

COMPANY REGISTRATION NUMBER: 08180821

Columbus Topco Limited
Financial Statements
31 December 2016

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Columbus Topco Limited

Financial Statements

Year ended 31 December 2016

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Columbus Topco Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS

C Light
L M Haycox
W S Mills
A H M Kelsey (Non-Executive Director)
R C W Hicks

REGISTERED OFFICE

74 North Street
Guildford
Surrey
GU1 4AW

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered accountants & statutory auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Columbus Topco Limited

Strategic Report *(continued)*

Year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Principal Activities

The principal activity of the Group during the year was the operation of Maths and English tuition centres throughout the United Kingdom and Texas, USA, for children aged 5 to 14. The Group operates a network of centres where talented tutors work in a low ratio with children to meet their individual needs. Explore complements children's school experiences 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, improving their academic skills, confidence, enthusiasm and independence.

At 31 December 2016, the Group operated 124 centres in the UK (2015: 120) with 30,486 members (2015: 28,843). During the year 4 new centres were opened (2015: 12) and no centres were closed (2015: nil). Explore Horizons Inc focused on the operation of the existing 5 centres in and around the area of Dallas Fort Worth, Texas, with a closing membership of 423 (2015: 262).

Review of the Business

As set out in the Consolidated Statement of Comprehensive Income on page 9, the company reported a 14.7% increase in turnover (2015: 19.8% increase), resulting in total turnover of £43.4m (2015: £37.9m). This increase was primarily due to the consolidated growth in existing centres, including a continued improvement in the average monthly turnover per member of £110.01 (2015: £108.18).

The Group's key financial performance indicators during the year were as follows:

Key Performance Indicator:	2016	2015 (Audited)
Turnover	£43,443k	£37,882k
Turnover Growth	14.68%	19.83%
Turnover per member (a)	£110.01	£108.18
Operating Profit/(Loss) (b)	£384k	£(688)k
EBITDA (c)	£6,029k	£4,491k
Structuring EBITDA (d)	£6,607k	£5,727k
Number of centres (e)	129	125
Membership (e)	30,909	29,105

Notes

(a) Turnover per member calculated as all monthly membership fee revenue from active members as at 31 December 2016, divided by the number of active members at the beginning of the same month;

(b) Operating profit is defined as turnover less cost of sales and administrative expenses as disclosed in the Consolidated Statement of Comprehensive Income on page 9;

(c) EBITDA is defined as operating profit plus depreciation, amortisation and exceptional items and excludes FRS102 adjustments as the company deems this an exceptional item;

(d) Structuring EBITDA is defined as EBITDA plus start-up losses incurred in immature centres (less than 24mths old) and excludes FRS102 adjustments as the company deems this an exceptional item;

(e) Number of centres and membership at end of year.

Columbus Topco Limited

Strategic Report *(continued)*

Year ended 31 December 2016

Review of the business *(continued)*

Management uses structuring EBITDA as a KPI to assess the underlying performance of the business. This shows a year on year increase of £0.9m. Turnover per member has increased by 1.7% as price increases are applied to new members and take up of additional content, such as creative writing and 11plus continues to grow. Other nonfinancial KPIs monitored on a continual basis by management are membership levels, which have increased by 6.2% between December 2015 and December 2016, and number of centres, which have increased by 3.2%.

For the fourth consecutive year, the Company has been ranked in the 2016 'Sunday Times 100 Best Companies to Work For' and won the 'Education Investor Award'. The Directors consider these awards to be down to the success of the Company in delivering its core service to members.

The Group continues to look at new locations and aims to further expand its nationwide presence in the UK by the end of 2017.

Principal Risks and Uncertainties

The business management and execution of the Group'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 Group'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;
- Strong relationships with key partners
- Maintenance of competitiveness through an appropriate pricing architecture.

The main risks arising from the financial assets and liabilities of the Group are explained in the Directors Report under 'Financial Risk Management'.

This report was approved by the board of directors on 27/07/17 and signed on behalf of the board by:



C Light
Director

Columbus Topco Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

C Light
L M Haycox (appointed 26 January 2016)
W S Mills
A H M Kelsey (Non-Executive Director)
R C W Hicks

Dividends

No dividends were proposed or declared during the year (2015: £nil).

