

Registered number: 07077954

BABINGTON BUSINESS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016



BABINGTON BUSINESS LIMITED

COMPANY INFORMATION

Directors	F Lord (resigned 14 April 2016) C Carson G Turley (resigned 14 April 2016) A R Fantham
Registered number	07077954
Registered office	Babington House Mallard Way Pullman Business Park Pride Park Derby DE24 8GX
Independent auditors	Smith Cooper Limited Chartered Accountants & Statutory Auditors St Helen's House King Street Derby DE1 3EE

BABINGTON BUSINESS LIMITED

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BABINGTON BUSINESS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2016

Business review

The Company is an intermediate holding company. The Company's subsidiaries have delivered another very strong year of trading in 2015/16; benefiting from a further increase in turnover and underlying EBITDA increase.

Furthermore, they have continued to receive the support of our funders to enable them to deliver quality career pathways for their learners by receiving a significant increase in our contract value.

Apprenticeship volumes in the year increased by 20%. In support with the strategic growth and objectives; during the year we began delivering into new sectors, which include Property Services and Digital Marketing; these further enhance our proposition.

On-Line delivery continued its growth, doubling in turnover in the year with continued investment being made to further enhance delivery of innovative products.

The subsidiary companies 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 the talented and dedicated staff. The Group has this year invested in many areas that support them further; upgrading many of the learner systems and providing them with high quality equipment to continue to offer the excellent quality service. Further developments were made in the year by introducing our B-Developed plan to support continued staff learning.

In the year the Group again went through an OFSTED inspection and were successful in achieving Grade 2s for all delivery.

In April 2016, the Babington Group came under the new ownership of RJD Partners, who are dedicated to supporting and investing in Babington's growth.

Principal risks and uncertainties

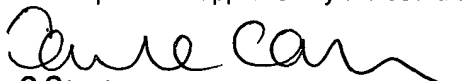
The Group is heavily invested in the delivery of various Government funded Skills and job outcome programmes. As such the Group has to be aware of changes in Government policies, priorities and funding availability and be prepared to adapt our approaches to skills and employability accordingly.

Financial key performance indicators

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

This report was approved by the board on 26 May 2017

and signed on its behalf.


C Carson
Director

BABINGTON BUSINESS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2016

The directors present their report and the financial statements for the year ended 31 July 2016.

Directors' responsibilities statement

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

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

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

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

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

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £1,273,129 (2015 - £378,596).

The directors do not recommend the payment of a dividend (2015: £Nil).

Directors

The directors who served during the year were:

F Lord (resigned 14 April 2016)
C Carson
G Turley (resigned 14 April 2016)
A R Fantham

Future developments

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

BABINGTON BUSINESS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

Financial instruments

The Group'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 Group has a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and finance costs. The Group has implemented policies that require appropriate credit checks before a sale is made. The Group maintains loan facilities to ensure the Group has sufficient funds for its operations and investment activities, including hire purchase contracts and group funding.

Employee involvement

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

Disabled employees

The Group 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 Group, 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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Smith Cooper 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 26 May 2017 and signed on its behalf.



C Carson
Director

BABINGTON BUSINESS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BABINGTON BUSINESS LIMITED

We have audited the financial statements of Babington Business Limited for the year ended 31 July 2016, set out on pages 6 to 29. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements.

BABINGTON BUSINESS LIMITED

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

Matters on which we are required to report by exception

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

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

Janet Morgan (Senior statutory auditor)
for and on behalf of

Smith Cooper Limited

Chartered Accountants

Statutory Auditors

St Helen's House

King Street

Derby

DE1 3EE

Date: 26 May 2017

BABINGTON BUSINESS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2016**

	Note	2016 £	2015 £
Turnover	4	15,676,495	13,177,305
Cost of sales		(6,978,926)	(6,336,675)
Gross profit		8,697,569	6,840,630
Administrative expenses		(6,455,358)	(5,259,624)
Exceptional administrative expenses	12	(380,945)	(510,570)
Operating profit	5	1,861,266	1,070,436
Interest receivable and similar income	9	1,997	-
Interest payable and expenses	10	(380,694)	(537,954)
Profit before tax		1,482,569	532,482
Tax on profit	11	(209,440)	(153,886)
Profit for the year		1,273,129	378,596
Profit for the year attributable to:			
Owners of the parent company		1,273,129	378,596

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 13 to 29 form part of these financial statements.

