

BABINGTON BUSINESS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

BABINGTON BUSINESS LIMITED

COMPANY INFORMATION

Directors	A Fantham (resigned 29 March 2023) D Marsh (resigned 16 May 2023) J Bramley (appointed 16 May 2023) M Basham (appointed 17 July 2023)
Registered number	07077954
Registered office	55 Colmore Row Birmingham B3 2AA
Independent auditors	PKF Smith Cooper Audit Limited 1 Prospect Place Millennium Way Derby DE24 8HG

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022**

The Directors present the Strategic Report of Babington Business Limited and its subsidiaries (the "Group ") for the year ended 31 July 2022.

Business review

The Group has delivered turnover of £26.4m in line with the 2021 turnover of £26.6m, with the principal activity of Apprenticeship delivery being the main revenue generating pursuit. The further embedding of the acquired People Plus apprenticeship learners into our portfolio in 2021 continues to support the business strategy moving into FY23. There has been a write-off of £2.2m of group intercompany debt reassessed as irrecoverable due to the sale of Babington Business Limited and its subsidiaries.

The Group continued to have the support of funders with the majority ownership of funds managed by RJD Partners during the year ended July 2022. Whilst RJD Partners demonstrated dedication to supporting in the continued growth of the business to enable us to deliver quality career pathways for employers and learners, a plan for the sale of the Company and its subsidiaries was being considered, which completed after year end in December 2022.

We also refer to note 26 detailing the post balance sheet event reflecting the successful transfer of the majority ownership of the Group to funds managed by an affiliate of Unigestion SA in December 2022.

Alternative measures put in place in the prior year to support continuing operations during the COVID-19 pandemic continued during the year ended July 2022. Delivery of training services by remote and blended learning methods continued to be essential to our successful learner experience whilst the adoption of remote and blended working for our dedicated colleagues continued to support the health and well-being of our people. The Coronavirus Job Retention Government grant (CJRS) receivable in 2021 of £373k classed as other operating income, was not claimed in 2022.

As a result of the change in working practices due to the pandemic, our strategy relating to the premises which we occupy had been reassessed in the year and a decision to exit property which would no longer be required was undertaken, resulting in significant one-off and exceptional costs in the year.

The Group continues to make investment in developing innovative learning solutions to suit the changing needs of both employers and learners whilst further developing the skills and capabilities of our people and system to strengthen our unique proposition to the market.

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

Principal risks and uncertainties

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

The Directors have a long-term operational improvement plan in place to focus on the underlying strength of the business and to improve the overall trading performance of the Group.

We also refer to note 2.3, which details the assessment of the application of the going concern policy to the financial statement of the Group.

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.

BABINGTON BUSINESS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022**

This report was approved by the board on 28 July 2023 and signed on its behalf.

M Basham
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2022**

The directors present their report and the financial statements for the year ended 31 July 2022.

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 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,496,512 (2021 - profit £3,388,689).

The directors do not recommend the payment of a dividend (2021: £Nil).

Directors

The directors who served during the year were:

A Fantham (resigned 29 March 2023)

D Marsh (resigned 16 May 2023)

Future developments

There are no significant future developments which the directors believe require disclosure. Significant post balance events have been disclosed below.

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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022**

Engagement with employees

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

The Group is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Its equal opportunities policy is designed to ensure that no person or group of individuals will be treated less favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability.

The Group maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Group as a whole.

Disabled employees

The 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

Subsequent to the year end, the Company and its subsidiaries were sold to funds managed by an affiliate of Unigestion SA.

Auditors

Under section 487(2) of the Companies Act 2006, PKF 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 28 July 2023 and signed on its behalf.

M Basham
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABINGTON BUSINESS LIMITED

Opinion

We have audited the financial statements of Babington Business Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company 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 Group's and of the parent Company's affairs as at 31 July 2022 and of the Group's 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.