Future Developments

The Group continues to actively search for new locations in the United Kingdom and USA in which to open centres in 2017 whilst continuing the development of its curriculum for use across all centres.

Events after the End of the Reporting Period

On the 18 April 2017, the Group settled the deferred consideration liability. This was financed by an additional secured loan facility of £3m received on 13 April 2017.

Employee Involvement and Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through the in-house newsletters, briefing groups and distribution of the annual report.

Financial Risk Management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith in order to limit the adverse effects on the financial performance of the Group. The Group has financial instruments such as prepayments, trade creditors and accruals that directly arise from the Group's operations. The Group takes the following approach to financial risks:

Credit risk

The Group is at risk from customers failing to pay for their membership. There is a standard credit control procedure in place to help mitigate this whilst, at the same time, aiming to maintain a favourable relationship between centres and their members.

Columbus Topco Limited

Directors' Report *(continued)*

Year ended 31 December 2016

Financial Risk Management *(continued)*

Liquidity risk

The Board actively manage financing that is designed to ensure it has sufficient available funds to meet its short and long term creditors and for planned capital investment. The Group will perform regular cash forecasting reports and other required financial modelling to manage cash funding. In addition, the Group will regularly meet with key stakeholders to discuss actual and future performance.

Qualifying Indemnity Provision

The Group 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.

Going Concern

After reviewing future forecasts and projections, the Directors have a reasonable expectation that the Group has 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.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standards in the UK and Republic of Ireland", 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Columbus Topco Limited

Directors' Report *(continued)*

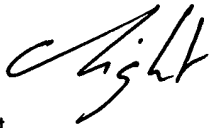
Year ended 31 December 2016

Statement of Directors' Responsibilities in Respect of the Financial Statements *(continued)*

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and the company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and the company's auditors are aware of that information.

This report was approved by the board of directors on 27/07/17 and signed on behalf of the board by:



C Light
Director

Independent auditors' report to the members of Columbus Topco Limited

Report on the financial statements

Our opinion

In our opinion, Columbus Topco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's loss and cash flows 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.
-

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the consolidated and company statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated and company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions 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.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Columbus Topco Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, on pages 5 and 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Christine Dobson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

28 July

2017

Columbus Topco Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £000	2015 £000
TURNOVER	3	43,443	37,882
Cost of sales		<u>(30,239)</u>	<u>(26,273)</u>
GROSS PROFIT		13,204	11,609
Administrative expenses		<u>(12,820)</u>	<u>(12,297)</u>
OPERATING PROFIT/(LOSS)	4	384	(688)
Interest payable and similar expenses	8	<u>(3,841)</u>	<u>(3,705)</u>
LOSS BEFORE TAXATION		(3,457)	(4,393)
Tax on loss	9	<u>(278)</u>	<u>(244)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(3,735)</u>	<u>(4,637)</u>
Other comprehensive income:			
Foreign currency retranslation		105	28
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(3,630)</u>	<u>(4,609)</u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

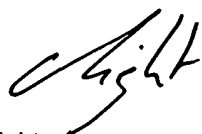
Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 £000	2015 £000
FIXED ASSETS			
Intangible assets	10	23,195	25,891
Tangible assets	11	10,526	11,118
		<u>33,721</u>	<u>37,009</u>
CURRENT ASSETS			
Debtors	13	1,410	1,419
Cash at bank and in hand		2,831	3,369
		<u>4,241</u>	<u>4,788</u>
CREDITORS: amounts falling due within one year	14	(10,555)	(10,637)
NET CURRENT LIABILITIES		<u>(6,314)</u>	<u>(5,849)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,407	31,160
CREDITORS: amounts falling due after more than one year	15	(46,347)	(46,463)
PROVISIONS FOR LIABILITIES	16	(92)	(92)
NET LIABILITIES		<u>(19,032)</u>	<u>(15,395)</u>
CAPITAL AND RESERVES			
Called up share capital	19	95	95
Share premium account	20	92	92
Treasury shares	20	(8)	(1)
Other reserves	20	4	4
Retained earnings	20	(19,215)	(15,585)
TOTAL EQUITY		<u>(19,032)</u>	<u>(15,395)</u>

