

Registered number: 02673518

BABINGTON BUSINESS COLLEGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

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BABINGTON BUSINESS COLLEGE LIMITED

COMPANY INFORMATION

Directors	D Marsh (appointed 14 November 2018) C Carson (resigned 28 November 2018) A R Fantham
Registered number	02673518
Registered office	Babington House Mallard Way Pride Park Derby DE24 8GX
Independent auditors	Smith Cooper Audit Limited Chartered Accountant & Statutory Auditors St Helen's House King Street Derby DE1 3EE

BABINGTON BUSINESS COLLEGE LIMITED

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BABINGTON BUSINESS COLLEGE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2018

Business review

The Company has delivered another strong year with turnover increasing to £17.1m from £15.2m in 2017.

The Apprenticeship side of the group underwent a significant market change led by central government reforms. Under these reforms have led to a significant shift has led to a changing pricing with 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.

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. In addition, supporting learners career progression as 85% of our learner's progress to the next level, specifically within our professional qualifications. 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 many of the learner systems and providing them with high quality equipment to continue to offer the excellent quality service.

Recognition of this came in February 2018 by being awarded a Sunday times top 100 company.

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

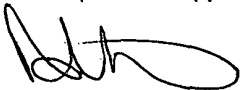
Principal risks and uncertainties

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.

Financial key performance indicators

We consider that our key financial performance indicators 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 8 July 2019 and signed on its behalf.



A R Fantham
Director

BABINGTON BUSINESS COLLEGE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2018

The directors present their report and the financial statements for the year ended 31 July 2018.

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 £629,553 (2017 - £530,910).

The directors do not recommend the payment of a dividend (2017: £Nil).

Directors

The directors who served during the year were:

C Carson (resigned 28 November 2018)
A R Fantham

Future developments

There are no significant future developments which the directors believe require disclosure.

Employee involvement

During the year under review, the Company maintained their arrangements for communication and consultation with employees and a continuation to promote their greater involvement.

BABINGTON BUSINESS COLLEGE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

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

There have been no 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 8 July 2019 and signed on its behalf.



A R Fantham
Director

BABINGTON BUSINESS COLLEGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 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 2018, 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 2018 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.

BABINGTON BUSINESS COLLEGE LIMITED

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

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.

BABINGTON BUSINESS COLLEGE LIMITED

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

Use of our report

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 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, as a body, 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 Accountant
Statutory Auditors
St Helen's House
King Street
Derby
DE1 3EE
Date: 8 July 2019

BABINGTON BUSINESS COLLEGE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018**

	Note	2018 £	2017 £
Turnover	4	17,198,555	15,274,639
Cost of sales		(8,689,744)	(7,909,850)
Gross profit		8,508,811	7,364,789
Administrative expenses		(7,109,305)	(6,047,041)
Exceptional administrative expenses	11	(764,137)	(863,916)
Operating profit	5	635,369	453,832
Interest payable and expenses	9	(598)	(1,948)
Profit before tax		634,771	451,884
Tax on profit	10	(5,218)	79,026
Profit for the financial year		629,553	530,910

There was no other comprehensive income for 2018 (2017:£NIL).

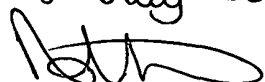
The notes on pages 10 to 24 form part of these financial statements.

BABINGTON BUSINESS COLLEGE LIMITED
REGISTERED NUMBER: 02673518

BALANCE SHEET
AS AT 31 JULY 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	872,394	363,791
Tangible assets	13	393,258	473,643
Investments	14	29,487	29,487
		<u>1,295,139</u>	<u>866,921</u>
Current assets			
Debtors: amounts falling due within one year	15	6,604,607	5,692,768
Cash at bank and in hand	16	564,910	378,955
		<u>7,169,517</u>	<u>6,071,723</u>
Creditors: amounts falling due within one year	17	(3,013,456)	(2,116,651)
Net current assets		<u>4,156,061</u>	<u>3,955,072</u>
Total assets less current liabilities		<u>5,451,200</u>	<u>4,821,993</u>
Creditors: amounts falling due after more than one year	18	-	(4,129)
Provisions for liabilities			
Deferred tax	19	(3,783)	-
Net assets		<u><u>5,447,417</u></u>	<u><u>4,817,864</u></u>
Capital and reserves			
Called up share capital	20	105	105
Profit and loss account	21	5,447,312	4,817,759
		<u><u>5,447,417</u></u>	<u><u>4,817,864</u></u>

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

8 July 2019


A R Fantham
Director

The notes on pages 10 to 24 form part of these financial statements.

