Registered number: 02673518

BABINGTON BUSINESS COLLEGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

COMPANY INFORMATION

Directors	D Marsh A R Fantham
Registered number	02673518
Registered office	4th Floor Colmore Gate 2-6 Colmore Row Birmingham B3 2QD
Independent auditors	Smith Cooper Audit Limited Chartered Accountants & Statutory Auditors St Helen's House King Street Derby DE1 3EE

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2020

Business review

The Company has delivered another strong year with turnover increasing to £20.1m from £19.4m in 2019.

The Apprenticeship side of the Group underwent a significant market change led by central government reforms. These reforms have led to a significant shift with changing pricing and a move from delivering frameworks to standards. This move to standards has been essential in ensuring Babington continues to effectively deliver to meet the needs of stakeholders effectively.

The Company supported over 10,000 learners in year; helping to change their lives by either finding them employment and or supporting them in achieving their qualification. All of this would not be possible without our talented and dedicated staff. We have this year invested in many areas that support them further; commencing the upgrading of many of the learner systems and providing them with high quality equipment to continue to offer excellent quality service.

Babington continues to be committed to conducting its business in the best interests of all the learners, staff, employers and funders and other key stakeholders who continue to support Babington.

Principal risks and uncertainties

The Company is heavily invested in the delivery of various Government funded Skills and job outcome programmes. As such the Company has to be aware of changes in Government policies, priorities and funding availability and be prepared to adapt our approaches to skills and employability accordingly.

The COVID-19 pandemic developed rapidly during 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and delivering training services, which are essential to the business and learner experience, by remote and blended learning. The directors believe that the impact on the results has been mitigated as adequate alternative methods of delivering training services have been successfully implemented.

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people or learners.

The directors drew up an operational improvement plan during the previous year which was implemented in the year to enhance the underlying strength of the business and to improve the overall trading performance of the Group. The forecast prepared shows a significant improvement in the Group's EBITDA going forward, following the implementation of the operational improvement plan. Subsequent to the year end, the Company has acquired the trade of another business to strengthen its apprenticeship offering and to further improve its performance going forward.

We also refer to note 2.4.

Financial key performance indicators

We consider that the key financial performance indicators of the business are those that communicate the financial performance and strength of the Company as a whole, these being turnover, EBITDA and cash flow.

This report was approved by the board on 29 March 2021 and signed on its behalf.

A R Fantham
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2020

The directors present their report and the financial statements for the year ended 31 July 2020.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The Company's principal activity is the provision of educational services.

Results and dividends

The profit for the year, after taxation, amounted to £1,029,695 (2019 - £513,940).

The directors do not recommend the payment of a dividend (2019: £Nil).

Directors

The directors who served during the year were:

D Marsh
A R Fantham

Future developments

There are no significant future developments which the directors believe require disclosure in addition to those disclosed under post balance sheet events.

Financial instruments

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk and liquidity risk. The Company has a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and finance costs. The Company has implemented policies that require appropriate credit checks before a sale is made.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2020

Engagement with employees

The Company's employment policies have been designed to meet the needs of its business, and follow best practice whilst complying with both current and anticipated legislation. Applied consistently throughout the Company they provide a fair framework within which employees work.

The Company is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Its

equal opportunities policy is designed to ensure that no person or group of individuals will be treated less

favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability.

The Company maintains a policy of regular consultation and discussion with its employees on a wide range of

issues that are likely to affect their interests and ensure that all employees are aware of the financial and

economic performance of their business units and of the Group as a whole.

Disabled employees

The Company gives full and fair consideration to applications for employment by disabled persons. In the event of employees becoming disabled whilst in the service of the Company, every effort is made to continue their employment by transfer to alternative duties, if required and by provision of such retraining as appropriate.

Disclosure of information to auditors

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

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

Post balance sheet events

Subsequent to the year end, the Company disposed of its investment in Acorn Training Consultants Limited for proceeds of £1.5 million. In addition, the Company acquired the trade and assets relating to apprenticeship training from another business. The impact of Covid post year end, is included in the strategic report. There have been no further significant events affecting the Company since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Smith Cooper Audit Limited will be deemed to have been reappointed as auditors 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 29 March 2021 and signed on its behalf.

A R Fantham
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABINGTON BUSINESS COLLEGE LIMITED

Opinion

We have audited the financial statements of Babington Business College Limited (the 'Company') for the year ended 31 July 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of its profit 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 2, 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.

