

Explore Learning Limited

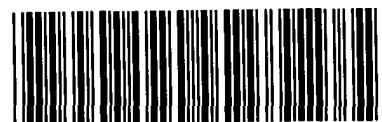
Report and Financial Statements

Year Ended

31 December 2014

Company Number 04117281

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Explore Learning Limited

Report and financial statements
for the year ended 31 December 2014

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Directors

R C W Hicks
W S Mills
A H M Kelsey
C Light

Secretary and registered office

S Cotterill, 74 North Street, Guildford, Surrey, GU1 4AW

Company number

04117281

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Explore Learning Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Principal Activities

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 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. Children become members and attend once or twice a week for sessions lasting approximately 1 hour and 15 minutes. Explore continues to improve academic skills, confidence, enthusiasm and independence of its members.

At 31 December 2014, the company operated 108 centres (2013: 89) with 24,433 members (2013: 21,902). During the year 20 new centres were opened (2013: 13) and one closed (2013: nil).

Performance and financial review

As set out in the consolidated profit and loss account, the company reported a 21.9% increase in revenue (2013: 32% increase), resulting in total revenue of £31.6m (2013: £25.9m). This increase was primarily due to the opening of new centres as well as growth in existing centres from the continued improvement in average prices per member.

KPI's	2014	2013
Revenue	£31.6m	£25.9m
Revenue Growth	21.9%	31.7%
Revenue per member ¹	£103.55	£99.57
Operating profit	£2.5m	£2.3m
EBITDA ²	£4.2m	£3.8m
Structuring EBITDA ³	£5.2m	£4.6m
No. of centres ⁴	108	89
Membership ⁴	24,433	21,902

¹ Revenue per member calculated as all monthly membership fee revenue from existing members at the end of a particular month, divided by the number of active members at the beginning of the same month.

² EBITDA is defined as operating profit plus depreciation, amortisation and exceptional items.

³ Structuring EBITDA is defined as EBITDA plus start up losses incurred in immature centres (less than 24mths old).

⁴ No. of centres and membership at end of period.

Operating profits were £2.5m, up 8.6% on 2013 predominantly resulting from the increasing EBITDA contribution from the immature centres opened in 2012 and 2013. Whilst the company continues to assess its international options and grow through new centre expansion, management uses structuring EBITDA as a KPI to assess the underlying performance of the business. This shows a year on year improvement of £0.4m which is benefited by the strong performance of the 2014 centre openings.

Revenue per member has grown by 4% as price increases are applied to new members and take up of additional content, such as creative maths, continues to increase. Other non financial KPIs monitored on a continual basis by management are membership levels which have increased by 11.6% between December 2013 and December 2014 and number of centres which have increased by 21.3%.

No dividends were proposed or declared (2013: £Nil).

Explore Learning Limited

Strategic report for the year ended 31 December 2014 (*continued*)

Principal risks and uncertainties

The business management and execution of the company's strategy are subject to a number of potential risks and uncertainties, including political risk, financial risk and operating risks. These could have a material impact on the company's operating performance and could cause future financial results to differ materially from expected and historical results. The key area of risk to the business is negative net membership growth. This could be driven by failure to successfully implement business strategies, the inability to attract and retain the right people to deliver tuition and operate our centres, competition, and macro-economic factors including consumer confidence.

The Directors have implemented systems to identify and assess these risks and to ensure that reasonable mitigation and action plans are in place. In particular, the following activities are examples of ways in which the directors have attempted to mitigate the key risk to the business:

- Investment in training programs and content to differentiate Explore from other operators;
- Implementation of a robust centre approval process including assessment of demographics & payback;
- Built strong relationships, underpinned with long term contracts with key partners such as Sainsbury's and Pearson (provider of SuccessMaker software);
- Maintenance of competitiveness through an appropriate pricing architecture.

The main risks arising from the financial assets and liabilities of the Group are liquidity risk, interest risk and credit risk, collectively financial risks. The board manages financial risks by ensuring that there are sufficient funds to meet large payments by producing detailed monthly management accounts and forecasts which includes a cash flow forecast and covenant compliance forecasts. The company uses financial instruments to manage financial and commercial risk wherever it is appropriate to do so, including the use of interest rate hedges.

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

Future developments

The company continues to actively search for new locations in the United Kingdom in which to open centres in 2015 whilst continuing the development of its curriculum for use across the business.

On behalf of the board


C Light
Director

28/07/15

Explore Learning Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

Going concern

During the year the Group replaced its existing £10m secured bank loan with a new £18m facility provided by HSBC. As a result and after making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company.

Employee involvement

The flow of information to staff is maintained by a staff newsletter. Members of the management team regularly visit centres and discuss matters of current interest and concern to the business with members of staff.

Directors' Indemnity

The company has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' report.