The notes on pages 15 to 29 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 27/07/17, and are signed on behalf of the board by:



C Light
Director

Company registration number: 08180821

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

Company Statement of Financial Position

As at 31 December 2016

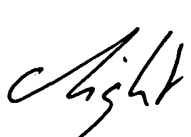
	Note	2016 £000	2015 £000
CURRENT ASSETS			
Debtors	13	3,056	3,055
Cash at bank and in hand		25	25
		<u>3,081</u>	<u>3,080</u>
CREDITORS: amounts falling due within one year	14	<u>(33)</u>	<u>(17)</u>
NET CURRENT ASSETS		<u>3,048</u>	<u>3,063</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,048</u>	<u>3,063</u>
CREDITORS: amounts falling due after more than one year	15	<u>(4,049)</u>	<u>(3,743)</u>
NET LIABILITIES		<u>(1,001)</u>	<u>(680)</u>
CAPITAL AND RESERVES			
Called up share capital	19	95	95
Share premium account	20	92	92
Treasury shares	20	(8)	(1)
Other reserves	20	4	4
Retained earnings	20	(1,184)	(870)
TOTAL EQUITY		<u>(1,001)</u>	<u>(680)</u>

LOSS FOR THE YEAR OF THE PARENT COMPANY

The loss for the year of the parent company was £315,000 (2015: £284,000).

The notes on pages 15 to 29 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 27/03/17, and are signed on behalf of the board by:


C Light
Director

Company registration number: 08180821

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Treasury shares £000	Other reserves £000	Retained earnings £000	Total £000
AT 1 JANUARY 2015	95	92	—	4	(10,976)	(10,785)
Loss for the financial year	—	—	—	—	(4,637)	(4,637)
Other comprehensive income for the year:						
Foreign currency retranslation	—	—	—	—	28	28
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	—	—	(4,609)	(4,609)
Purchase of treasury stock	—	—	(1)	—	—	(1)
AT 31 DECEMBER 2015	95	92	(1)	4	(15,585)	(15,395)
Loss for the financial year	—	—	—	—	(3,735)	(3,735)
Other comprehensive income for the year:						
Foreign currency retranslation	—	—	—	—	105	105
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	—	—	(3,630)	(3,630)
Purchase of treasury stock	—	—	(7)	—	—	(7)
AT 31 DECEMBER 2016	<u>95</u>	<u>92</u>	<u>(8)</u>	<u>4</u>	<u>(19,215)</u>	<u>(19,032)</u>

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Treasury shares £000	Other reserves £000	Retained earnings £000	Total £000
AT 1 JANUARY 2015	95	92	—	4	(586)	(395)
Loss for the financial year	—	—	—	—	(284)	(284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	—	—	(284)	(284)
Purchase of treasury stock	—	—	(1)	—	—	(1)
AT 31 DECEMBER 2015	95	92	(1)	4	(870)	(680)
Loss for the financial year	—	—	—	—	(314)	(314)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	—	—	(314)	(314)
Purchase of treasury stock	—	—	(7)	—	—	(7)
AT 31 DECEMBER 2016	<u>95</u>	<u>92</u>	<u>(8)</u>	<u>4</u>	<u>(1,184)</u>	<u>(1,001)</u>

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 £000	2015 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive loss for the year	(3,630)	(4,609)
<i>Adjustments for:</i>		
Depreciation of tangible assets	2,557	2,165
Amortisation of intangible assets	2,895	2,857
Interest payable and similar expenses	3,841	3,705
<i>Changes in:</i>		
Trade and other debtors	120	191
Deferred tax	(110)	185
Trade and other creditors	(182)	711
Income tax	389	58
Provisions and employee benefits	—	92
Cash generated from operations	5,880	5,355
Income tax paid	(245)	(50)
Net cash from operating activities	<u>5,635</u>	<u>5,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(1,965)	(3,308)
Purchase of intangible assets	(199)	(168)
Net cash used in investing activities	<u>(2,164)</u>	<u>(3,476)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares issued	(7)	(1)
Repayment of Loans – capital element	(3,250)	(1,000)
Repayment of Loans – interest only	(704)	(952)
Repayment of Loans – other fees	(48)	(46)
Repayment of other financing (deferred consideration)	—	(101)
Net cash used in financing activities	<u>(4,009)</u>	<u>(2,099)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(538)	(270)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,369	3,640
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,831</u>	<u>3,369</u>

The notes on pages 15 to 29 form part of these financial statements.

