

COMPANY REGISTRATION NUMBER 4117281

EXPLORE LEARNING LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2010

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EXPLORE LEARNING LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the shareholders	6
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11

EXPLORE LEARNING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

R A Fitzgerald
P J Freeman
R C W Hicks
W A Hobhouse
C D E Mason
W S Mills

Company secretary

H Garland

Registered office

3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

Auditor

Shipleys LLP
Chartered Accountants
& Statutory Auditor
3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

EXPLORE LEARNING LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the operation of maths and English tuition centres throughout the United Kingdom for children aged 5 to 14. The company opened 10 new centres in 2010 (2009: 9).

The company aims to provide a network of centres where talented tutors work in a low ratio with children to meet their individual needs. The centres complement a child's school experience in a positive way, helping them to succeed in the classroom. Explore continues to improve academic skills, confidence, enthusiasm and independence of its members.

The results for the year and financial position of the company are as shown in the attached financial statements.

PERFORMANCE AND FINANCIAL REVIEW

At the end of the year the company had 11,188 (2009: 9,389) members. Revenue increased by 37% in the year (2009: 59%) from £8.6m to £11.7m. Fixed assets increased from £1,745,664 to £2,788,920 following the opening of 10 new tuition centres.

FUTURE DEVELOPMENTS

The company continues to actively search for new locations through the United Kingdom to open new centres in 2011. The company continues to develop its own in-house content for tuition within the centres.

RESULTS AND DIVIDENDS

The profit for the year amounted to £957,213. The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's instruments comprise cash and liquid resources and various items that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The board manages the financial risks of ensuring that there are sufficient funds to meet large payments by producing detailed monthly management accounts and cash flow forecast.

In the current market the company is exposed to price risk and it is a difficult climate in which to increase prices as market conditions are holding prices down.

The key performance indicators (KPI's) used to determine the progress and performance of the company over time are membership levels and revenue per member. These are monitored on a continual basis by management.

PRINCIPLE RISKS AND UNCERTAINTIES

The company is concerned that reductions in family disposable income as a result of the tough economic environment and the government's austerity measures may have a negative impact on the number of new joiners. Management continually monitors the rate of new joiners.

EXPLORE LEARNING LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's instruments comprise cash and liquid resources and various items that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The board manages the financial risks of ensuring that there are sufficient funds to meet large payments by producing detailed monthly management accounts and cash flow forecast.

In the current market the company is exposed to price risk and it is a difficult climate in which to increase prices as market conditions are holding prices down.

The key performance indicators (KPI's) used to determine the progress and performance of the company over time are revenue per member, sign ups per centre and retention. These are monitored on a continual basis by management.

PRINCIPLE RISKS AND UNCERTAINTIES

The Company is concerned about the impact of the Government's review of the childcare element of Working tax credit and the value of childcare voucher allowances. Management continue to monitor government announcements.

DIRECTORS

The directors who served the company during the year were as follows:

R A Fitzgerald
P J Freeman
R C W Hicks
W A Hobhouse
C D E Mason
W S Mills

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and 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.

EXPLORE LEARNING LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DISABLED EMPLOYEES

It is the Company's policy to recruit, train and manage employees who meet the requirements of the job, regardless of gender, ethnic origin, age or religion. It is the policy of the company to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be retrained for other positions in the Company.

EMPLOYEE INVOLVEMENT

The company recognises the importance of recruiting the very highest calibre of employees, training them to achieve challenging standards in the performance of their jobs, and developing them to their maximum potential. The Company is committed to involving all employees in the performance and development of the Company. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development. Explore Learning supports employees through a comprehensive range of training courses and through the use of a personal development programme.

EMPLOYEE COMMUNICATIONS

Explore Learning recognises the importance of effective employee communications. Information and comment is exchanged with employees through weekly communications, regular bulletins, presentations to staff and team briefings.

EXPLORE LEARNING LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Registered office
3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

Signed on behalf of the directors



W S MILLS

Director

Approved by the directors on 21 June 2011

EXPLORE LEARNING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EXPLORE LEARNING LIMITED

YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Explore Learning Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, 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 Auditing Practices Board's (APB'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 directors, and the overall presentation of the financial statements.