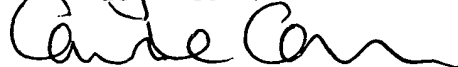
BABINGTON BUSINESS LIMITED
REGISTERED NUMBER: 07077954

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	14	3,018,155	3,200,470
Tangible assets	15	483,209	388,826
		<u>3,501,364</u>	<u>3,589,296</u>
Current assets			
Stocks		823	1,925
Debtors: amounts falling due within one year	18	2,690,352	2,337,563
Cash at bank and in hand	19	1,053,113	874,039
		<u>3,744,288</u>	<u>3,213,527</u>
Creditors: amounts falling due within one year	20	(5,701,095)	(1,669,532)
Net current (liabilities)/assets		<u>(1,956,807)</u>	<u>1,543,995</u>
Total assets less current liabilities		<u>1,544,557</u>	<u>5,133,291</u>
Creditors: amounts falling due after more than one year	21	(20,341)	(4,811,795)
Provisions for liabilities			
Deferred tax	22	-	(70,409)
Net assets		<u>1,524,216</u>	<u>251,087</u>
Capital and reserves			
Called up share capital	23	375,000	375,000
Profit and loss account	24	1,149,216	(123,913)
		<u>1,524,216</u>	<u>251,087</u>

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

26 May 2017



C Carson
Director


The notes on pages 13 to 29 form part of these financial statements.

BABINGTON BUSINESS LIMITED
REGISTERED NUMBER: 07077954

COMPANY BALANCE SHEET
AS AT 31 JULY 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	16	4,917,048	4,917,048
		<u>4,917,048</u>	<u>4,917,048</u>
Current assets			
Debtors: amounts falling due within one year	18	16,000	16,000
		<u>16,000</u>	<u>16,000</u>
Creditors: amounts falling due within one year	20	(7,240,182)	(2,110,759)
		<u>(7,224,182)</u>	<u>(2,094,759)</u>
Net current liabilities		<u>(7,224,182)</u>	<u>(2,094,759)</u>
Total assets less current liabilities		<u>(2,307,134)</u>	<u>2,822,289</u>
Creditors: amounts falling due after more than one year	21	-	(4,759,467)
		<u>-</u>	<u>(4,759,467)</u>
Net liabilities		<u>(2,307,134)</u>	<u>(1,937,178)</u>
Capital and reserves			
Called up share capital	23	375,000	375,000
Profit and loss account	24	(2,682,134)	(2,312,178)
		<u>(2,307,134)</u>	<u>(1,937,178)</u>

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

26 May 2017

C Carson
 Director

BABINGTON BUSINESS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2015	375,000	(123,913)	251,087
Comprehensive income for the year			
Profit for the year	-	1,273,129	1,273,129
Total comprehensive income for the year	-	1,273,129	1,273,129
At 31 July 2016	375,000	1,149,216	1,524,216

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2015**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2014	375,000	(502,509)	(127,509)
Comprehensive income for the year			
Profit for the year	-	378,596	378,596
Total comprehensive income for the year	-	378,596	378,596
At 31 July 2015	375,000	(123,913)	251,087

The notes on pages 13 to 29 form part of these financial statements.

BABINGTON BUSINESS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2015	375,000	(2,312,178)	(1,937,178)
Comprehensive income for the year			
Loss for the year	-	(369,956)	(369,956)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(369,956)	(369,956)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	375,000	(2,682,134)	(2,307,134)
	<hr/>	<hr/>	<hr/>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2015**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2014	375,000	(1,782,872)	(1,407,872)
Comprehensive income for the year			
Loss for the year	-	(529,306)	(529,306)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(529,306)	(529,306)
	<hr/>	<hr/>	<hr/>
At 31 July 2015	375,000	(2,312,178)	(1,937,178)
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 29 form part of these financial statements.