Columbus Topco Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. STATEMENT OF COMPLIANCE

Columbus Topco Limited ("the Company") is a limited company domiciled and incorporated in England.

The individual financial statements of Columbus Topco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. ACCOUNTING POLICIES

Principal accounting policies statement

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Certain comparative amounts in the consolidated and company statements of financial position plus the consolidated and company statement of changes in equity have been reclassified to conform to the current year's presentation. Specifically, treasury stock has been separately disclosed within the statement of changes in equity to reflect the shares held by the Employee Benefit Trust.

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further below.

Going concern

After reviewing the Group's result and forecast projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (a) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (b) from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (c) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

2. ACCOUNTING POLICIES *(continued)*

Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December 2016.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity, but controls the entity by virtue of an agreement with other investors, which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

There are no differences in accounting policies across the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates, to the extent of the Group's interest in the entity.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements and accounting estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Recognition of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Impairment reviews

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of an asset can be supported by its recoverable amount. In calculating an assets recoverable amount, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of: future cash flows derived from such assets using cash flow projections, expectations about possible variations in the amount or timing of those future cash flows and other factors such as changes in market interest rates and significant adverse changes in the technological, market, economic or legal environment in which the entity and group operates.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investment, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible assets and below for the useful economic lives for each class of asset.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

2. ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

The Group's presentational currency is pounds sterling.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

2. ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

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

Goodwill	-	12 years
Software licences	-	3 to 5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

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

Fixtures and fittings	-	10% - 33% straight line
Computer Equipment	-	25% straight line

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

2. ACCOUNTING POLICIES *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued, when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

2. ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

Basic financial liabilities, including trade and other payables and provisions for liabilities, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Where the Group has established employee benefit trusts ('EBT') and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by either the EBT.

3. TURNOVER

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016	2015
	£000	£000
United Kingdom	42,786	37,562
United States of America	657	320
	<u>43,443</u>	<u>37,882</u>

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2016	2015
	£000	£000
Amortisation of intangible assets	2,895	2,857
Depreciation of tangible assets	2,557	2,165
Operating lease rentals	4,721	4,422
Foreign exchange differences	48	18
	<u>48</u>	<u>18</u>

5. INDEPENDENT AUDITORS' REMUNERATION

	2016	2015
	£000	£000
Fees payable for the audit of the financial statements	43	42
Fees payable to the group's auditor for other services:		
Other non-audit services	23	6
	<u>23</u>	<u>6</u>

6. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016	2015
	No.	No.
Head Office Management Staff	61	58
Head Office Operational Staff	29	24
Centre Managers	391	375
Part-time Centre Tutors	2,208	1,863
	<u>2,689</u>	<u>2,320</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£000	£000
Wages and salaries	21,743	18,803
Social security costs	1,340	1,356
Other pension costs (note 18)	427	536
	<u>23,510</u>	<u>20,695</u>

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2016	2015
	£000	£000
Remuneration	744	666
Company contributions to defined contribution pension plans	110	57
	<u>854</u>	<u>723</u>

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

7. DIRECTORS' REMUNERATION *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2016 £000	2015 £000
Aggregate remuneration	244	263
Company contributions to defined contribution pension plans	71	37
	<u>315</u>	<u>300</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £000	2015 £000
Interest on banks loans and overdrafts	704	847
Loan note interest	2,711	2,500
Amortisation of financing costs	176	218
Other interest payable and similar charges	250	140
	<u>3,841</u>	<u>3,705</u>

9. TAX ON LOSS

	2016 £000	2015 £000
Current tax:		
UK current tax expense	389	59
Deferred tax:		
Origination and reversal of timing differences	(111)	185
Tax on loss	<u>278</u>	<u>244</u>