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 Group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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 Group financial statements

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Based on our understanding of the Group and industry, we identify the key laws and regulations affecting the Group, which include compliance with the ESFA funding rules and OFSTED. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified that the principal risk of fraud or noncompliance with laws and regulations related to:

- management bias in respect of accounting estimates and judgements made;
- management override of control;
- posting of unusual journals or transactions

We focussed on those area that could give rise to a material misstatement in the Group's financial statements.

Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance/review of correspondence around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance where available.
- Reviewing legal expenditure in the year to identify instances of non-compliance with laws and regulations and fraud.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias. In particular, in relation to the useful estimated lives of intangible fixed asset and revenue recognition, undertaking analytical procedures to identify any unexpected or unusual relationships that might indicate material misstatement due to fraud.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABINGTON BUSINESS 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.

James Delve (Senior Statutory Auditor)

for and on behalf of

PKF Smith Cooper Audit Limited

Statutory Auditors

1 Prospect Place

Millennium Way

Derby

DE24 8HG

28 July 2023

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2022**

	Note	2022 £	2021 £
Turnover	4	26,443,468	26,601,392
Cost of sales		(14,943,712)	(16,039,104)
Gross profit		11,499,756	10,562,288
Administrative expenses		(9,907,025)	(8,602,441)
Exceptional administrative expenses	11	(2,913,590)	(344,612)
Other operating income		-	373,495
Operating (loss)/profit	6	(1,320,859)	1,988,730
Profit on disposal of investments		-	1,399,284
(Loss)/profit before tax		(1,320,859)	3,388,014
Tax on (loss)/profit	10	(175,653)	675
(Loss)/profit for the financial year		(1,496,512)	3,388,689
Profit for the year attributable to:			
Owners of the parent company		1,496,512	(3,388,689)

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 16 to 30 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	2,465,163	2,203,431
Tangible assets	14	59,534	100,775
		<u>2,524,697</u>	<u>2,304,206</u>
Current assets			
Debtors: amounts falling due within one year	16	5,956,795	9,551,500
Cash at bank and in hand	17	19,652	1,505,858
		<u>5,976,447</u>	<u>11,057,358</u>
Current liabilities			
Creditors: amounts falling due within one year	18	(4,905,845)	(8,269,753)
		<u>1,070,602</u>	<u>2,787,605</u>
Net current assets		<u>3,595,299</u>	<u>5,091,811</u>
Total assets less current liabilities		<u>3,595,299</u>	<u>5,091,811</u>
Net assets		<u>3,595,299</u>	<u>5,091,811</u>
Capital and reserves			
Called up share capital	20	375,030	375,030
Profit and loss account	21	3,220,269	4,716,781
		<u>3,595,299</u>	<u>5,091,811</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2023.

M Basham
Director

J Bramley
Director

The notes on pages 16 to 30 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 JULY 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	15	2,721,966	2,721,966
		<u>2,721,966</u>	<u>2,721,966</u>
Current liabilities			
Creditors: amounts falling due within one year	18	(8,376,795)	(6,208,458)
		<u>(8,376,795)</u>	<u>(6,208,458)</u>
Net current liabilities			
		<u>(8,376,795)</u>	<u>(6,208,458)</u>
Total assets less current liabilities			
		<u>(5,654,829)</u>	<u>(3,486,492)</u>
Net liabilities			
		<u>(5,654,829)</u>	<u>(3,486,492)</u>
Capital and reserves			
Called up share capital	20	375,030	375,030
Profit and loss account	21	(6,029,859)	(3,861,522)
		<u>(5,654,829)</u>	<u>(3,486,492)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2023.