BABINGTON BUSINESS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2016**

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	1,273,129	378,596
Adjustments for:		
Amortisation of intangible assets	340,414	180,254
Depreciation of tangible assets	204,760	266,052
Loss on disposal of tangible assets	19,545	-
Interest paid	380,694	537,954
Interest received	(1,997)	-
Taxation charge	209,440	153,886
Decrease in stocks	1,102	4,460
Increase in debtors	(316,584)	(316,035)
Increase in creditors	34,832	356,331
Increase in amounts owed to group companies	3,957,202	-
Corporation tax (paid)	(252,762)	(97,137)
Net cash generated from operating activities	5,849,775	1,464,361
Cash flows from investing activities		
Purchase of intangible fixed assets	(158,099)	(10,000)
Purchase of tangible fixed assets	(318,808)	(415,077)
Sale of tangible fixed assets	120	-
Interest received	1,997	-
HP interest paid	(7,697)	(8,539)
Net cash from investing activities	(482,487)	(433,616)

BABINGTON BUSINESS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2016**

	2016 £	2015 £
Cash flows from financing activities		
Repayment of other loans	(4,759,467)	-
Repayment of/new finance leases	(55,882)	(28,586)
Interest paid	(372,997)	(529,415)
Net cash used in financing activities	<u>(5,188,346)</u>	<u>(558,001)</u>
Net increase in cash and cash equivalents	<u>178,942</u>	<u>472,744</u>
Cash and cash equivalents at beginning of year	874,039	401,295
Cash and cash equivalents at the end of year	<u><u>1,052,981</u></u>	<u><u>874,039</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,053,113	874,039
Bank overdrafts	(132)	-
	<u><u>1,052,981</u></u>	<u><u>874,039</u></u>

The notes on pages 13 to 29 form part of these financial statements.

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

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. The principal activities are disclosed within the directors' report.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

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

The Group's functional and presentational currency is GBP.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

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

2.3 Going concern

After reviewing the Group's budgets, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements. The directors have a reasonable expectation that the amounts due to Group companies will not be repaid until all other liabilities have been met,

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group 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.

2.5 Intangible assets

Goodwill

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

The estimated useful lives range as follows:

Development expenditure	-	5	years
Goodwill	-	10	years

2.6 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.

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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 Consolidated statement of comprehensive income.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

2.10 Debtors

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

2.11 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.

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

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.12 Financial instruments

The Group only enters into basic financial instruments 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.

2.13 Creditors

Short term creditors are measured at the transaction price.

2.14 Finance costs

Finance costs are charged to the Consolidated 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.

2.15 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated 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 Group in independently administered funds.

2.17 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.19 Current and deferred taxation

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

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

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

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

2.20 Exceptional items

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

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 Group recognises revenue when services have been provided and contract conditions have been met in relation to these services. Therefore, the Group makes a provision against revenue for instances where funding has to be returned to the SFA when certain conditions are not met.

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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

4. Turnover

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

	2016 £	2015 £
Provision of educational services	<u>15,676,495</u>	<u>13,177,305</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	<u>15,676,495</u>	<u>13,177,305</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	204,760	266,052
Amortisation of intangible assets, including goodwill	340,414	180,254
Other operating lease rentals	589,602	530,902
Defined contribution pension cost	<u>77,935</u>	<u>59,350</u>

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>20,000</u>	<u>17,694</u>

BABINGTON BUSINESS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016****7. Employees**

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

	2016 £	2015 £
Wages and salaries	7,136,901	5,591,223
Social security costs	641,714	512,898
Cost of defined contribution scheme	77,935	59,350
	<u>7,856,550</u>	<u>6,163,471</u>

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

	2016 No.	2015 No.
Management and operations	<u>323</u>	<u>272</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	246,548	319,298
Company contributions to defined contribution pension schemes	11,377	7,783
Director's pension contribution - exceptional cost	100,000	-
	<u>357,925</u>	<u>327,081</u>

During the year retirement benefits were accruing to 3 directors (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £146,981 (2015 - £145,004).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £100,000 (2015 - £NIL).