Contractual arrangement

Revenue is predominantly generated from our membership base. Each individual has their own membership agreement setting out agreed terms. In terms of costs, we enter into key supplier contracts at both a local and national level. An authorisation process is in place to ensure all new/updated contracts are appropriately reviewed, challenged and signed-off prior to commitment. In both areas of membership agreements and supplier contracts the business seeks to ensure clarity and a mutually rewarding relationship.

Reference

The financial risk, post balance sheet events and future development disclosures have been disclosed in the strategic report on page one.

Directors

The directors of the company during the year were:

R C W Hicks
W S Mills
S K Giles (resigned 17 January 2014)
A H M Kelsey (Non executive Director)
C Light (appointed 1 April 2014)

Explore Learning Limited

Report of the directors for the year ended 31 December 2014 *(continued)*

Directors' responsibilities

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 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 these financial statements, the directors are required to:

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

C Light
Director



28/07/15

Explore Learning Limited

Independent auditor's report

To the members of Explore Learning Limited

We have audited the financial statements of Explore Learning Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet 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 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 strategic report and 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 (*continued*)

Matters on which we are required to report by exception

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

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



David Eagle (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Explore Learning Limited

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	31,552	25,932
Cost of sales		21,587	17,867
Gross profit		9,965	8,065
Administrative expenses		7,450	5,742
Operating profit	3	2,515	2,323
Other interest receivable and similar income	6	60	60
Interest payable and similar charges	7	-	(1)
Profit on ordinary activities before taxation		2,575	2,382
Taxation on profit on ordinary activities	8	616	663
Profit on ordinary activities after taxation		1,959	1,719

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

Explore Learning Limited

Balance sheet at 31 December 2014

Company number 04117281	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Intangible assets	9		4		15
Tangible assets	10		9,360		7,617
			<u>9,364</u>		<u>7,632</u>
Current assets					
Stocks	11	119		68	
Debtors - due within one year	12	2,274		2,088	
Debtors - due after more than one year	12	427		665	
		<u>2,701</u>		<u>2,753</u>	
Total debtors					
Cash at bank and in hand		2,595		771	
		<u>5,415</u>		<u>3,592</u>	
Creditors: amounts falling due within one year	13	4,036		2,440	
		<u>4,036</u>		<u>2,440</u>	
Net current assets			1,379		1,152
Total assets less current liabilities			<u>10,743</u>		<u>8,784</u>
Capital and reserves					
Called up share capital	15		7		7
Share premium account	16		8,475		8,475
Profit and loss account	16		2,261		302
			<u>10,743</u>		<u>8,784</u>
Shareholders' funds	17		<u>10,743</u>		<u>8,784</u>

The financial statements were approved by the board of directors and authorised for issue on 28/07/15

C Light
Director



The notes on pages 9 to 18 form part of these financial statements.

Explore Learning Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Columbus Topco Limited and the company is included in consolidated financial statements.

Turnover

Turnover comprises membership and joining fees excluding value added tax. Turnover is recognised when payment is received for the right to attend the centre for periods relating to the year.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation and amortisation

Depreciation and amortisation are calculated so as to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	- 10% - 33% straight line
Computer equipment	- 25% 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.

Deferred taxation

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 the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Explore Learning Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Financial instruments

Financial instruments are measured initially and subsequently at cost.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Operating leases

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

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

	2014 £'000	2013 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	1,626	1,359
Amortisation of intangible fixed assets	11	11
Operating lease rental expense	3,445	2,911
	2014 £'000	2013 £'000
Fees payable to the company's auditor for the auditing of the company's and the group's annual accounts	24	20
Fees payable to the company's auditor or an associate of the company's auditor for other services:		
- taxation compliance services	14	11
- taxation advisory services	22	19
- other non-audit services	47	4

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

4 Employees

Staff costs (including directors) consist of:

	2014 £'000	2013 £'000
Wages and salaries	15,376	13,036
Social security costs	984	858
Other pension costs	421	318
	<u>16,781</u>	<u>14,212</u>

The average number of employees (including directors) during the year was as follows:

	2014 Number	2013 Number
Head Office Management Staff	40	30
Head Office Operational Staff	15	17
Centre Managers	322	264
Centre Tutors	323	286
	<u>700</u>	<u>597</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 1,565 (2013: 1,255).

5 Directors' remuneration

	2014 £'000	2013 £'000
Directors' emoluments	556	558
Company contributions to money purchase pension schemes	36	32
Compensation for loss of office	-	58
Amounts paid to third parties in respect of directors' services	60	47
	<u></u>	<u></u>

There were 3 directors in the company's defined contribution pension scheme during the year (2013 - 3).

The total amount payable to the highest paid director in respect of emoluments was £261,306 (2013 - £240,000). Company pension contributions of £19,456 (2013 - £12,800) were made to a money purchase scheme on their behalf.