BABINGTON BUSINESS COLLEGE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2016	105	4,286,849	4,286,954
Comprehensive income for the year			
Profit for the year	-	530,910	530,910
At 1 August 2017	105	4,817,759	4,817,864
Comprehensive income for the year			
Profit for the year	-	629,553	629,553
At 31 July 2018	105	5,447,312	5,447,417

The notes on pages 10 to 24 form part of these financial statements.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

1. General information

The Company is a limited company 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 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);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Project Sinatra Topco Limited as at 31 July 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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 2018, group borrowings amounted to £6,000,000 (2017: £6,800,000). The Company is also party to an inter creditor deed, which provides a guarantee, subordinated to the bank borrowings, to secure loan notes of £15,460,380 (2017: £15,460,380).

As noted in the accounts of the ultimate parent undertaking, the Group had net liabilities of £8,176,562 and net current liabilities of £3,729,232 (2017: £4,249,075 and £917,908). The Directors believe that the Group's financial statements should be prepared on a going concern basis for the reasons set out below and have considered a period of twelve months from the date of approval of these financial statements.

During the year and subsequent to the year-end, the net senior leverage covenant with the bank has been breached which has been noted by the bank but no action taken. The directors have now renegotiated the banking covenants with the bank and the forecasts for the Group through to 31 July 2020 show that all covenants should be met throughout that period. In addition, the bank has confirmed that the group can reduce its capital repayments to £50k a quarter during the period to 31 July 2020. The directors therefore remain confident that bank funding will remain in place and all capital repayment and interest for loans will be met during through to July 2020.

The holders of all the loan notes have confirmed to the directors that they will continue to provide support to the business by not seeking repayment of any interest due on the loan notes as at 31 July 2018 or charged subsequent to that date until the earlier of:

- i) 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) 31 July 2020.

In addition subsequent to the year-end, the holders of the loan notes have issued new loan notes, providing additional funding to the Group of £1.7 million. These loan notes have been issued on the same terms as the current loan notes, but rank in preference to them.

The directors have drawn up an operational improvement plan to address the operating losses which have arisen during the past two years and to improve the overall trading performance of the Group going forward. The forecast prepared on the basis of the improvement plan show a significant improvement in the Group's EBITDA going forward.

On the basis of the improved performance indicated by the forecasts and actions taken as set out 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 continues to adopt the going concern basis in preparing its financial statements.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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 the Statement of comprehensive income on a straight line basis over the lease term.

2.7 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 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 6 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.

2.9 Finance costs

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

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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 the Statement of comprehensive income 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 the Statement of comprehensive income, 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.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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:

Website 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 the Statement of comprehensive income.

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.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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 non-puttable 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.

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.

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.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

4. Turnover

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

	2018 £	2017 £
Provision of education services	<u>17,198,555</u>	<u>15,274,639</u>

	2018 £	2017 £
United Kingdom	<u>17,198,555</u>	<u>15,274,639</u>

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	211,080	208,210
Amortisation of intangible assets	232,228	221,414
Other operating lease rentals	603,452	536,228
Defined contribution pension cost	97,592	71,289
Exceptional administrative expenses (Note 11)	<u>764,137</u>	<u>863,916</u>

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>28,000</u>	<u>23,684</u>

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.

BABINGTON BUSINESS COLLEGE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018****7. Employees**

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

	2018 £	2017 £
Wages and salaries	7,384,720	6,836,111
Social security costs	684,769	613,812
Cost of defined contribution scheme	97,592	71,289
	<u>8,167,081</u>	<u>7,521,212</u>

There were additional salary costs of £351,513 (2017:£657,409) which have been disclosed within exceptional costs (See note 11).

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

	2018 No.	2017 No.
Office and management	363	345
Directors	2	2
	<u>365</u>	<u>347</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	254,505	197,216
Company contributions to defined contribution pension schemes	9,617	2,584
	<u>264,122</u>	<u>199,800</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £141,108 (2017 - £137,822).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

9. Interest payable and similar expenses

	2018 £	2017 £
Other loan interest payable	<u>598</u>	<u>1,948</u>

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

10. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	-	(101,566)
Deferred tax		
Origination and reversal of timing differences	12,996	(11,439)
Changes to tax rates	(702)	856
Adjustments in respect of prior periods	(7,076)	33,123
Total deferred tax	5,218	22,540
Taxation on profit/(loss) on ordinary activities	5,218	(79,026)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	634,771	451,884
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	120,606	90,377
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,687	50,195
Adjustments to tax charge in respect of prior periods	(7,778)	33,979
Adjustments to tax charge in respect of prior periods	-	(101,566)
Group relief	(114,297)	(152,011)
Total tax charge for the year	5,218	(79,026)

Factors that may affect future tax charges

The rate of corporation tax is to reduce from 19% to 17% from April 2020.