Reconciliation of tax expense

The tax assessed on the loss for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £000	2015 £000
Loss before taxation	(3,457)	(4,393)
Loss before taxation by rate of tax	(691)	(890)
Effect of expenses not deductible for tax purposes	270	256
Deferred tax not recognised	317	270
Amortisation	562	604
Effects of changes in tax rates	—	4
Adjustments in respect of prior years	(216)	—
Other movements	36	—
Tax on loss	<u>278</u>	<u>244</u>

At 31 December 2016, the Group had an unrecognised deferred tax asset of £1,023,702 (2015: £926,402) as a result of accumulated losses and other short term timing differences.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. TAX ON LOSS *(continued)*

Factors that may affect future tax expense

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Unrecognised deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. INTANGIBLE ASSETS

Group	Goodwill £000	Software licences £000	Total £000
Cost			
At 1 January 2016	34,196	169	34,365
Additions	—	199	199
At 31 December 2016	34,196	368	34,564
Accumulated Amortisation			
At 1 January 2016	8,431	43	8,474
Charge for the year	2,810	85	2,895
At 31 December 2016	11,241	128	11,369
Carrying amount			
At 31 December 2016	22,955	240	23,195
At 31 December 2015	25,765	126	25,891

The company has no intangible assets.

11. TANGIBLE ASSETS

Group	Fixtures and fittings £000	Equipment £000	Total £000
Cost			
At 1 January 2016	12,581	4,766	17,347
Additions	1,315	650	1,965
At 31 December 2016	13,896	5,416	19,312
Accumulated Depreciation			
At 1 January 2016	3,804	2,425	6,229
Charge for the year	1,432	1,125	2,557
At 31 December 2016	5,236	3,550	8,786
Carrying amount			
At 31 December 2016	8,660	1,866	10,526
At 31 December 2015	8,777	2,341	11,118

The company has no tangible assets.

Columbus Topco Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

12. FIXED ASSET INVESTMENTS

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Name	Holding	Nature of the business	Country of incorporation or registration	Class of shares held	Percentage shareholding
Columbus Midco Limited	Direct	Holding company	UK	Ordinary	100.00
Columbus Bidco Limited	Indirect	Holding company	UK	Ordinary	100.00
Explore Learning Limited	Indirect	Operation of maths and English tuition centres	UK	Ordinary	100.00
Explore Horizons Incorporated	Indirect	Operation of maths and English tuition centres	USA	Ordinary	100.00

The results and position of the subsidiary undertakings at 31 December 2016 are:

	Registered Office	(Loss)/ profit £000	Net assets £000
Columbus Midco Limited	74 North Street, Guildford, UK	(2,117)	(9,161)
Columbus Bidco Limited	74 North Street, Guildford, UK	(957)	(5,793)
Explore Learning Limited	74 North Street, Guildford, UK	2,461	14,476
Explore Horizons Incorporated	5080 Spectrum Drive, Suite 1000 East, Addison, Texas 75001	2	649

Explore Learning Limited and Explore Horizons Incorporated are direct subsidiaries of Columbus Bidco Limited, which is a direct subsidiary of Columbus Midco Limited.

Explore Learning Limited, Explore Horizons Incorporated and Columbus Bidco Limited are therefore all indirect subsidiaries of Columbus Topco Limited.

The directors believe the carrying value of the investments are supported by their underlying assets.

13. DEBTORS

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Amounts owed by group undertakings	—	—	3,051	3,051
Deferred tax asset	438	328	—	—
Prepayments and accrued income	972	1,079	—	—
Other debtors	—	12	5	4
	<u>1,410</u>	<u>1,419</u>	<u>3,056</u>	<u>3,055</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Deferred tax asset	<u>438</u>	<u>328</u>	<u>—</u>	<u>—</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Included in amounts owed by group undertakings is £8k (2015: £1k) owed by the Employee Benefit Trust, as disclosed in note 22.

