

PROJECT SINATRA MIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

PROJECT SINATRA MIDCO LIMITED

COMPANY INFORMATION

Directors	Adrian Fantham David Marsh
Registered number	10055080
Registered office	4th Floor Colmore Gate 2-6 Colmore Row Birmingham England B3 2QD
Independent auditors	Smith Cooper Audit Limited Chartered Accountants & Statutory Auditors St Helen's House King Street Derby DE1 3EE

PROJECT SINATRA MIDCO LIMITED

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PROJECT SINATRA MIDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2020

Business review

The Company is an intermediate holding company which indirectly owns 100% of Babington Business Limited its subsidiaries, which include Babington Business College Limited and its subsidiary company Acorn Training Consultants Limited which are the two main trading companies. Subsequent to the year end, Acorn Training Consultants limited was sold to a third party.

This year has been a year of transition and further development to ensure we continue to meet the needs of our customers as we continue transitioning from frameworks to standards. It is also a year impacted by Covid 19. A detailed business review is included within the financial statements of Project Sinatra Topco Limited.

The Group has continued to invest to make our programmes innovative and has undergone a reshaping of the business over the last 12 months to ensure it is aligned for the opportunities in the marketplace.

The Group continues to receive the support of funders to enable us to deliver quality career pathways for our learners and employers.

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 Group, to which this Company belongs, is heavily invested in the delivery of various Government funded skills and job outcome programmes. As such this 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. The impact and implications of Covid 19 are included within the financial statements of Project Sinatra Topco Limited.

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 and not of this Company, which is an intermediate holding company.

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

Adrian Fantham
Director

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

Directors' responsibilities statement

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

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

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

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

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

Principal activity

The Company's principal activity is an intermediate holding company.

Results and dividends

The loss for the year, after taxation, amounted to £2,744,633 (2019 - loss £2,398,248).

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

Directors

The directors who served during the year were:

Adrian Fantham
David Marsh

Future developments

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

PROJECT SINATRA MIDCO LIMITED

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

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.

Engagement with employees

The Company's employment policies have been designed to meet the needs of its business, and follow best practice whilst complying with both current and anticipated legislation. Applied consistently throughout the Company they provide a fair framework within which employees work. The Company is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Its equal opportunities policy is designed to ensure that no person or group of individuals will be treated less favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability. The Company maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Group as a whole.

Disabled employees

The Company gives full and fair consideration to applications for employment by disabled persons. In the event of employees becoming disabled whilst in the service of the 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'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. The on going impact of Covid 19 is considered within Project Sinatra Topco Limited financial statements. The post year end sale of Acorn Training Consultants is further disclosed within the financial statements of Project Sinatra Topco Limited, as is the acquisition of trade and assets relating to apprenticeship training from another business.

Auditors

Under section 487(2) of the Companies Act 2006, Smith Cooper Audit Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

PROJECT SINATRA MIDCO LIMITED

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

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

Adrian Fantham
Director

PROJECT SINATRA MIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROJECT SINATRA MIDCO LIMITED

Opinion

We have audited the financial statements of Project Sinatra Midco Limited (the 'Company') for the year ended 31 July 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant

accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

PROJECT SINATRA MIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROJECT SINATRA MIDCO LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

PROJECT SINATRA MIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROJECT SINATRA MIDCO LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Janet Morgan (Senior statutory auditor)

for and on behalf of

Smith Cooper Audit Limited

Chartered Accountants

Statutory Auditors

St Helen's House

King Street

Derby

DE1 3EE

29 March 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2020

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	Note	2020 £	2019 £
Administrative expenses		(4,824)	(232,184)
Other operating income	4	51,210	-
Exceptional other operating charges		(35,642)	-
Operating profit/(loss)		10,744	(232,184)
Interest payable and expenses	7	(2,755,377)	(2,166,064)
Loss before tax		(2,744,633)	(2,398,248)
Loss for the financial year		<u>(2,744,633)</u>	<u>(2,398,248)</u>

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

The notes on pages 11 to 18 form part of these financial statements.

	Note	2020 £	2019 £
Fixed assets			
Investments	10	<u>1</u>	<u>1</u>
		1	1
Current assets			
Debtors: amounts falling due within one year	11	<u>19,820,375</u>	<u>19,820,375</u>
		19,820,375	19,820,375
Creditors: amounts falling due within one year	12	<u>(1,608,649)</u>	<u>(1,709,458)</u>
Net current assets		18,211,726	18,110,917
Total assets less current liabilities		18,211,727	18,110,918
Creditors: amounts falling due after more than one year	13	<u>(27,379,711)</u>	<u>(24,534,270)</u>
Net liabilities		<u>(9,167,985)</u>	<u>(6,423,352)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(9,167,986)	(6,423,353)
		<u>(9,167,985)</u>	<u>(6,423,352)</u>

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

Adrian Fantham
Director

The notes on pages 11 to 18 form part of these financial statements.

PROJECT SINATRA MIDCO LIMITED

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

	Called up share capital £	Profit and loss account £	Total equity £
At 1 August 2018	1	(4,025,105)	(4,025,104)
Comprehensive income for the year			
Loss for the year	-	(2,398,248)	(2,398,248)
Total comprehensive income for the year	-	(2,398,248)	(2,398,248)
At 1 August 2019	1	(6,423,353)	(6,423,352)
Comprehensive income for the year			
Loss for the year	-	(2,744,633)	(2,744,633)
Total comprehensive income for the year	-	(2,744,633)	(2,744,633)
At 31 July 2020	<u>1</u>	<u>(9,167,986)</u>	<u>(9,167,985)</u>

The notes on pages 11 to 18 form part of these financial statements.