M Basham
Director

J Bramley
Director

The notes on pages 16 to 30 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2020	375,030	1,328,092	1,703,122
Comprehensive income for the year			
Profit for the year	-	3,388,689	3,388,689
Total comprehensive income for the year	-	3,388,689	3,388,689
At 1 August 2021	375,030	4,716,781	5,091,811
Comprehensive income for the year			
Loss for the year	-	(1,496,512)	(1,496,512)
Total comprehensive income for the year	-	(1,496,512)	(1,496,512)
At 31 July 2022	<u>375,030</u>	<u>3,220,269</u>	<u>3,595,299</u>

The notes on pages 16 to 30 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2020	375,030	(3,861,522)	(3,486,492)
Total comprehensive income for the year	-	-	-
At 1 August 2021	375,030	(3,861,522)	(3,486,492)
Comprehensive income for the year			
Loss for the year	-	(2,168,337)	(2,168,337)
Total comprehensive income for the year	-	(2,168,337)	(2,168,337)
At 31 July 2022	<u>375,030</u>	<u>(6,029,859)</u>	<u>(5,654,829)</u>

The notes on pages 16 to 30 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2022**

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	(1,496,512)	3,388,689
Adjustments for:		
Amortisation of intangible assets	709,147	558,004
Depreciation of tangible assets	43,756	65,407
Loss on disposal of tangible assets	36,384	47,887
Taxation	175,653	(675)
(Increase) in debtors	(1,527,307)	(414,292)
Decrease in amounts owed by groups undertakings	5,125,823	(503,751)
Increase/(decrease) in creditors	1,261,318	(760,996)
Increase in amounts owed to group undertakings	(4,804,690)	(1,625,061)
Corporation tax	-	3,292
Profit on sale of investment	-	(1,399,284)
Net cash generated from operating activities	(476,428)	(640,780)
Cash flows from investing activities		
Purchase of intangible fixed assets	(970,880)	(509,434)
Purchase of tangible fixed assets	(38,898)	(15,201)
Sale of unlisted and other investments	-	1,399,284
Net cash from investing activities	(1,009,778)	874,649
Cash and cash equivalents at beginning of year	1,505,858	1,271,989
Cash and cash equivalents at the end of year	19,652	1,505,858
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	19,652	1,505,858

The notes on pages 16 to 30 form part of these financial statements.

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 JULY 2022**

	At 1 August 2021 £	Cash flows £	At 31 July 2022 £
Cash at bank and in hand	1,505,858	(1,486,206)	19,652
	<u>1,505,858</u>	<u>(1,486,206)</u>	<u>19,652</u>

The notes on pages 16 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

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 Group provides educational services.

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 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 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 Group and Company's functional and presentational currency is GBP. The financial statements have been prepared to the nearest £.

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.

2.3 Going concern

The directors have prepared forecasts for the Group based on conservative assumptions to the overall performance for the Group for the period to August 2024, including new starts and success rates, as well as on-going cost levels. These forecasts include detailed cash flow forecasts through to 31 August 2024 showing that the Group will have sufficient funds over this period to satisfy all liabilities as they fall due for payment. The Group's cashflow needs will be met from loans committed by the new owners of £5.5 million. These loans are subject to interest, but signed confirmation has been provided that no interest will be paid nor any capital repayments made on these loans prior to 31 August 2024.

As noted above, the Group has received a letter of continued commitment from their new owners confirming that they will continue to make these funds available to enable the Group to meet its liabilities as they fall due for a period of twelve months from the date of signing of these financial statements. Therefore, the directors consider that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to meet its current liabilities as they fall due.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

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.

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

2.5 Operating leases: the Group as lessee

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

2.6 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.

2.7 Government grants

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

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.8 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Current and deferred taxation

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

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

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.11 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.

Other intangible assets are amortised over three years.

2.12 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:

S/Term Leasehold improvements	- 10% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.15 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.

2.16 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.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Financial instruments

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

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

Useful economic lives of fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

4. Turnover

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

	2022 £	2021 £
Provision of education services	<u>26,443,468</u>	<u>26,601,392</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2022 £	2021 £
Government grants receivable - CJRS	<u>-</u>	<u>373,495</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed asset	43,756	66,407
Amortisation of intangible fixed assets	709,148	552,152
Other operating lease rentals	<u>(392,693)</u>	<u>662,177</u>

7. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	<u>35,000</u>	<u>28,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

8. Employees

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	13,414,420	11,546,868	-	-
Social security costs	1,401,263	1,154,378	-	-
Cost of defined contribution scheme	337,358	287,079	-	-
	<u>15,153,041</u>	<u>12,988,325</u>	<u>-</u>	<u>-</u>

There were additional salary costs of £149,659 (2021: £114,424) which have been disclosed within exceptional costs. Also, included in intangible fixed asset additions (see note 13). £628,905 of wages cost have been capitalised during the year (2021:£446,819).