9. Interest receivable

	2016 £	2015 £
Other interest receivable	<u>1,997</u>	<u>-</u>

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	-	109
Other loan interest payable	372,997	529,306
Finance leases and hire purchase contracts	7,697	8,539
	<u>380,694</u>	<u>537,954</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	237,046	129,852
Adjustments in respect of previous periods	79,006	(1,674)
Total current tax	<u>316,052</u>	<u>128,178</u>
Deferred tax		
Origination and reversal of timing differences	(19,286)	27,369
Changes to tax rates	2,819	(1,661)
Adjustments in respect of prior years	(90,145)	-
Total deferred tax	<u>(106,612)</u>	<u>25,708</u>
Taxation on profit on ordinary activities	<u>209,440</u>	<u>153,886</u>

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.665%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,482,570</u>	<u>532,482</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.665%)	296,514	110,037
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	36,051	37,258
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	20,938	9,926
Changes in tax rates on deferred taxation	2,819	(1,661)
Adjustments to deferred tax charge in respect of prior periods	(90,145)	-
Adjustments to tax charge in respect of prior periods	79,006	(1,674)
Group relief	(135,743)	-
Total tax charge for the year	<u><u>209,440</u></u>	<u><u>153,886</u></u>

Factors that may affect future tax charges

The Group has unrelieved corporation tax losses carried forward of approximately £251,000. No asset is recognised in respect of these losses until it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The rate of corporation tax reduced from 21% to 20% from 1 April 2015 and the summer budget of 8 July 2015 announced further reductions to 19% in April 2017 and then 18% from April 2020. These rate changes will affect the amount of future cash tax payments to be made by the Group and will also reduce the size of deferred tax assets and liabilities in the Group's Balance Sheet.

12. Exceptional items

	2016 £	2015 £
Exceptional costs	<u><u>380,945</u></u>	<u><u>510,570</u></u>

The exceptional expenses in 2016 relate to one off pension costs for a director, consultancy services for specific projects and costs relating to the OFSTED inspection. The exceptional expenses in 2015 relate to the restructuring of the commercial and business development teams

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £369,956 (2015 - loss £529,306).

14. Intangible assets

Group and Company

	Website Develop- ment £	Goodwill £	Total £
Cost			
At 1 August 2015 (as previously stated)	-	3,615,095	3,615,095
Prior Year Adjustment	457,605	-	457,605
	<hr/>	<hr/>	<hr/>
At 1 August 2015 (as restated)	457,605	3,615,095	4,072,700
Additions	158,099	-	158,099
	<hr/>	<hr/>	<hr/>
At 31 July 2016	615,704	3,615,095	4,230,799
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 August 2015 (as previously stated)	-	792,678	792,678
Prior Year Adjustment	79,552	-	79,552
	<hr/>	<hr/>	<hr/>
At 1 August 2015 (as restated)	79,552	792,678	872,230
Charge for the year	160,160	180,254	340,414
	<hr/>	<hr/>	<hr/>
At 31 July 2016	239,712	972,932	1,212,644
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 July 2016	375,992	2,642,163	3,018,155
	<hr/>	<hr/>	<hr/>
At 31 July 2015 (as restated)	378,053	2,822,417	3,200,470
	<hr/>	<hr/>	<hr/>

The Group has reclassified website development costs for tangible fixed assets to intangible fixed assets as required under FRS102. This is a presentational adjustment only.

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

15. Tangible fixed assets

Group

	Leasehold Property Improvmt £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 August 2015 (as previously stated)	348,630	651,450	1,187,579	2,187,659
Prior Year Adjustment	-	-	(457,605)	(457,605)
At 1 August 2015 (as restated)	348,630	651,450	729,974	1,730,054
Additions	12,879	22,312	283,618	318,809
Disposals	(37,673)	(3,065)	-	(40,738)
At 31 July 2016	323,836	670,697	1,013,592	2,008,125
Depreciation				
At 1 August 2015 (as previously stated)	200,103	579,803	640,766	1,420,672
Prior Year Adjustment	-	-	(79,442)	(79,442)
At 1 August 2015 (as restated)	200,103	579,803	561,324	1,341,230
Charge for the period on owned assets	30,593	46,479	63,149	140,221
Charge for the period on financed assets	-	-	64,539	64,539
Disposals	(18,262)	(2,812)	-	(21,074)
At 31 July 2016	212,434	623,470	689,012	1,524,916
Net book value				
At 31 July 2016	111,402	47,227	324,580	483,209
At 31 July 2015 (as restated)	148,528	71,647	168,651	388,826

The Group has reclassified website development costs for tangible fixed assets to intangible fixed assets as required under FRS102. This is a presentational adjustment only.

