activities.

The retention and achievement rates are strong in each college and are measured on a regular basis and reviewed by both the college principals and the directors. This process is also supported by a Quality and Student Support Team, who also review the information and follow up and resolve issues as they occur.

During 2017 further investment has been made in our Academic Development and Quality Assurance team ensuring that this is the key focus of the group's activities.

FINANCIAL RISK

The group's principal financial instruments comprise bank balances and loans, trade debtors and trade creditors. The purpose of these instruments is to raise funds to finance the group's operations. As a result the main risks the group is exposed to are credit risk and liquidity risk. The term loans are attached to net leverage and debt-service cover covenants, these loan facilities were restated as part of a refinancing on 7 November 2016.

In the region of 85% of revenue is derived from students who avail of a student loan. Loans are paid by the Student Loan Company directly to BIMM during the course of the academic year. The Board consider there to be sufficient access to working capital facilities to manage the cycle with appropriate levels of headroom. Students who pay privately are required to do so in advance of the start of the Academic year.

Approved by the Board



D Jones-Owen
Director

23 May 2018

BIMM 1 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their report and financial statements for the year ended 31 August 2017.

Principal activities

BIMM 1 Limited continued to be a holding company within the group.

Business review

On 7 November 2016 100% of the equity of BIMM 1 Limited was purchased by BIMM Topco Limited and thus BIMM Topco Limited became the ultimate parent company of the group. The majority shareholder of BIMM Topco Limited became Sovereign Capital Limited Partnership IV. The managing partner, Sovereign Capital Partners LLP, remains the same.

Directors

The following directors have held office since 1 September 2016:

A P Carswell

D Jones-Owen

D P K Bogg

A R Wadsworth

D J Myers (resigned 2nd October 2017)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

BIMM 1 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Statement of disclosure to auditors

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

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

Qualifying 3rd party indemnity provisions

The company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of Companies Act 2006.

Auditors

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

On behalf of the board



D Jones-Owen
Director

23 May 2018

BIMM 1 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BIMM 1 LIMITED

We have audited the financial statements of BIMM 1 Limited for the year ended 31 August 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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 31 August 2017 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Conclusions relating to going concern

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

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

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 period 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 under 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.

BIMM 1 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BIMM 1 LIMITED (CONTINUED)

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 company, 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.

Responsibilities of directors for the financial statements

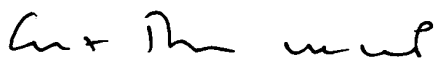
As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary 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



Nicholas Page

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 23/5/12

BIMM 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2017

| | | 2017 £ | 2016 £ |
|--|-------|-------------|-------------|
| | Notes | | |
| Administrative expenses | | (922,607) | (1,497,376) |
| Loss on ordinary activities before interest | | (922,607) | (1,497,376) |
| Interest payable and similar charges | 4 | (6,758,744) | (3,230,435) |
| Loss on ordinary activities before taxation | | (7,681,351) | (4,727,811) |
| Tax on loss | 6 | - | - |
| Loss for the year | | (7,681,351) | (4,727,811) |
| Total comprehensive loss for the year | | (7,681,351) | (4,727,811) |

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 comprehensive income.

The notes on pages 9 to 17 form part of these financial statements.

BIMM 1 LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 AUGUST 2017**

| | Notes | £ | 2017 £ | £ | 2016 £ |
|--|-------|---------------------|---------------------|---------------------|---------------------|
| Fixed assets | | | | | |
| Investments | 7 | | 46,876,362 | | 46,876,362 |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 9 | 33,925,105 | | 26,730,316 | |
| Cash at bank and in hand | 10 | 1,803,931 | | 274,258 | |
| | | <u>35,729,036</u> | | <u>27,004,574</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(14,492,973)</u> | | <u>(10,961,945)</u> | |
| Net current assets | | | 21,236,063 | | 16,042,629 |
| Creditors: amounts falling due after more than one year | 12 | | <u>(54,300,000)</u> | | <u>(42,000,000)</u> |
| Total assets less current assets | | | <u>13,812,425</u> | | <u>20,918,991</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 13,281 | | 13,281 |
| Share premium account | | | 27,407,647 | | 27,407,647 |
| Merger relief reserve | | | 87,118 | | 87,118 |
| Share based payment reserve | | | 574,785 | | - |
| Profit and loss account | | | <u>(14,270,406)</u> | | <u>(6,589,055)</u> |
| Shareholders' funds | | | <u>13,812,425</u> | | <u>20,918,991</u> |

The notes on pages 9 to 17 form part of these financial statements.

Approved by the Board and authorised for issue on **23** May 2018.