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 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

EXPLORE LEARNING LIMITED

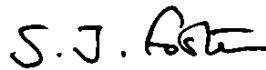
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EXPLORE LEARNING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2010

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



STEPHEN FOSTER (Senior Statutory Auditor)

For and on behalf of
SHIPLEYS LLP
Chartered Accountants
& Statutory Auditor

3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

27/6/2011

EXPLORE LEARNING LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
TURNOVER	2	11,755,809	8,574,367
Cost of sales		(7,850,818)	(6,423,539)
GROSS PROFIT		3,904,991	2,150,828
Administrative expenses		(3,032,961)	(2,432,796)
OPERATING PROFIT/(LOSS)	3	872,030	(281,968)
Interest receivable		5,438	2,629
Interest payable and similar charges	6	(14,248)	(29,246)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		863,220	(308,585)
Tax on profit/(loss) on ordinary activities	7	93,993	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		957,213	(308,585)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the
year as set out above

The notes on pages 11 to 27 form part of these financial statements.

EXPLORE LEARNING LIMITED

BALANCE SHEET

31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Intangible assets	8	25,107	31,365
Tangible assets	9	2,763,813	1,714,299
		<u>2,788,920</u>	<u>1,745,664</u>
CURRENT ASSETS			
Stocks	10	32,377	—
Debtors	11	515,876	550,788
Cash at bank and in hand		1,269,884	688,244
		<u>1,818,137</u>	<u>1,239,032</u>
CREDITORS: Amounts falling due within one year	13	<u>(1,642,493)</u>	<u>(1,432,359)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>175,644</u>	<u>(193,327)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,964,564</u>	<u>1,552,337</u>
CREDITORS. Amounts falling due after more than one year	14	<u>(325,000)</u>	<u>(419,986)</u>
		<u>2,639,564</u>	<u>1,132,351</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	5,188	4,988
Share premium account	21	6,802,792	6,252,992
Other reserves	21	25	25
Profit and loss account	21	(4,168,441)	(5,125,654)
SHAREHOLDERS' FUNDS	22	<u>2,639,564</u>	<u>1,132,351</u>

These financial statements were approved by the directors and authorised for issue on 21 June 2011, and are signed on their behalf by



W S MILLS

Company Registration Number 4117281

The notes on pages 11 to 27 form part of these financial statements.

EXPLORE LEARNING LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	2,160,514	313,319
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	23	(8,810)	(26,617)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(1,712,318)	(957,391)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		439,386	(670,689)
FINANCING	23	233,351	630,293
INCREASE/(DECREASE) IN CASH	23	672,737	(40,396)

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

In the directors opinion the going concern basis is considered to be an appropriate basis to prepare the financial statements on as they have prepared budgets and forecasts and are satisfied that adequate financial resources will be available for a minimum period of 12 months from the date of approval of the financial statements

Turnover

Turnover comprises membership and joining fees excluding value added tax relating to the year

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Software Licences - 4 years straight line

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures & Fittings - 10% - 33% straight line

Other Fit Out Costs - 10 years straight line

Plant & Equipment - 10% - 33% straight line

Stocks

Stocks represent promotional and learning materials held for future use. Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES *(continued)*

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

Share-based payments

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2010 £	2009 £
United Kingdom	<u>11,755,809</u>	<u>8,574,367</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting)

	2010	2009
	£	£
Amortisation of intangible assets	15,658	13,301
Depreciation of owned fixed assets	538,849	401,834
Depreciation of assets held under hire purchase agreements	—	10,169
Loss/(Profit) on disposal of fixed assets	114,555	(270)
Auditor's remuneration		
- as auditor	<u>10,500</u>	<u>10,100</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2010	2009
	No	No
Head Office Management Staff	20	17
Head Office Operational Staff	8	7
Centre Managers	154	116
Centre Tutors	<u>135</u>	<u>110</u>
	<u>317</u>	<u>250</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	6,560,254	5,300,350
Social security costs	36,476	31,073
Other pension costs	233,360	200,447
Equity-settled share-based payments	<u>94,892</u>	<u>—</u>
	<u>6,924,982</u>	<u>5,531,870</u>

The number of centre tutors above relates to full time equivalent employee numbers
The actual number of part time centre tutors employed at the year end was 586 (2009 635)

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2010	2009
	£	£
Remuneration receivable	317,078	288,000
Value of company pension contributions to money purchase schemes	<u>16,593</u>	<u>14,580</u>
	<u>333,671</u>	<u>302,580</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

5. DIRECTORS' REMUNERATION *(continued)*

Remuneration of highest paid director:

	2010	2009
	£	£
Total remuneration (excluding pension contributions)	171,534	162,333
Value of company pension contributions to money purchase schemes	<u>8,976</u>	<u>7,887</u>
	<u><u>180,510</u></u>	<u><u>170,220</u></u>