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

6 Other interest receivable and similar income

	2014 £'000	2013 £'000
Loans to group companies	60	60
	<u>60</u>	<u>60</u>

7 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on loans	-	1
	<u>-</u>	<u>1</u>

8 Taxation on profit on ordinary activities

	2014 £'000	2013 £'000
<i>UK Corporation tax</i>		
Group relief	378	75
<i>Deferred tax</i>		
Movement in the period	238	588
	<u>616</u>	<u>663</u>
Taxation on profit on ordinary activities	616	663
	<u>616</u>	<u>663</u>

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

8 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	2,575	2,382
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	554	554
Effect of:		
Expenses not deductible for tax purposes	1	12
Capital allowances for period in (excess)/deficit of depreciation	(112)	289
Adjustment to losses	-	(809)
Other timing differences	2	2
Group relief claimed	(378)	(75)
Payment for group relief	378	75
Fixed asset differences	35	27
Unrelieved tax losses and other deductions	(102)	-
Current tax charge for the year	378	75

9 Intangible fixed assets

	Software licences £'000
<i>Cost</i>	
At 1 January 2014 and 31 December 2014	96
<i>Amortisation</i>	
At 1 January 2014	81
Provided for the year	11
At 31 December 2014	92
<i>Net book value</i>	
At 31 December 2014	4
At 31 December 2013	15

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

10 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2014	8,125	3,891	12,016
Additions	2,301	1,072	3,373
Disposals	(37)	(437)	(474)
At 31 December 2014	10,389	4,526	14,915
<i>Depreciation</i>			
At 1 January 2014	2,144	2,255	4,399
Provided for the year	860	766	1,626
Disposals	(34)	(436)	(470)
At 31 December 2014	2,970	2,585	5,555
<i>Net book value</i>			
At 31 December 2014	7,419	1,941	9,360
At 31 December 2013	5,981	1,636	7,617

11 Stocks

	2014 £'000	2013 £'000
Stock	119	68

Stock consists of promotional and learning materials. There is no material difference between the replacement cost of stocks and the amounts stated above.

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

12 Debtors

	2014 £'000	2013 £'000
Amounts receivable within one year		
Amounts owed by group undertakings	1,125	1,005
Other debtors	17	13
Prepayments and accrued income	1,132	1,070
	<u>2,274</u>	<u>2,088</u>
Amounts receivable after more than one year		
Deferred taxation	427	665
	<u>427</u>	<u>665</u>
Total debtors	<u>2,701</u>	<u>2,753</u>
		Deferred taxation £'000
At 1 January 2014		665
Charged to profit and loss account		(238)
		<u>427</u>
At 31 December 2014		<u>427</u>
<i>Deferred taxation</i>		
	2014 £'000	2013 £'000
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	418	659
Other	9	6
	<u>427</u>	<u>665</u>

During the year, the group balance owed by Columbus Bidco Limited was charged interest of £60,051 (2013: £60,051). This reflects trading and funding activity and is charged at 6% of the capital balance.

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

13 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	1,651	892
Amounts owed to associated undertakings	44	1
Taxation and social security	323	256
Other creditors	45	88
Accruals and deferred income	1,973	1,203
	<u>4,036</u>	<u>2,440</u>

14 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £421,000 (2013 - £318,000). Contributions amounting to £44,472 (2013 - £31,498) were payable to the fund at the balance sheet date and are included in other creditors.

15 Share capital

	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>		
5,608,691 ordinary shares of £0.001 each	6	6
900,000 ordinary A shares of £0.001 each	1	1
	<u>7</u>	<u>7</u>

The ordinary shares of £0.001 each and the A Ordinary Shares of £0.001 each rank pari passu in all respects.

16 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2014	8,475	302
Profit for the year	-	1,959
	<u>8,475</u>	<u>2,261</u>

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

17 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the year	1,959	1,719
Opening shareholders' funds	8,784	7,065
Closing shareholders' funds	10,743	8,784

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Operating leases which expire:				
Within one year	52	-	87	-
In two to five years	1,225	39	898	39
After five years	2,722	-	2,345	-
	3,999	39	3,330	39

19 Related party disclosures

Controlling parties

The company is controlled by Columbus Bidco Limited who own 100% of the company's share capital. The company's ultimate controlling party is Columbus Topco Limited.

The company is a wholly owned subsidiary of Columbus Topco Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Columbus Topco Limited or other wholly owned subsidiaries within the group.

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 £1,202 (2013: £11,005) for cleaning and catering services by Highfield School. No balance was outstanding at the year end date.

Explore Learning Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

20 Ultimate parent company

The company is a subsidiary of Columbus Topco Limited which is the ultimate parent company incorporated in England.

The largest and smallest group in which the results of the company are consolidated is that headed by Columbus Topco Limited, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from 74 North Street, Guildford, Surrey, GU1 4AW. No other group accounts include the results of the company.