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

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Directors	2	2	2	2
Operational	416	372	-	-
	<u>418</u>	<u>374</u>	<u>2</u>	<u>2</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	<u>4,346</u>	<u>4,117</u>

Directors' remuneration is borne by other Companies in the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	179,464	-
Adjustments in respect of previous periods	-	(3,292)
	<u>179,464</u>	<u>(3,292)</u>
Total current tax	<u>179,464</u>	<u>(3,292)</u>
Deferred tax		
Origination and reversal of timing differences	9,662	1,628
Adjustments in respect of prior periods	-	989
Effect of changes in tax rates	(13,473)	-
	<u>(3,811)</u>	<u>2,617</u>
Total deferred tax	<u>(3,811)</u>	<u>2,617</u>
Taxation on profit/(loss) on ordinary activities	<u>175,653</u>	<u>(675)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(1,320,859)</u>	<u>3,388,014</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(250,963)	643,723
Non-tax deductible amortisation of goodwill and impairment	17,949	17,949
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	422,140	21,092
Adjustments to tax charge in respect of prior periods	-	(2,303)
Non-taxable income	-	(274,723)
Group relief	-	(406,413)
Changes in tax rates	(13,473)	-
Total tax charge for the year	<u>175,653</u>	<u>(675)</u>

Factors that may affect future tax charges

The Group has approximately £74,000 of taxable losses available to offset taxable profits. The deferred tax asset in respect of these losses has not been recognised, as it remains a contingent asset, until all the factors required for its recognition have been met.

In April 2023, the rate of corporation tax will increase to 25% from the current rate of 19%.

11. Exceptional items

	2022 £	2021 £
Exceptional item	<u>2,913,590</u>	<u>344,612</u>

In the current year, £2.2million of exceptional costs related to the write off of group intercompany debt. In addition, £357k related to costs exiting premises and £150k of payroll costs due to restructuring. (2021: Exceptional costs related to ex gratia payments, redundancies, dilapidations, legal fees and consulting).

12. 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 £2,168,337 (2021 - profit £NIL).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

13. Intangible assets

Group

	Development expenditure	Goodwill	Total
	£	£	£
Cost			
At 1 August 2021	2,628,053	1,889,386	4,517,439
Additions	970,880	-	970,880
Disposals	(199,213)	-	(199,213)
		<hr/>	
		1,889,386	
At 31 July 2022	<hr/> 3,399,720 <hr/>	<hr/>	<hr/> 5,289,106 <hr/>
Amortisation			
At 1 August 2021	1,211,871	1,102,137	2,314,008
Charge for the year on owned assets	614,679	94,469	709,148
On disposals	(199,213)	-	(199,213)
		<hr/>	
		1,196,606	
At 31 July 2022	<hr/> 1,627,337 <hr/>	<hr/>	<hr/> 2,823,943 <hr/>
Net book value			
At 31 July 2022	<hr/> 1,772,383 <hr/>	<hr/> 692,780 <hr/>	<hr/> 2,465,163 <hr/>
		<hr/> 787,249 <hr/>	
At 31 July 2021	<hr/> 1,416,182 <hr/>	<hr/>	<hr/> 2,203,431 <hr/>

£628,905 of wages cost have been capitalised during the year (2021:£446,819).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

14. Tangible fixed assets

Group

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 2021	55,905	148,759	284,411	489,075
Additions	-	-	38,898	38,898
Disposals	(54,616)	(47,465)	(113,236)	(215,317)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2022	1,289	101,294	210,073	312,656
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2021	25,088	99,578	263,634	388,300
Charge for the year on owned assets	3,330	25,036	15,390	43,756
Disposals	(27,890)	(37,808)	(113,236)	(178,934)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2022	528	86,806	165,788	253,122
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2022	<hr/> 761	<hr/> 14,488	<hr/> 44,285	<hr/> 59,534
At 31 July 2021	<hr/> 30,817	<hr/> 49,181	<hr/> 20,777	<hr/> 100,775

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2021	2,721,966
At 31 July 2022	<u>2,721,966</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Babington Business College Limited	Ordinary	100 %
Michael John Training Limited	Ordinary	100 %
Future Nation Limited (formerly Babington Apprenticeships Limited)	Ordinary	100 %

The registered office of the subsidiary entities is 55 Colmore Road B3 2AA. All the subsidiaries are directly owned.