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

The number of directors who received shares under a long term incentive scheme during the year were as follows

	2010	2009
	No	No
Directors who received shares under a long term incentive scheme	<u>3</u>	<u>3</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Interest payable on bank borrowing	14,248	6,400
Finance charges	—	12,374
Other similar charges payable	<u>—</u>	<u>10,472</u>
	<u><u>14,248</u></u>	<u><u>29,246</u></u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2010		2009
	£	£	£
Current tax			
UK Corporation tax based on the results for the year at 28% (2009 - 28%)		1,142	-
Total current tax		1,142	-
Deferred tax			
Origination and reversal of timing differences (note 12)			
Capital allowances	74,244		-
Losses	(169,379)		-
Total deferred tax (note 12)		(95,135)	-
Tax on profit/(loss) on ordinary activities		(93,993)	-

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010	2009
	£	£
Profit/(loss) on ordinary activities before taxation	863,220	(308,585)
Profit/(loss) on ordinary activities by rate of tax	241,702	(86,404)
Expenses not deductible for tax purposes	27,973	7,381
Capital allowances for period in excess of depreciation	(7,829)	(32,280)
Utilisation of tax losses	(260,322)	-
Unrelieved tax losses	-	111,303
Tax chargeable at lower rates	(382)	-
Total current tax (note 7(a))	1,142	-

(c) Factors that may affect future tax charges

As at 31 December 2010 the company has tax losses of £4,042,187 (2009 £4,971,909) carried forward against future profits

As at the balance sheet date the company has an unrecognised deferred tax asset of £1,149,342 (2009 £1,392,135) and an unrecognised deferred tax liability of £nil (2009 £62,771)

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

8. INTANGIBLE FIXED ASSETS

	Software licences £
COST	
At 1 January 2010	53,205
Additions	9,400
At 31 December 2010	<u>62,605</u>
AMORTISATION	
At 1 January 2010	21,840
Charge for the year	15,658
At 31 December 2010	<u>37,498</u>
NET BOOK VALUE	
At 31 December 2010	<u>25,107</u>
At 31 December 2009	<u>31,365</u>

9. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £
COST	
At 1 January 2010	3,148,516
Additions	1,689,905
Disposals	(340,165)
At 31 December 2010	<u>4,498,256</u>
DEPRECIATION	
At 1 January 2010	1,434,217
Charge for the year	538,849
On disposals	(238,623)
At 31 December 2010	<u>1,734,443</u>
NET BOOK VALUE	
At 31 December 2010	<u>2,763,813</u>
At 31 December 2009	<u>1,714,299</u>

Hire purchase agreements

Included within the net book value of £2,763,813 is £Nil (2009 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2009 - £10,169).

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

10. STOCKS

	2010 £	2009 £
Stock	<u>32,377</u>	<u>-</u>

Stock consists of promotional and learning materials held in storage by a third party

11. DEBTORS

	2010 £	2009 £
Trade debtors	98,187	141,739
Other debtors	8,691	11,083
Prepayments and accrued income	313,863	397,966
Deferred taxation (note 12)	<u>95,135</u>	<u>-</u>
	<u>515,876</u>	<u>550,788</u>

12. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2010 £	2009 £
Included in debtors (note 11)	<u>95,135</u>	<u>-</u>

The movement in the deferred taxation account during the year was

	2010 £	2009 £
Profit and loss account movement arising during the year	<u>95,135</u>	<u>-</u>
Balance carried forward	<u>95,135</u>	<u>-</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2010 £	2009 £
Excess of taxation allowances over depreciation on fixed assets	(74,244)	-
Tax losses available	<u>169,379</u>	<u>-</u>
	<u>95,135</u>	<u>-</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

13 CREDITORS: Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	5,386	316,948
Trade creditors	639,079	545,261
Corporation tax	1,142	–
PAYE and social security	133,620	105,514
Share options	94,892	–
Hire purchase agreements	–	1,198
Other creditors	21,205	20,827
Accruals and deferred income	747,169	442,611
	<u>1,642,493</u>	<u>1,432,359</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2010 £	2009 £
Bank loans and overdrafts	–	<u>314,416</u>

On 11 April 2008, Lloyds TSB Bank PLC registered a charge over the rent deposit deed over any loss damage claim or expense suffered by the Chargee as a result of any breach by the Company of the Company's obligations or of the Chargee making good any such breach or of the disclaimer or forfeiture of the lease