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

	2016 £	2015 £
Short leasehold	111,402	148,528

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

15. Tangible fixed assets (continued)

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

	2016 £	2015 £
Computer equipment	47,845	112,205

16. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Babington Business College Limited	England and Wales	Ordinary	100 %	Provision of educational services Limited
Michael John Training Limited	England and Wales	Ordinary	100 %	Provision of educational services Limited
NCFSL Limited	England and Wales	Ordinary	100 %	Provision of educational services Limited

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2015	4,917,048
At 31 July 2016	4,917,048
Net book value	
At 31 July 2016	4,917,048
At 31 July 2015	4,917,048

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

17. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Consumables	823	1,925	-	-

18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	1,279,335	909,757	-	-
Other debtors	297,612	911,720	-	-
Prepayments and accrued income	1,077,202	516,086	16,000	16,000
Deferred taxation	36,203	-	-	-
	2,690,352	2,337,563	16,000	16,000

19. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	1,053,113	874,039	-	-
Less: bank overdrafts	(132)	-	-	-
	1,052,981	874,039	-	-

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

20. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	132	-	-	-
Trade creditors	690,442	547,657	-	-
Amounts owed to group undertakings	3,957,202	-	7,073,378	2,002,318
Corporation tax	237,046	173,756	-	-
Other taxation and social security	225,845	172,456	-	-
Net obligations under finance leases and hire purchase contracts	32,713	56,608	-	-
Other creditors	246,210	411,608	-	-
Accruals and deferred income	311,505	307,447	166,804	108,441
	5,701,095	1,669,532	7,240,182	2,110,759

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

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Other loans	-	4,759,467	-	4,759,467
Net obligations under finance leases and hire purchase contracts	20,341	52,328	-	-
	20,341	4,811,795	-	4,759,467

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

22. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	70,409	44,701
Charged to profit or loss	(106,612)	25,708
At end of year	(36,203)	70,409

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

22. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	Group 2016 £	Group 2015 £
Accelerated capital allowances	35,977	(71,637)
Short term timing differences	226	1,228
	<u>36,203</u>	<u>(70,409)</u>

The net reversal of deferred tax expected to occur next year relating to the reversal of existing timing differences on fixed assets is not considered significant.

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
112,500 Ordinary A shares shares of £1 each	112,500	112,500
262,500 Ordinary B shares shares of £1 each	262,500	262,500
	<u>375,000</u>	<u>375,000</u>

There are no significant differences in the rights on the different classes of share.

24. 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.

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £77,935 (2015: £59,350). Contributions totalling £Nil were payable to the fund at the balance sheet date.

BABINGTON BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

26. Commitments under operating leases

At 31 July 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2016 £	2015 £
Not later than 1 year	454,698	401,745
Later than 1 year and not later than 5 years	410,790	386,665
Later than 5 years	23,333	23,333
	888,821	811,743
	2016 £	2015 £
Other		
Not later than 1 year	39,332	15,021
Later than 1 year and not later than 5 years	34,093	3,953
Later than 5 years	8,113	-
	81,538	18,974

27. 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.

The Group repaid amounts due to its former parent company, Bridges Community Ventures Nominees Limited, of £4,759,467 and paid interest during the year of £369,956 (2015 529,307).

At the year end, the Group owed Project Sinatra Midco Limited, its intermediate parent company a net amount of £3,957,201.

The Directors consider there to be no employees that are regarded as key management personnel.

28. Controlling party

The immediate parent undertaking is Project Sinatra Bidco Limited, which is owned by Project Sinatra Midco Limited, which in turn is owned by Project Sinatra Topco Limited, the parent undertaking of the largest and smallest group for which consolidated accounts will be prepared when required. The companies are incorporated in England & Wales.

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.

BABINGTON BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

29. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.