Auditors' 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 Auditors' 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 Auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABINGTON BUSINESS COLLEGE LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Janet Morgan (Senior statutory auditor)
for and on behalf of
Smith Cooper Audit Limited
Chartered Accountants
Statutory Auditors
St Helen's House
King Street
Derby
DE1 3EE

29 March 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2020

	Note	2020 £	2019 £
Turnover	4	**20,061,288**	19,406,540
Cost of sales		**(12,689,842)**	(10,776,465)
Gross profit		**7,371,446**	8,630,075
Administrative expenses		**(8,223,549)**	(7,363,800)
Exceptional administrative expenses	12	**(74,440)**	(669,633)
Other operating income	5	**1,053,417**	-
Operating profit	6	**126,874**	596,642
Income from group undertakings		**856,490**	-
Interest payable and expenses	10	**-**	(58)
Profit before tax		**983,364**	596,584
Tax on profit	11	**46,331**	(82,644)
Profit for the financial year		**1,029,695**	513,940

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 10 to 23 form part of these financial statements.

BABINGTON BUSINESS COLLEGE LIMITED
REGISTERED NUMBER: 02673518

BALANCE SHEET
AS AT 31 JULY 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	13		**1,364,431**		1,265,604
Tangible assets	14		**198,868**		319,047
Investments	15		**29,487**		29,487
			1,592,786		1,614,138
Current assets					
Debtors: amounts falling due within one year	16	**8,428,348**		7,789,742	
Cash at bank and in hand	17	**1,271,989**		259,090	
		9,700,337		8,048,832	
Creditors: amounts falling due within one year	18	**(4,302,071)**		(3,701,613)	
Net current assets			**5,398,266**		4,347,219
Total assets less current liabilities			**6,991,052**		5,961,357
Net assets			**6,991,052**		5,961,357
Capital and reserves					
Called up share capital	20		**105**		105
Profit and loss account	21		**6,990,947**		5,961,252
			6,991,052		5,961,357

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 March 2021.

A R Fantham
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2018	105	5,447,312	5,447,417
Comprehensive income for the year			
Profit for the year	-	513,940	513,940
Total comprehensive income for the year	-	513,940	513,940
At 1 August 2019	105	5,961,252	5,961,357
Comprehensive income for the year			
Profit for the year	-	1,029,695	1,029,695
Total comprehensive income for the year	-	1,029,695	1,029,695
At 31 July 2020	105	6,990,947	6,991,052

The notes on pages 10 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

1. General information

The Company is a company limited by shares and is incorporated in England and Wales and details of its registered office are set out in the company information page.

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 Company's functional and presentational currency is £ sterling. The financial statements are rounded to the nearest £.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Project Sinatra Topco Limited as at 31 July 2020 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

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

2. Accounting policies (continued)

2.4 Going concern

The Company has given an unlimited guarantee to secure the bank borrowings of other companies within the Group. At 31 July 2020, group borrowings amounted to £5,200,000 (2019: £5,350,000).The Company is also party to an inter creditor deed, which provides a guarantee, subordinated to the bank borrowings, to secure loan notes of £18,896,074 (2019: £18,492,130).

As noted in the accounts of the ultimate parent undertaking, the Group had net liabilities of £18,150,294 and net current assets of £1,061,570 (2019: £12,735,814 and £1,063,382).

Group forecasts through to 14 April 2022 show all covenants being met. The Group's principal banker ("The Bank"), has considered the forecasts and indicated their satisfaction with them. In January 2021, an advance repayment of bank debt was made by the Group of £1,436,361 from the proceeds of the sale of Acorn Training Consultants Limited, the Company's subsidiary entity.

The holders of all of the loan notes have confirmed that they will continue to provide support to the Group by not seeking payment of any interest falling due on all loan notes until the earlier of:

ii) the bank or any other secured creditor taking enforcement action against the Group;

ii) such time that all other liabilities of the Group can be repaid in full as they fall due; and

iii) 14 April 2022.

The directors drew up an operational improvement plan during the previous year which was implemented in the year to enhance the underlying strength of the business and to improve the overall trading performance of the Group. The forecast prepared shows a significant improvement in the Group's EBITDA going forward, following the implementation of the operational improvement plan. Subsequent to the year end, the Company has acquired the trade of another business to strengthen their apprenticeship offering and to further improve their performance going forward.

The Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home) and delivering training services which are essential to the business and learner experience, by remote and blended learning. The directors do not believe that the impact on the results has been significant as adequate alternative methods of delivering training services have been successfully implemented.