Columbus Topco Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

14. CREDITORS: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank loans and overdrafts	2,823	3,074	—	—
Trade creditors	1,098	1,530	—	—
Amounts owed to group undertakings	—	—	25	9
Accruals and deferred income	3,525	2,595	—	—
Corporation tax	152	8	—	—
Other taxation and social security	368	373	—	—
Deferred consideration	2,552	2,345	—	—
Other creditors	37	712	8	8
	<u>10,555</u>	<u>10,637</u>	<u>33</u>	<u>17</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Interest on the deferred consideration is accrued, on a compound basis every six months, currently at 10% per annum (2015: 8%).

15. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank loans and overdrafts	10,502	13,329	—	—
Loan notes	25,483	25,483	2,879	2,879
Accrued loan note interest	10,362	7,651	1,170	864
	<u>46,347</u>	<u>46,463</u>	<u>4,049</u>	<u>3,743</u>

Maturity of debt:

	Bank loans and Loan notes	Bank loans and Loan notes
	2016	2015
	£000	£000
In one year or less, or on demand	2,823	3,074
In more than one year but not more than two years	2,823	2,824
In more than two years but not more than five years	43,524	43,639
	<u>49,170</u>	<u>49,537</u>

Classified as:

Creditors: amounts falling due within one year (note 14)	2,823	3,074
Creditors: amounts falling due after more than one year (note 15)	46,347	46,463
	<u>49,170</u>	<u>49,537</u>

The unsecured loan notes were issued on the 22 August 2012 as part of the management buy out. The redemption date of the notes is the 22 August 2020 and they carry an 8% interest charge.

The interest on the notes is due and payable on the date of the redemption of the notes, however the Group/Company can elect to pay on the relevant interest accrual date any or part or all of the accrued interest.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

15. CREDITORS: amounts falling due after more than one year *(continued)*

The Group's bank loan agreement terminates on 16 May 2019 and 16 May 2020 for facility A and B respectively. The facilities are subject to a margin rate of up to 4.25% and 4.75% based on leverage for facility A and B respectively. The loan is also subject to a LIBOR rate interest charge, against which an interest CAP has been taken.

The interest CAP has been taken against £12,000,000 of the above facility and carries a mark to market value of credit £21,370 (2015: £78,171) at the balance sheet date. The market value of the hedging portfolio changes with interest fluctuations, but the exposure of the group to movements in the interest rates is protected by way of the product described. The liability has not been recognised in the financial statements.

The loan is secured by way of a fixed charge over all present leasehold property. In addition, there is a first fixed charge on present and future book and other debts plus a first floating charge over all present and future assets.

Transaction costs directly attributable to the loan have been capitalised as a reduction to the loan proceeds. These are being amortised over a five year period.

The replaced Investec loan agreement included a warrant instrument issued relating to warrants in registered form to subscribe for 38,961 A1 Ordinary Shares of £0.01 each in the capital of the Columbus Topco Limited. All 38,961 of the warrants were outstanding at 31 December 2016 and 31 December 2015 and are recorded at initial value.

16. PROVISIONS FOR LIABILITIES

Group	Dilapidations £000
At 1 January 2016 and 31 December 2016	<u>92</u>

The company does not have any provisions.

A dilapidation provision has been provided to fulfil the dilapidation obligations the Group has in relation to its leasehold property. It is expected that this expenditure will be incurred between now and the end of the lease.

17. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Included in debtors (note 13)	<u>438</u>	<u>328</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Accelerated capital allowances	(420)	322	-	-
Deferred tax - sundry timing differences	<u>(18)</u>	<u>6</u>	<u>-</u>	<u>-</u>
	<u>(438)</u>	<u>328</u>	<u>-</u>	<u>-</u>

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

18. EMPLOYEE BENEFITS

Defined contribution plans

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £427,000 (2015: £536,000). Contributions amounting to £43,118 (2015: £49,927) were payable to the fund and are included in creditors.

19. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

Group and Company	2016		2015	
	No.	£000	No.	£000
A1 Ordinary shares of £0.01 each	671,774	7	671,774	7
A2 Ordinary shares of £0.10 each	103,226	10	103,226	10
B1 Ordinary shares of £0.50 each	155,000	77	155,000	77
A2 Ordinary shares of £0.01 each	65,000	1	65,000	1
	<u>995,000</u>	<u>95</u>	<u>995,000</u>	<u>95</u>

Amounts which the company resolve to distribute to the shareholders shall be apportioned amongst the A Ordinary Shareholders and the B Ordinary Shareholders in proportion to the numbers of such shares held by them respectively as though the A Ordinary Shares and the B Ordinary Shares constituted one class of share. The same shall apply on a return of capital or liquidation of the company.

