

PROJECT SINATRA BIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 16 MONTH ENDED 31 JULY 2017

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PROJECT SINATRA BIDCO LIMITED

COMPANY INFORMATION

Directors

Carole Carson (appointed 10 March 2016)
Richard Charles Austin Caston (appointed 31 July 2017)
Adrian Russell Fantham (appointed 10 March 2016)

Registered number

10055109

Registered office

Babington House Mallard Way
Pride Park
Derby
United Kingdom
DE24 8GX

Independent auditors

Smith Cooper Limited
Chartered Accountants & Statutory Auditors
St Helen's House
King Street
Derby
DE1 3EE

PROJECT SINATRA BIDCO LIMITED

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PROJECT SINATRA BIDCO LIMITED

STRATEGIC REPORT FOR THE 16 MONTH ENDED 31 JULY 2017

Business review

The Company was incorporated on 10 March 2016 acquired Babington Business Limited its subsidiaries, which include Babington Business College Limited and Michael John Training Limited, which are the two main trading companies. This acquisition occurred in April 2016.

The Group has delivered a strong period of trading in 2015/16; benefiting from a further increase in turnover and underlying EBITDA increase.

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

Apprenticeship volumes in the year increased by 20%. In support with our 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.

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

The Group is under the ownership of RJD Partners, who are dedicated in supporting and investing in Babington's growth.

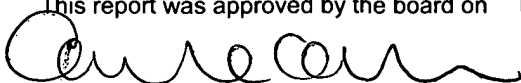
Principal risks and uncertainties

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 12 April 2018 and signed on its behalf.



Carole Carson
Director

PROJECT SINATRA BIDCO LIMITED

DIRECTORS' REPORT FOR THE 16 MONTH ENDED 31 JULY 2017

The directors present their report and the financial statements for the 16 months ended 31 July 2017.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 an intermediate holding company. The Company was incorporated on 10 March 2016.

Results and dividends

The loss for the 16 months, after taxation, amounted to £546,649.

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the 16 months were:

Carole Carson (appointed 10 March 2016)
Richard Charles Austin Caston (appointed 31 July 2017)
Adrian Russell Fantham (appointed 10 March 2016)

Future developments

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

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, loan notes and bank loans.

PROJECT SINATRA BIDCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE 16 MONTH ENDED 31 JULY 2017

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.

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

Smith Cooper Limited were appointed auditors during the period. 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 12 April 2018 and signed on its behalf.



Carole Carson
Director

PROJECT SINATRA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PROJECT SINATRA BIDCO LIMITED

We have audited the financial statements of Project Sinatra Bidco Limited for the 16 months ended 31 July 2017, set out on pages 6 to 15. 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 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 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 Company's affairs as at 31 July 2017 and of its loss for the 16 months 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, 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 16 months for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' report.

PROJECT SINATRA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PROJECT SINATRA BIDCO 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, 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.

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: 12 April 2018

PROJECT SINATRA BIDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 16 MONTH ENDED 31 JULY 2017

	Note	16 months ended 31 July 2017 £
Other operating charges		(43,112)
Operating (loss)/profit	4	<u>(43,112)</u>
Interest payable and expenses	7	(503,537)
(Loss)/profit before tax		<u>(546,649)</u>
(Loss)/profit for the financial 16 month		<u><u>(546,649)</u></u>

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

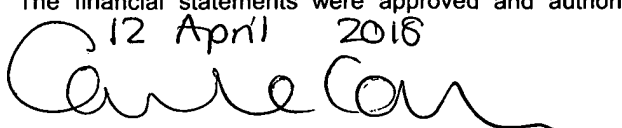
The notes on pages 9 to 15 form part of these financial statements.

PROJECT SINATRA BIDCO LIMITED
REGISTERED NUMBER: 10055109

BALANCE SHEET
AS AT 31 JULY 2017

	Note	2017 £
Fixed assets		
Investments	9	19,702,713
		<u>19,702,713</u>
Current assets		
Cash at bank and in hand	10	5,359
		<u>5,359</u>
Creditors: amounts falling due within one year	11	(14,408,181)
		<u>(14,408,181)</u>
Net current (liabilities)/assets		<u>(14,402,822)</u>
Total assets less current liabilities		<u>5,299,891</u>
Creditors: amounts falling due after more than one year	12	(5,846,539)
		<u>(5,846,539)</u>
Net (liabilities)/assets		<u><u>(546,648)</u></u>
Capital and reserves		
Called up share capital	14	1
Profit and loss account	15	(546,649)
		<u>(546,648)</u>
		<u><u>(546,648)</u></u>

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

12 April 2018


Carole Carson
 Director

The notes on pages 9 to 15 form part of these financial statements.