On 26 February 2009, National Westminster Bank PLC registered a charge over all the Company's liabilities to the bank (present, future, actual or contingent and whether incurred alone or jointly with another) by way of a debenture

14. CREDITORS: Amounts falling due after more than one year

	2010 £	2009 £
Bank loans and overdrafts	<u>325,000</u>	<u>419,986</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2010 £	2009 £
Bank loans and overdrafts	<u>325,000</u>	<u>419,986</u>

15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2010 £	2009 £
Hire purchase agreements are analysed as follows		
Current obligations	–	<u>1,198</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

16. PENSIONS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £233,360 (2009 £200,447). Contributions totalling £20,247 (2009 £20,827) were payable to the fund at the balance sheet date and are included in other creditors.

17. SHARE-BASED PAYMENTS

Equity-settled share-based payments

The company has a share option scheme for senior employees (including directors). Options are exercisable at a price determined at the date of grant. The vesting period is usually 7 to 10 years. The exercise of options is also dependent on eligible executives meeting performance criteria. The options are settled in equity once exercised.

If the options remain unexercised after a period of 7 to 10 years from the date of grant, the options expire.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2010		2009	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	1,069,000	0	1,019,000	0
Granted during the year	80,000	0.00	50,000	0.00
Outstanding at the end of the year	1,149,000	0	1,069,000	0
		1.22		1.15
Exercisable at the end of the year	936,500	0.00	869,000	0.00
		1.12		1.05

The weighted average price of options exercised during the year was £nil as no options were exercised.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 2 to 3 years and have a range of exercise prices. The maximum exercise price for the year is shown below:

Expiry date	Exercise price £	2010 No	2009 No
31 December 2012	1.00	300,000	300,000
31 December 2012	2.25	384,000	304,000
31 December 2014	1.50	335,000	335,000
31 December 2005	1.00	80,000	80,000
31 December 2016	2.25	50,000	50,000
		1,149,000	1,069,000

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

17. SHARE-BASED PAYMENTS *(continued)*

In the year ended 31 December 2010, options were granted on the 6 April 2010. The estimated fair value of the options granted on those dates were £2.75. In the year ended 31 December 2009, 50,000 options were granted on the 4 February 2009. The estimated fair values of the options granted on those dates were £2.25.

The fair values were calculated using the Black Scholes valuation model. The inputs into the model were as follows:

	2010	2009
Weighted average share price (£)	2.75	2.25
Weighted average exercise price (£)	1.12	1.05
Expected volatility (%)	14.00	14.00
Expected life (years)	3.00	7.00
Risk free rate (%)	<u>4.00</u>	<u>4.00</u>

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 7 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £94,892 related to equity settled share based payment transactions. The payment was relating to £29,890 in 2010 (2009 - £65,002).

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2010	2009
	£	£
Operating leases which expire		
Within 1 year	33,000	51,000
Within 2 to 5 years	185,928	168,428
After more than 5 years	894,500	725,558
	<u>1,113,428</u>	<u>944,986</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

19. RELATED PARTY TRANSACTIONS

During the year Spectrum Venture Management, one of the shareholders, was paid management fees of £15,000 (2009 £15,000) No balance was outstanding at the year end date

During the year Sarratt Equity Ltd were paid management fees of £35,188 (2009 £34,500) in respect of work performed by Mr W A Hobhouse, a director of both Explore Learning Ltd and Sarratt Equity Ltd No balance was outstanding at the year end date Mr W S Mills, a director of the company, is also a director of Highfield School (Liphook) Limited During the year, the company was charged £2,680 (2009 £2,566) for cleaning and catering services by Highfield School No balance was outstanding at the year end date

Mr W S Mills a director held the following share options at 31 December 2010

Grant Date	No of Options	Option Price
20/04/2004	120,000	£1 50
24/01/2005	40,000	£1 50
02/10/2005	80,000	£1 00
18/02/2008	200,000	£0 50

Mr R Hicks a director held the following share options at 31 December 2010

Grant Date	No of Options	Option Price
15/07/2003	100,000	£1 20
20/04/2004	90,000	£1 50
24/01/2005	30,000	£1 50
23/01/2008	50,000	£1 50
06/07/2010	80,000	£2 25

On 18 February 2008, two of the directors, Mr W S Mills and Mr W A Hobhouse were granted an unapproved share option to subscribe for a number of shares where the number and amount are calculated according the price achieved on sale or floatation of the company This option lapses on 31 December 2012