On the basis of the improved performance indicated by the forecasts and actions undertaken as reported above, the directors consider that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to meet its current liabilities as they fall due.

The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

2. Accounting policies (continued)

2.5 Revenue

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

Rendering of services

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

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

2.6 Operating leases: the Company as lessee

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

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.9 Finance costs

Finance costs are charged to profit or loss 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)

2.10 Pensions

Defined contribution pension plan

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

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

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2. Accounting policies (continued)

2.13 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 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 Statement of comprehensive income 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.

Amortisation is provided on the following bases:

Development expenditure	-	% 20-33 straight line

2.14 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:

Leasehold improvements	-	10%
Fixtures and fittings	-	20%
Computer equipment	-	33%

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 profit or loss.

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.

2. Accounting policies (continued)

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.

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 Financial instruments

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

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

2.20 Dividends

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgment relate to revenue recognition and the useful economic lives of tangible and intangible fixed assets:

Revenue recognition

The Company recognises revenue when services have been provided and contract conditions have been met in relation to these services. Therefore, the Company make a provision against revenue for instances where funding has to be returned to the ESFA when certain conditions are not met. The Company also recognises amounts recoverable in relation to contracts, which are on going at the year end, taking into account the anticipated success rate.

Useful economic lives of fixed assets

The annual charges for depreciation and amortisation of tangible and intangible fixed assets are sensitive to changes in the estimated economic useful lives of the asset. These are re-assessed annually and amended when necessary to reflect any changes arising from economic utilisation, future investments and their physical condition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

4. Turnover

An analysis of turnover by class of business is as follows:

	2020	2019
	£	£
Provision of education services	**20,061,288**	19,406,540

Analysis of turnover by country of destination:

	2020	2019
	£	£
United Kingdom	**20,061,288**	19,406,540

5. Other operating income

	2020	2019
	£	£
Government grants receivable- in respect of furlough	**1,053,417**	-

6. Operating profit

The operating profit is stated after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	**113,232**	208,240
Amortisation of intangible assets	**375,758**	310,772
Other operating lease rentals	**847,936**	674,664
Defined contribution pension cost	**226,494**	160,691

7. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**28,000**	28,000

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

8. Employees

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

	2020 £	2019 £
Wages and salaries	**9,627,810**	8,463,641
Social security costs	**917,049**	804,384
Cost of defined contribution scheme	**226,494**	160,691
	10,771,353	9,428,716

There were additional salary costs of £21,960 (2019: £421,381) which have been disclosed within exceptional costs.

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

	2020 No.	2019 No.
Operational	**360**	348
Directors	**2**	2
	362	350

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**13,659**	210,107
Company contributions to defined contribution pension schemes	**-**	14,293
	13,659	224,400

During the year retirement benefits were accruing to no directors (2019 - 2) in respect of defined contribution pension schemes.

Directors' emoluments are borne by another group company although benfits in kind are borne by the Company.

10. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	**-**	58

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

11. Taxation

	2020	2019
	£	£
Corporation tax		
Adjustments in respect of previous periods	-	82,644
Total current tax	-	82,644
Origination and reversal of timing differences	(10,566)	-
Adjustments in respect of prior periods	(35,765)	-
Total deferred tax	(46,331)	-
Taxation on (loss)/profit on ordinary activities	(46,331)	82,644

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	983,364	596,584
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	186,839	113,351
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19,258	18,408
Adjustments to tax charge in respect of prior periods	(35,765)	82,644
Non-taxable income	(162,733)	-
Group relief	(53,930)	(131,759)
Total tax charge for the year	(46,331)	82,644

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Exceptional items

	2020	2019
	£	£
Exceptional items	74,440	669,633

In the current year, exceptional costs related to ex gratia payments, unused premises costs and legal fees (2019: Exceptional costs relate to discontinued courses, exiting unused premises and legal fees).