BABINGTON BUSINESS COLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

11. Exceptional items

	2018 £	2017 £
Exceptional items	<u>764,137</u>	<u>863,916</u>

Exceptional costs in the current year relate to increased salary costs in respect of standards implementation and commercial divisions in relation to the changes in Apprenticeship funding).

12. Intangible assets

	Website Development £	Goodwill £	Total £
Cost			
At 1 August 2017	814,917	10,000	824,917
Additions	740,831	-	740,831
At 31 July 2018	<u>1,555,748</u>	<u>10,000</u>	<u>1,565,748</u>
Amortisation			
At 1 August 2017	461,126	-	461,126
Charge for the year	232,228	-	232,228
At 31 July 2018	<u>693,354</u>	<u>-</u>	<u>693,354</u>
Net book value			
At 31 July 2018	<u>862,394</u>	<u>10,000</u>	<u>872,394</u>
At 31 July 2017	<u>353,791</u>	<u>10,000</u>	<u>363,791</u>

BABINGTON BUSINESS COLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

13. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 2017	107,698	208,907	907,938	1,224,543
Additions	3,768	75,464	51,463	130,695
At 31 July 2018	<u>111,466</u>	<u>284,371</u>	<u>959,401</u>	<u>1,355,238</u>
Depreciation				
At 1 August 2017	31,012	122,563	597,325	750,900
Charge for the year on owned assets	10,178	27,081	173,821	211,080
At 31 July 2018	<u>41,190</u>	<u>149,644</u>	<u>771,146</u>	<u>961,980</u>
Net book value				
At 31 July 2018	<u>70,276</u>	<u>134,727</u>	<u>188,255</u>	<u>393,258</u>
At 31 July 2017	<u>76,686</u>	<u>86,344</u>	<u>310,613</u>	<u>473,643</u>

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

	2018 £	2017 £
Short leasehold	<u>70,276</u>	<u>76,686</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Fixtures, fittings and equipment	<u>-</u>	<u>2,455</u>

BABINGTON BUSINESS COLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 August 2017	29,487
At 31 July 2018	<u>29,487</u>
Net book value	
At 31 July 2018	<u>29,487</u>
At 31 July 2017	<u>29,487</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Acorn Training Consultants Limited	Ordinary	100 %	Provision of education and training services

The subsidiary's address is the same as the Company's address which is shown on the Company Information page.

15. Debtors

	2018 £	2017 £
Trade debtors	1,693,089	759,429
Amounts owed by group undertakings	3,141,621	2,956,082
Other debtors	264,869	397,625
Prepayments and accrued income	776,441	1,109,744
Amounts recoverable on long term contracts	728,587	468,453
Deferred taxation	-	1,435
	<u>6,604,607</u>	<u>5,692,768</u>

BABINGTON BUSINESS COLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

16. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	564,910	378,955

17. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,356,063	1,173,326
Amounts owed to group undertakings	-	10,438
Corporation tax	-	86,930
Other taxation and social security	511,076	538,526
Obligations under finance lease and hire purchase contracts	4,129	16,212
Other creditors	1,045,426	277,098
Accruals and deferred income	96,762	14,121
	3,013,456	2,116,651

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

	2018	2017
	£	£
Net obligations under finance leases and hire purchase contracts	-	4,129

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

19. Deferred taxation

	2018	2017
	£	£
At beginning of year	1,435	23,975
Charged to profit or loss	(5,218)	(22,540)
At end of year	(3,783)	1,435

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

19. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>(3,783)</u>	<u>1,435</u>

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

	2018 £	2017 £
Allotted, called up and fully paid		
105 (2017 - 105) A Ordinary shares of £1.00 each	<u>105</u>	<u>105</u>

21. Reserves

Profit and loss account

The profit and loss account consists of the Company's distributable reserves. There is 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 2018, group borrowings amounted to £6,000,000 (2017: £6,800,000).

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 £97,592 (2017: £71,289). Contributions totalling £Nil (2017 - £Nil) were payable to the fund at the balance sheet date.

BABINGTON BUSINESS COLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

24. Commitments under operating leases

At 31 July 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	166,810	396,631
Later than 1 year and not later than 5 years	193,793	251,579
	<u>360,603</u>	<u>648,210</u>

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.

26. 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.