PROJECT SINATRA BIDCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE 16 MONTH ENDED 31 JULY 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Comprehensive income for the 16 month			
Loss for the 16 month	-	(546,649)	(546,649)
Total comprehensive income for the 16 month	-	(546,649)	(546,649)
Shares issued during the 16 month	1	-	1
Total transactions with owners	1	-	1
At 31 July 2017	1	(546,649)	(546,648)

The notes on pages 9 to 15 form part of these financial statements.

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

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 activity of the Company is disclosed in 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.

The Company's functional and presentational currency is GBP.

The Company has taken advantage of exemption included within FRS 102 not to prepare a cash flow statement where the company is a subsidiary of a parent undertaking which prepares consolidated financial statements which include a cashflow statement and are publically available and agreed by shareholders. Details of the parent undertaking are included in note 17.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent company, Project Sinatra Topco Limited.

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:

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

2. Accounting policies (continued)

2.2 Going concern

At 31 July 2017, the company had net liabilities of £546,649 and is reliant on the support of the parent undertaking to provide adequate resources to enable the company to continue trading and to meet its liabilities as they fall due.

As noted in the accounts of the ultimate parent undertaking, the Group had net liabilities of £4,249,075 and net current liabilities of £917,908 at 31 July 2017. After reviewing the Group's budgets and funding available to them, 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.

Subsequent to the year end, the net senior leverage covenant with the bank has been breached which has been noted by the bank. The forecasts for the Group through to 31 July 2018 show that all covenants should be met as at 31 July 2018 and the bank has indicated that they are in agreement with the proposals to ensure that all year end covenants are met. The directors remain confident that bank funding will remain in place as all capital repayment for loans were met during the year and have continued to be met post year end,

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 2017 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) 12 July 2019.

The Group therefore continues to adopt the going concern basis in preparing its financial statements

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.4 Cash and cash equivalents

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

2.5 Financial instruments

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

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

2. Accounting policies (continued)

2.5 Financial instruments (continued)

discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.6 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.

2.7 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.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the 16 months in which they are incurred.

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. There are no significant areas of estimation or judgement.

4. Operating (loss)/profit

During the 16 months, no director received any emoluments.

5. Auditors' remuneration

Audit costs are borne by another group company.

6. Employees

The average monthly number of employees, including the directors, during the 16 month was as follows:

	16 months ended 31 July 2017 No.
Directors	2

PROJECT SINATRA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTH ENDED 31 JULY 2017**

7. Interest payable and similar charges

	16 months ended 31 July 2017 £
Bank interest payable	493,432
Other loan interest payable	10,105
	<u>503,537</u>

8. Taxation

	16 months ended 31 July 2017 £
	<u>-</u>
Total current tax	<u>-</u>

Factors affecting tax charge for the 16 months

The tax assessed for the 16 months is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	16 months ended 31 July 2017 £
(Loss)/profit on ordinary activities before tax	(546,649)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	(109,330)
Effects of:	
Unrelieved tax losses carried forward	84,421
Group relief	24,909
Total tax charge for the 16 month	<u>-</u>

Factors that may affect future tax charges

The rate of corporation tax reduced from 20% to 19% from 1 April 2017 and there are further reductions to 17% from April 2020.

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

9. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
Additions	19,702,713
At 31 July 2017	<u>19,702,713</u>
Net book value	
At 31 July 2017	<u><u>19,702,713</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Babington Business Limited	Ordinary	100 %	Holding Company Provision of training services
Babington Business College Limited	Ordinary	100 %	Provision of training services
Michael John Training Limited	Ordinary	100 %	Provision of training services
Babington Apprenticeships Limited	Ordinary	100 %	Provision of training services
NCFSL Limited	Ordinary	100 %	Dormant Provision of education and training services
Acorn Training Consultants Limited	Ordinary	100 %	

10. Cash and cash equivalents

	2017 £
Cash at bank and in hand	<u><u>5,359</u></u>

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

11. Creditors: Amounts falling due within one year

	2017 £
Bank loans	743,216
Amounts owed to group undertakings	13,664,965
	<hr/> 14,408,181 <hr/>

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

	2017 £
Bank loans	5,846,539
	<hr/>

Secured loans

Project Sinatra Bidco Limited has a £7,800,000 bank facility expiring on 14 April 2021. The loan is secured on the assets of the business and its subsidiaries.

13. Loans

Analysis of the maturity of loans is given below:

	2017 £
Amounts falling due within one year	
Bank loans	743,216
Amounts falling due 1-2 years	
Bank loans	743,216
Amounts falling due 2-5 years	
Bank loans	5,103,323
	<hr/> 6,589,755 <hr/>

PROJECT SINATRA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTH ENDED 31 JULY 2017

14. Share capital

2017
£

Shares classified as equity

Allotted, called up and fully paid

1 Ordinary share of £1

1

During the period 1 ordinary share of £1 was issued at par.

15. 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.

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

17. Controlling party

Project Sinatra Topco Limited, the parent undertaking of the largest and smallest group for which consolidated accounts are prepared is 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.