Each A Ordinary Share and B1 Ordinary Share shall entitle its holder to receive notice of, attend and vote at any general meeting of the company.

In relation to voting, the B1 Ordinary Shares shall entitle each B1 Ordinary Shareholder to 5% of the total number of voting rights capable of being cast by all holders of Ordinary Shares and where any such B1 Ordinary Shareholder transfers any such B1 Ordinary Shares the 5% of votes attaching to such B1 Ordinary Shares shall be split between the resulting holders of such B1 Ordinary Shares in proportion to their holdings of such shares. The A Ordinary Shareholders shall be entitled to cast 80% of the total number of voting rights.

Each B2 Ordinary Share shall not entitle its holder to receive notice of, attend or vote at any general meeting of the Company or on any written resolution.

20. RESERVES

Called up share capital - There are four classes of ordinary shares which are all classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. There are no restrictions on the distribution of dividends and the repayment of capital.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Treasury share reserve - consists of shares repurchased by the Group's Employee Benefit Trust. At 31 December 2016 15,000 B2 ordinary shares (2015: 2,500 B2 ordinary shares) shares were held by the Employee Benefit Trust.

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

20. RESERVES *(continued)*

Other reserves - A warrant instrument dated 20 February 2013 was issued by the company relating to warrants in registered form to subscribe for 38,961 A1 Ordinary Shares of £0.01 each in the Capital of the company. All 38,961 of the warrants were outstanding at 31 December 2016 and 31 December 2015. This reserve represents the initial value of the warrant instrument issued by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

21. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Not later than 1 year	4,252	4,621	-	-
Later than 1 year and not later than 5 years	13,487	14,648	-	-
Later than 5 years	12,524	14,498	-	-
	<u>30,263</u>	<u>33,767</u>	<u>-</u>	<u>-</u>

22. RELATED PARTY TRANSACTIONS

Shareholders with significant influence over Columbus Topco Limited are owed amounts of £1,030k (2015: £942k). Interest on these amounts of £86k (2015: £42k) was charged to the profit and loss account on the terms set out in note 14. These same shareholders are also owed amounts in aggregate of £27,006k (2015: £24,964k). Interest on these amounts of £2,043k (2015: £1,883k) was charged to the profit and loss account on the terms set out in note 15.

There are two directors who hold loan notes in aggregate of £4,049k (2015: £3,743k) and deferred consideration of £559k (2015: £511k). Interest on the loan notes is accrued, on a company basis every six months, at 8% per annum. Interest and deferred consideration is accrued, on a compound basis every six months, currently at 8% per annum.

Mr W S Mills, a director of the group and company, is also a director of Highfield School (Liphook) Limited. During the year, the group was charged £11K (2015: £nil) for catering services and Mr W S Mills' private healthcare by Highfield School (Liphook) Limited. No balance was outstanding at the year end date (2015: £nil).

During the year, the Group remunerated H Light, a close family member of C Light, for services performed on behalf of Explore Learning Limited totalling £8k (2015: £3k). As at 31 December 2016 there were no amounts outstanding to be paid (2015: £nil).

Employee Benefit Trust

During the prior year, the Company established an Employee Benefit Trust ("EBT"). This was funded by one of the Company's subsidiary undertakings, Explore Learning Limited, so that, among other things, it can acquire shares in the Company and in the future, be used in conjunction with any one or more employee share incentive schemes established for the benefit of the employees of the Company and for its subsidiaries.

At 31 December 2016, the Group was owed £8k (2015: £1k) representing the number of shares held by the trust. This amount is included in other debtors (see note 13).

Columbus Topco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

23. CONTROLLING PARTY

The Company is owned by a number of shareholders and individually no shareholder is able to exert control. Therefore, the directors are of the opinion that there is no ultimate controlling party.