PROJECT SINATRA MIDCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020****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 Company's principal activity is set out in the Directors's report.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention 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 financial statements have been prepared to the nearest £. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Project Sinatra Topco Limited as at 31 July 2020 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Exemption from preparing consolidated financial statements

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

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

2. Accounting policies (continued)

2.4 Going concern

At 31 July 2020, the Company had net liabilities of £9,167,985 (2019: £6,423,352) 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. The Company has given an unlimited guarantee to secure the bank borrowings of other companies within the Group. At 31 July 2020, group borrowings amounted to £5,200,000 (2019: £5,350,000).

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

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

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

- ii) the bank or any other secured creditor taking enforcement action against the Group;
- ii) such time that all other liabilities of the Group can be repaid in full as they fall due; and
- iii) 14 April 2022.

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

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

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

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

2.5 Finance costs

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

2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

PROJECT SINATRA MIDCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020****2. Accounting policies (continued)****2.7 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.8 Exceptional items

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

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 estimates and judgments.

4. Other operating income

	2020	2019
	£	£
Other operating income	<u>51,210</u>	<u>-</u>

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

5. Auditors' remuneration

The audit fee for the Company has been borne by another group company.

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

6. Employees

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

	2020 No.	2019 No.
Directors	<u>3</u>	<u>3</u>

Directors' emoluments are borne by other group companies.

7. Interest payable and similar expenses

	2020 £	2019 £
Interest incurred during the year	<u>2,755,377</u>	<u>2,166,064</u>

8. Taxation

	2020 £	2019 £
Total current tax	<u>-</u>	<u>-</u>

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(2,744,633)</u>	<u>(2,398,248)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(521,480)	(439,178)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	523,522	439,178
Utilisation of tax losses	(2,042)	-
Total tax charge for the year	<u>-</u>	<u>-</u>

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Factors that may affect future tax charges

The Company has approximately £3.2 million 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.

9. Exceptional items

	2020 £	2019 £
Exceptional items - professional fees	<u>35,642</u>	<u>-</u>

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2019	<u>1</u>
At 31 July 2020	<u><u>1</u></u>

PROJECT SINATRA MIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020**
Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

The registered office of the subsidiary entities is 4th Floor Colmore Gate, 2-6 Colmore Row, Birmingham B3 2QD. Project Sinatra Bidco Limited is directly owned and all of the other subsidiaries are indirectly owned. Subsequent to the year end, Acorn Training Consultants limited was sold. Further details of the sale of Acorn Training Consultants Limited are disclosed in the financial statements of Project Sinatra Topco Limited, including the registered office.

11. Debtors

	2020	2019
	£	£
Amounts owed by group undertakings	<u>19,820,375</u>	<u>19,820,375</u>

12. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Debenture loans	-	90,064
Amounts owed to group undertakings	<u>1,608,649</u>	<u>1,619,394</u>
	<u>1,608,649</u>	<u>1,709,458</u>

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

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

	2020	2019
	£	£
Debentures loans	<u>27,379,712</u>	<u>24,534,270</u>

On 14 April 2016, Project Sinatra Midco Limited issued loan notes of £1 each with an aggregate value of £15,616,500. The loan notes are redeemable at par on the redemption date 14 April 2023. Interest at a rate of 10% compound is charged on the loan notes and is not payable until the redemption date 14 April 2023.

During the year, £750,000 additional loan notes were issued. The loan notes are redeemable at par on the redemption date 14 April 2023. Interest at a rate of 12% compound is charged on the loan notes and is payable 30 June and 31 December each year, starting from June 2019. These additional loan notes rank in preference to the original loan notes but are subordinated to the bank loan.

A further £1,775,000 of loan notes were issued in June 2019. The loan notes are redeemable at par on the redemption date 14 April 2023. Interest at a rate of 15% compound is charged on the loan notes and is payable 30 June and 31 December each year, starting from December 2019. These additional loan notes rank in preference to the original loan notes but are subordinated to the bank loan. For further details see note 15.

During June 2019, £350,627 was transferred to the principal loan balance outstanding from Project Sinatra Topco Limited as a loan under identical terms.

£162,500 of fees have been netted off the loans and are being amortised over the period of the loan, with a balance of £62,447 remaining at the year end. Interest of £9,015,162 has been rolled into the loan.

Part of £750,000, £29,239 are unsecured investor loan notes. All other loan notes are secured by a debenture and guarantee between the Company and Project Sinatra Topco Limited, the parent undertaking and RJD Partners Limited.

In 2019, the terms of the loan notes were revised. These revisions included interest accruing from 20 June 2017 being rolled into the loan notes and becoming repayable in full with the outstanding loan notes on 14 April 2023.

14. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
1 (2019 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

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.

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

16. Contingent liabilities

The Company has given an unlimited guarantee to secure the bank borrowings of other companies within the Group. At 31 July 2020, group borrowings amounted to £5,200,000 (2019: £5,350,000).

17. 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.

During the year, interest payable by the Company to related group companies totalled £2,724,153 (2019: £6,291,008) . There were £18,395,773 (2019:£18,395,773) outstanding loan notes due to related group companies at 31 July 2020. There is an accrual for unpaid interest of £9,015,162 (2019: £6,725,149), which has been rolled into the loan notes and is due for payment in line with the repayment terms of the loan notes.

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

18. 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.