13. Intangible assets

	Development expenditure
	£
Cost	
At 1 August 2019	2,259,731
Additions	474,592
Disposals	(562,251)
At 31 July 2020	2,172,072
Amortisation	
At 1 August 2019	994,127
Charge for the year on owned assets	375,758
On disposals	(562,244)
At 31 July 2020	807,641
Net book value	
At 31 July 2020	1,364,431
At 31 July 2019	1,265,604

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14. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 August 2019	370,669	874,106	991,988	2,236,763
Additions	25,740	-	11,996	37,736
Disposals	(291,510)	(536,215)	(463,693)	(1,291,418)
At 31 July 2020	104,899	337,891	540,291	983,081
Depreciation				
At 1 August 2019	275,526	726,990	915,200	1,917,716
Charge for the year on owned assets	13,522	45,260	54,450	113,232
Disposals	(247,692)	(535,350)	(463,693)	(1,246,735)
At 31 July 2020	41,356	236,900	505,957	784,213
Net book value				
At 31 July 2020	63,543	100,991	34,334	198,868
At 31 July 2019	95,143	147,116	76,788	319,047

The net book value of land and buildings may be further analysed as follows:

	2020	2019
	£	£
Short leasehold	63,543	95,144

15. Fixed asset investments

	Investments in subsidiary companies
	£
Cost	
At 1 August 2019	29,487
At 31 July 2020	29,487

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Acorn Training Consultants Limited	Babington House Mallard Way Pride Park Derby DE24 8GX (Changed post year to: 1 Dunelm Rise Durhamgate Spenny moor DL16 6FS)	Provision of education and training services	Ordinary	100 %

Subsequent to the year end, Acorn Training Consultants Limited was sold. Further details of the sale of Acorn Training Consultants Limited are disclosed in the note 26 to the financial statements.

16. Debtors

	2020	2019
	£	£
Trade debtors	**1,983,079**	2,059,996
Amounts owed by group undertakings	**4,414,518**	3,025,413
Other debtors	**83,344**	82,836
Prepayments and accrued income	**994,999**	1,788,196
Amounts recoverable on long term contracts	**897,461**	824,685
Deferred taxation	**54,947**	8,616
	8,428,348	7,789,742

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	**1,271,989**	259,090

18. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	**984,890**	1,767,746
Corporation tax	**-**	100,590
Other taxation and social security	**990,585**	326,670
Other creditors	**2,182,344**	1,412,818
Accruals and deferred income	**144,252**	93,789
	4,302,071	3,701,613

19. Deferred taxation

	2020
	£
At beginning of year	8,616
Charged to profit or loss	46,331
Arising on business combinations	-
At end of year	**54,947**

The deferred tax asset is made up as follows:

	2020	2019
	£	£
Accelerated capital allowances	49,456	8,616
Other timing difference	5,491	-
	54,947	8,616

The net expected reversal of the deferred tax asset in the current year is not expected to be material to the financial statements.

20. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
105 (2019 - 105) A Ordinary shares of £1.00 each	105	105

21. Reserves

Profit and loss account

The profit and loss account consists of the Company's distributable reserves. There are no restrictions on the distribution of the profit and loss account.

22. Contingent liabilities

The Company has given an unlimited guarantee to secure the bank borrowings of other companies within the Group. At 31 July 2020, group borrowings amounted to £5,200,000 (2019: £5,400,000). The Company is also party to an inter creditor deed, which provides a guarantee, subordinated to the bank borrowings, to secure loan notes of £18,896,074 (2019: £18,492,130).

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £226,494 (2019: £160,691). Contributions totalling £Nil (2019 - £Nil) were payable to the fund at the balance sheet date.

24. Commitments under operating leases

At 31 July 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£	£
Not later than 1 year	**526,305**	639,854
Later than 1 year and not later than 5 years	**793,887**	867,737
Later than 5 years	**171,600**	265,200
	1,491,792	1,772,791

25. Related party transactions

The Company has taken advantage of the exemption available within the FRS102 not to disclose details of any transactions between itself and its fellow group undertakings on the basis that it is a subsidiary undertaking where 100% of the voting rights are controlled within the group whose consolidated financial statements are publicly available.

Key management personnel received emoluments during the year of £214,904. Details of directors' emoluments are included in note 9 to the financial statements.

26. Post balance sheet events

Subsequent to the year end, the Company disposed of its investment in Acorn Training Consultants for proceeds of £1.5 million. The lease for one of the Company's operating sites was also novated due to the sale and the on-going lease commitments disclosed for this property are no longer payable. The overall impact is a reduction of £530,400 in on-going commitments. In addition, the Company acquired the trade and assets relating to apprenticeship training from another business.

27. Controlling party

The immediate parent undertaking is Babington Business Limited, a company incorporated in England and Wales. The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Project Sinatra Topco Limited, a company incorporated in England & Wales. Consolidated accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

Project Sinatra Topco Limited is considered to be under the control of funds managed by RJD Partners Limited which is authorised and regulated by the Financial Conduct Authority.

The directors consider that there is no one ultimate controlling party by virtue of there being no majority shareholder within the ultimate parent entity.