D Jones-Owen
Director

Company Registration No. 09446245

BIMM 1 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2017

| | Share capital | Share premium | Merger relief reserve | Share based payment reserve | Retained earnings | Total equity |
|---|---------------|-------------------|-----------------------|-----------------------------|---------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 st September 2016 | 13,281 | 27,407,647 | 87,118 | - | (6,589,055) | 20,918,991 |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (7,681,351) | (7,681,351) |
| Total comprehensive loss for the year | - | - | - | - | (7,681,351) | (7,681,351) |
| Contributions by and distributions to owners | | | | | | |
| Share based payments | - | - | - | 574,785 | - | 574,785 |
| Total Transactions with owners | - | - | - | 574,785 | - | 574,785 |
| Balance at 31st August 2017 | 13,281 | 27,407,647 | 87,118 | 574,785 | (14,270,406) | 13,812,425 |

| | Share capital | Share premium | Merger relief reserve | Share based payment reserve | Retained earnings | Total equity |
|---|---------------|-------------------|-----------------------|-----------------------------|--------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 st September 2015 | 13,149 | 27,307,748 | 87,118 | - | (1,861,244) | 25,546,771 |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (4,727,811) | (4,727,811) |
| Total comprehensive loss for the year | - | - | - | - | (4,727,811) | (4,727,811) |
| Contributions by and distributions to owners | | | | | | |
| Dividends: Equity capital | 132 | 99,899 | - | - | - | 100,031 |
| Total Transactions with owners | 132 | 99,899 | - | - | - | 100,031 |
| Balance at 31st August 2016 | 13,281 | 27,407,647 | 87,118 | - | (6,589,055) | 20,918,991 |

The notes on pages 9 to 17 form part of these financial statements.

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

1.1 Basis of preparation of financial statements

BIMM 1 Limited is a private company incorporated in England and Wales and is limited by shares. The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 judgement in applying the Company's accounting policies (see note 2).

The company is itself a subsidiary company (see Note 14) and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The individual accounts of BIMM 1 Limited have also adopted the following disclosure exemptions:

-the requirement to present a statement of cash flows and related notes

-financial instrument disclosures, including:

- categories of financial instruments
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risk

The following principal accounting policies have been applied:

1.2 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Income Statement, except that a change attributable to an item of income and expense recognized as other comprehensive income or to an item recognized directly in equity is also recognized in other comprehensive income or directly in equity respectively.

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

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1.3 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.

1.4 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.

1.5 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.

1.6 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 Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

1.7 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.8 Share-based payments

Equity-settled transactions

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied.

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1.8 Share-based payments continued

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

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

In preparing these financial statements, management have made a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates. The key areas of estimation uncertainty in the preparation of these accounts are as follows:

Share-based payments

The grant date fair value of share-based awards is calculated using a Black-Scholes model. The value represents the uplift in the payoff to the shareholders upon a future exit event. Estimation uncertainty exists at grant date in respect of the timing of the potential exit and the volatility of the share price over the forecast period. As such the directors have prepared a number of scenarios with various inputs for the vesting period and the volatility, and applied a probability weighting to each scenario which also involves significant judgement.

Loans and receivables

Management assess the recoverability of loans, trade debtors and other receivable balances and record a provision to the extent that the balances are not considered recoverable.

Investments

Investments are accounted for at cost less impairment.

Exceptional items

Exceptional items are those that in the judgement of the directors, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

| 3 | Operating profit | 2017 £ | 2016 £ |
|---|------------------|-----------|-----------|
|---|------------------|-----------|-----------|

| | | |
|---------------------------------------|--------|---|
| Non-audit fees payable to the auditor | 19,391 | - |
|---------------------------------------|--------|---|

All audit costs are borne by BIMM Topco Limited.

| 4 | Interest Payable | 2017 £ | 2016 £ |
|---|------------------|-----------|-----------|
|---|------------------|-----------|-----------|

| | | |
|---|------------------|------------------|
| On loans repayable in five to seven years | 3,938,031 | 3,186,873 |
| Accelerated charge on debt modification | 2,635,859 | - |
| Other banking charges | 184,854 | 43,562 |
| | <u>6,758,744</u> | <u>3,230,435</u> |

| 5 | Directors and employees | 2017 £ | 2016 £ |
|---|--|----------------|----------------|
| | <i>Staff costs for the year were as follows:</i> | | |
| | Wages and salaries | 156,458 | 750,061 |
| | Social security costs | 21,649 | 89,518 |
| | Other pension costs | 4,273 | 24,230 |
| | | <u>182,380</u> | <u>863,809</u> |

Employment costs

| | | |
|---|----------------|----------------|
| <i>The average number of employees (including directors) during the year was:</i> | 2017 Number | 2016 Number |
| Management | - | 1 |
| Directors | 1 | 5 |
| Non-executive directors | - | 2 |
| | <u>1</u> | <u>8</u> |

| | |
|-----------|-----------|
| 2017 £ | 2016 £ |
|-----------|-----------|

Directors remuneration

Remuneration disclosed in the above include the following amounts paid to the highest paid director:

| | | |
|---|---------------|----------------|
| Remuneration for qualifying services | 44,315 | 173,507 |
| Company pension contributions to defined contribution schemes | 2,412 | 12,756 |
| | <u>46,727</u> | <u>186,263</u> |

Payroll costs were accrued in BIMM 1 Limited until the 7 November 2016 when the company was acquired by BIMM Topco Limited, after which these costs have been borne by the ultimate parent company.