16. Debtors

	Group 2022 £	Group 2021 £
Trade debtors	2,554,652	2,455,957
Amounts owed by group undertakings	-	5,125,823
Other debtors	303,166	89,682
Prepayments and accrued income	1,869,610	838,340
Amounts recoverable on long term contracts	1,173,226	989,368
Deferred taxation	56,141	52,330
	<u>5,956,795</u>	<u>9,551,500</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

17. Cash and cash equivalents

	Group 2022 £	Group 2021 £
Cash at bank and in hand	<u>19,652</u>	<u>1,505,858</u>

18. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	2,405,640	909,970	-	-
Amounts owed to group undertakings	-	4,804,690	8,376,795	6,208,458
Corporation tax	179,464	-	-	-
Other taxation and social security	554,742	440,554	-	-
Other creditors	1,682,394	1,961,803	-	-
Accruals and deferred income	83,605	152,736	-	-
	<u>4,905,845</u>	<u>8,269,753</u>	<u>8,376,795</u>	<u>6,208,458</u>

19. Deferred taxation

Group

	2022 £
At beginning of year	52,330
Charged to profit or loss	3,811
At end of year	<u>56,141</u>

	Group 2022 £	Group 2021 £
Accelerated capital allowances	48,030	47,145
Other timing differences	8,111	5,185
	<u>56,141</u>	<u>52,330</u>

The expected reversal of the deferred tax asset is not expected to be material.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

20. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
1,000 (2021 - 1,000) Ordinary shares G1 shares of £0.01 each	10	10
1,000 (2021 - 1,000) Ordinary shares G2 shares of £0.01 each	10	10
1,000 (2021 - 1,000) Ordinary shares G3 shares of £0.01 each	10	10
375,000 (2021 - 375,000) Ordinary shares shares of £1.00 each	375,000	375,000
	<hr/>	<hr/>
	375,030	375,030
	<hr/>	<hr/>

The growth shares are not entitled to participation in dividends and are subordinated on a return on capital to the ordinary shares and in the order of G1,G2 and G3. They have no entitlement to vote at meetings.

21. Reserves

Profit and loss account

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

22. Contingent liabilities

The Group has given an unlimited guarantee to secure the bank borrowings of other companies within the Group. At 31 July 2022, group borrowings amounted to £2663,639 (2021: £3,263,639). The Group is also party to an inter creditor deed, which provides a guarantee, subordinated to the bank borrowings, to secure loan notes of £18,896,074 (2021: £18,896,074) and interest of £15,398,095 (2021: £12,085,764). Subsequent to the year end, these contingent liabilities wre discharged as the Company was sold to funds managed by an affiliate of Unigestion SA. For further details see note 26.

23. 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 £337,358 (2021 - £287,079). Contributions totalling £Nil (2021 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

24. Commitments under operating leases

At 31 July 2022 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £
Not later than 1 year	218,172	374,500
Later than 1 year and not later than 5 years	40,269	199,546
	<u>258,441</u>	<u>574,046</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. Post balance sheet events

Subsequent to the year end, Babington Business Limited and its subsidiaries were sold to funds managed by an affiliate of Unigestion SA.

27. Controlling party

At 31 July 2022, Babington Managed Services Topco Limited was the ultimate parent undertaking of the group.

Babington Managed Services Topco Limited 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.

Subsequent to the year end, the Company and its subsidiaries were sold to funds managed by an affiliate of Unigestion SA. For further details see note 26.

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