20. SHARE CAPITAL

Allotted and called up:

	2010		2009	
	No	£	No	£
4,288,096 Ordinary shares (2009 - 4,088,096) of £0 001 each	4,288,096	4,288	4,088,096	4,088
900,000 Ordinary - A shares of £0 001 each	900,000	900	900,000	900
	<u>5,188,096</u>	<u>5,188</u>	<u>4,988,096</u>	<u>4,988</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

21. RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Balance brought forward	6,252,992	25	(5,125,654)
Profit for the year	—	—	957,213
Other movements			
New equity share capital subscribed	549,800	—	—
Balance carried forward	<u>6,802,792</u>	<u>25</u>	<u>(4,168,441)</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	£	2009 £	£
Profit/(Loss) for the financial year		957,213		(308,585)
New equity share capital subscribed	200		—	
Premium on new share capital subscribed	<u>549,800</u>		<u>—</u>	
		<u>550,000</u>		<u>—</u>
Net addition/(reduction) to shareholders' funds		1,507,213		(308,585)
Opening shareholders' funds		<u>1,132,351</u>		<u>1,440,936</u>
Closing shareholders' funds		<u>2,639,564</u>		<u>1,132,351</u>

23. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit/(loss)	872,030	(281,968)
Amortisation	15,658	13,301
Depreciation	538,849	412,003
Loss/(Profit) on disposal of fixed assets	114,555	(270)
Increase in stocks	(32,377)	—
Decrease/(increase) in debtors	130,047	(115,569)
Increase in creditors	426,860	285,822
Equity-settled share-based payments	94,892	—
Net cash inflow from operating activities	<u>2,160,514</u>	<u>313,319</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

23. NOTES TO THE CASH FLOW STATEMENT *(continued)*

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010	2009
	£	£
Interest received	5,438	2,629
Interest paid	(14,248)	(16,872)
Interest element of hire purchase	<u>—</u>	<u>(12,374)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(8,810)</u>	<u>(26,617)</u>

CAPITAL EXPENDITURE

	2010	2009
	£	£
Payments to acquire intangible fixed assets	(9,400)	(19,050)
Payments to acquire tangible fixed assets	(1,689,905)	(938,611)
Receipts from sale of fixed assets	<u>(13,013)</u>	<u>270</u>
Net cash outflow from capital expenditure	<u>(1,712,318)</u>	<u>(957,391)</u>

FINANCING

	2010	2009
	£	£
Issue of equity share capital	200	—
Share premium on issue of equity share capital	549,800	—
(Repayment of)/increase in bank loans	(315,451)	640,451
Capital element of hire purchase	<u>(1,198)</u>	<u>(10,158)</u>
Net cash inflow from financing	<u>233,351</u>	<u>630,293</u>

EXPLORE LEARNING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

23. NOTES TO THE CASH FLOW STATEMENT *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010		2009
	£	£	£
Increase/(decrease) in cash in the period	672,737		(40,396)
Net cash outflow from/(inflow) from bank loans	315,451		(640,451)
Cash outflow in respect of hire purchase	<u>1,198</u>		<u>10,158</u>
Change in net funds resulting from cash flows		989,386	(670,689)
Other differences		<u>(94,892)</u>	<u>—</u>
Movement in net funds in the period		<u>894,494</u>	<u>(670,689)</u>
Net debt at 1 January 2010		<u>(49,888)</u>	620,801
Net funds at 31 December 2010		<u>844,606</u>	<u>(49,888)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2010	Cash flows	Other changes	At 31 Dec 2010
	£	£	£	£
Net cash				
Cash in hand and at bank	688,244	581,640	—	1,269,884
Overdrafts	<u>(96,483)</u>	<u>91,097</u>	<u>—</u>	<u>(5,386)</u>
	<u>591,761</u>	<u>672,737</u>	<u>—</u>	<u>1,264,498</u>
Debt				
Debt due within 1 year	(220,465)	220,465	(94,892)	(94,892)
Debt due after 1 year	(419,986)	94,986	—	(325,000)
Hire purchase agreements	<u>(1,198)</u>	<u>1,198</u>	<u>—</u>	<u>—</u>
	<u>(641,649)</u>	<u>316,649</u>	<u>(94,892)</u>	<u>(419,892)</u>
Net funds	<u>(49,888)</u>	<u>989,386</u>	<u>(94,892)</u>	<u>844,606</u>

24. ULTIMATE CONTROLLING PARTY

The company is considered to have no ultimate controlling party