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

| 6 Taxation | 2017 | 2016 |
|--|--------------------|--------------------|
| | £ | £ |
| <i>The tax charge is based on the loss for the year and represents:</i> | - | - |
| U.K. corporation tax | - | - |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| Taxation on profit on ordinary activities | - | - |
| (Loss) on ordinary activities before taxation | <u>(7,681,351)</u> | <u>(4,727,811)</u> |
| Profit on ordinary activities before taxation multiplied by standard UK corporation tax rate of 19.58% (2016: 20%) | <u>(1,504,008)</u> | <u>(945,562)</u> |
| Effects of: | | |
| Group relief surrendered/(claimed) | 1,225,087 | 921,041 |
| Deferred tax not recognised | - | 22,069 |
| Adjustment of closing deferred tax to average rate | - | 2,452 |
| Expenses not taxable for tax purposes | <u>278,921</u> | - |
| | <u>1,504,008</u> | <u>945,562</u> |
| Current tax charge for the year | <u>-</u> | <u>-</u> |

7 Fixed asset investments

| | Shares in subsidiary undertakings |
|---|-----------------------------------|
| | 2017 |
| Cost or valuation | £ |
| At 1 September 2016 and at 1 September 2017 | 46,876,362 |
| Additions in the year | - |
| At 31 August 2017 | <u>46,876,362</u> |

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

8 Investments

In 2017 the company had investments in the following subsidiaries:

| Subsidiaries | | Proporti on held (%) | Country of incorpora tion | Type of shares held |
|---------------------------------|----------------------------------|----------------------------|------------------------------------|---------------------------|
| BIMM Group Limited | Music education | 100% | UK | Ordinary |
| BIMM Holdings Limited | Holding company | 100% | UK | Ordinary |
| Tech Music Schools Limited | Music education | 100% | UK | Ordinary |
| BIMM Limited | Music education | 100% | UK | Ordinary |
| Rock Place Management Limited | Music education | 100% | UK | Ordinary |
| No. 7 Limited | Property management & publishing | 100% | UK | Ordinary |
| Kings Square Management Limited | Music education | 100% | UK | Ordinary |
| South Coast Sounds Limited | Record label | 100% | UK | Ordinary |
| BIMM Dublin Limited | Music education | 100% | UK | Ordinary |
| BRICTT Limited | Performing arts education | 75% | UK | Ordinary |
| BIMM Education Limited | Dormant | 100% | UK | Ordinary |

BIMM Group Limited is a direct holding; the other subsidiaries are indirect holdings.

The aggregate amount of capital reserves and the results of these undertakings for the last relevant financial year were as follows:

| Company | Principal activity | Capital reserves 2017 | Profit/(loss) for the year 2017 |
|---------------------------------|--|--------------------------|------------------------------------|
| BIMM Group Limited | Provision of music education | (13,128,579) | (4,953,484) |
| BIMM Holdings Limited | Holding company | 19,527,066 | (39,957) |
| Tech Music Schools Limited | Provision of music education | 21,641,501 | (711,035) |
| BIMM Limited | Provision of music education | (32,090,817) | 4,236,838 |
| Rock Place Management Limited | Provision of music education | 34,304,069 | 1,167,213 |
| No. 7 Limited | Property management and publishing | 14,365,641 | 3,229,848 |
| Kings Square Management Limited | Provision of music education | 7,518,005 | 276,749 |
| South Coast Sounds Limited | Record label | 45,258 | - |
| BIMM Dublin Limited | Provision of music education | 2,992,445 | 1,239,299 |
| BRICTT Limited | Provision of performing arts education | (449,134) | (449,234) |
| BIMM Education Limited | Dormant | 1 | - |

9 Debtors

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | £ | £ |
| Amounts owed by subsidiary undertakings | 33,356,508 | 23,645,810 |
| Prepayments and accrued income | 568,575 | 2,984,463 |
| Other debtors | 22 | 100,043 |
| | <u>33,925,105</u> | <u>26,730,316</u> |

Amounts owed by subsidiary undertakings are unsecured, non-interest bearing, have no fixed date of

BIMM 1 LIMITED

repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

| 10 Cash and cash equivalent | 2017 | 2016 |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Cash at bank and in hand | 1,803,931 | 274,258 |

| 11 Creditors: amounts falling due within one year | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 8,432 | - |
| Other creditors | 33 | 634 |
| Amounts owed to subsidiary undertakings | 14,170,160 | 10,180,315 |
| Accruals and deferred income | 314,348 | 780,996 |
| | <u>14,492,973</u> | <u>10,961,945</u> |

Amounts owed to subsidiary undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

| 12 Non-current liabilities | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| Interest bearing loans | 54,300,000 | 42,000,000 |
| | <u>54,300,000</u> | <u>42,000,000</u> |
| Loans repayable and included within liabilities are analysed as follows: | | |
| Wholly repayable within 1 year | - | - |
| Wholly repayable within 1-5 years | 1,265,000 | - |
| Wholly repayable after 5 years | 53,035,000 | 42,000,000 |
| | <u>54,300,000</u> | <u>42,000,000</u> |

| | | |
|--|-------------------|-------------------|
| 3 – 7.25% above LIBOR secured bank loans repayable 2023 (2016: 2022) | 54,300,000 | 42,000,000 |
| | <u>54,300,000</u> | <u>42,000,000</u> |

On 7 November 2016, BIMM 1 Ltd increased its term loan banking facilities to fund growth and capital expenditure plans.

| 13 Share capital | | 2017 | 2016 |
|--|------------|---------------|---------------|
| Authorised, allotted and fully paid: | | | |
| | No. | £ | £ |
| Preferred Ordinary shares of 0.001p each | 27,308,020 | 273 | 273 |
| A Ordinary shares of 0.1p each | 869,981 | 870 | 870 |
| B Ordinary shares of 10 p each | 119,664 | 11,966 | 11966 |
| C Ordinary shares of 0.1 p each | 61,300 | 61 | 61 |
| D Ordinary shares of 0.1 p each | 200 | - | - |
| E Ordinary shares of 0.1 p each | 10,005 | 10 | 10 |
| F Ordinary shares of 0.1 p each | 100,000 | 100 | 100 |
| Deferred share of £1 each | 1 | 1 | 1 |
| | | <u>13,281</u> | <u>13,281</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

14 Share based payments

The expense recognised for share based payments during the year is shown in the follow table:

| | 2017 | 2016 |
|-----------------------------------|----------------|----------|
| | £ | £ |
| Sweet equity issued to management | 574,785 | - |
| | <u>574,785</u> | <u>-</u> |

As part of the group reorganization effected during 2015 management acquired an interest in the group whereby they would be entitled to receive any proceeds in excess of a certain business valuation, upon a sale of the group. These shares vested 20% per annum and vesting was triggered immediately upon an exit event. This excess value represents a share-based payment under IFRS 102 Chapter 26 as management were required to remain in continued employment in order to receive the vested shares.

Management prepared a valuation of the awards and concluded that these were immaterial to the prior years' results. As a result of the transfer of ownership of BIMM 1 Limited from Sovereign Capital Fund II Partnership to Sovereign Capital Fund IV Partnership in November 2016, the awards vested in full. As such the charge relating to these awards has been accelerated and recognized in full in the income statement for the current year.

Share base payment assumptions

The following inputs were applied when using the Black Scholls pricing model to determine the fair value of options granted

| | 2017 | 2016 |
|---------------------------------|-------|-------|
| Expected volatility | 50% | 50% |
| Expected life (months) | 30 | 42 |
| Risk free rate | 0.25% | 0.25% |
| Share price at calculation date | £270 | £270 |

Details of the awards granted are as follows:

| | Number |
|------------------------------------|--------|
| Issued in March 2015 | 5,000 |
| Outstanding at 1 Sept 2016 | 5,000 |
| Vested and exercised on 7 Nov 2016 | 5,000 |
| Outstanding at 31 Aug 2017 | Nil |

BIMM 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

15 Parent undertaking and ultimate controlling party

On 7 November 2016 100% of the equity of BIMM 1 Limited was purchased by BIMM Topco Limited and thus BIMM Topco Limited became the ultimate parent company of the group. The majority shareholder of BIMM Topco Limited became Sovereign Capital Limited Partnership IV. The managing partner, Sovereign Capital Partners LLP, remains the same. Copies of the Group accounts are prepared by the ultimate parent company and can be obtained from the Company Secretary at 38-42 Brunswick Street West, Hove, BN3 1EL.

16 Related party transactions

The Company has taken advantage of the exemptions in FRS 102 and has not disclosed transactions with wholly owned Group undertakings.

17 Capital Commitments

The company has no outstanding capital commitments at 31st August 2017.