

COMPANY REGISTRATION NUMBER: 08181000

Columbus Midco Limited
Annual Report and Financial Statements
For the year ended
31 December 2020



Columbus Midco Limited

Financial Statements

For the Year ended 31 December 2020

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Columbus Midco Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS

C Light
C J Scott
L M Haycox
W S Mills
Dr D T Kelly

REGISTERED OFFICE

Spaces Station View
Austen House Units A-J
Guildford
Surrey
GU1 4AR

AUDITOR

Crowe U.K. LLP
Chartered accountants & statutory auditor
Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

Columbus Midco Limited

Strategic Report

For the Year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal Activities

The principal activity of the company during the year was that of a holding company.

Review of the Business

As set out in the Statement of Comprehensive Income on page 13, the company made a loss before taxation of £27,906k (2019: £3,038k), which predominantly reflects the impact of COVID-19 on the company's intercompany receivable from Columbus Bidco Ltd.

The rapid and unprecedented development of the COVID-19 pandemic had a significant impact upon the group's main trading subsidiary, Explore Learning Ltd. The impact can be summarised as follows:

In complying with the COVID-19 restrictions, Explore Learning was required to temporarily close all 144 centres on 20 March 2020. The number of members attending the centres also declined rapidly in the weeks preceding the centre closures.

All centres remained closed during April and May 2020, causing significant disruption to the operations and financial performance of Explore Learning. Six of the centres reopened on 18 June 2020 as a trial, following the lifting of some restrictions and the announcement of social distancing measures. However, with significant operating limitations in place upon reopening, including social distancing measures limiting the number of employees and members in a centre at any given time, keeping the centres open was not viable and ultimately, they closed once again. A decision was taken not to re-open the remainder of the centres during that time.

The launch of 'Explore at Home' was announced to members on 10 March 2020 and the service went live on 25 March 2020. The service was extremely well received, but nevertheless a significant proportion of families chose to cancel or "freeze" their memberships, often because of uncertainty about their own financial circumstances or because they believed their children, especially those in the younger age groups, might not benefit from a purely online service to the same extent. In line with the easing of COVID-19 restrictions, two thirds of the centres re-opened during the week commencing 20 July 2020.

The directors concluded that, in line with many other businesses in sectors affected by the COVID-19 pandemic, the company had no option but to withhold payment of rent for March 2020 quarter's rent and part of June 2020 quarter's rent and/or enter into rent deferral or waiver agreements as part of a series of liquidity preservation measures.

Notwithstanding these measures, membership fell significantly by 30 April 2020. Furthermore, extensive member surveys indicated that in the long term only 30% of members would want to return to a purely centre-based membership, with 20% choosing to continue with a purely online service and 50% wishing to combine sessions in centre with sessions at home.

The board of directors therefore had to prepare a revised strategic plan to allow the business to return to profitability with a diminished membership and also to create a platform to serve members more flexibly in the future. To do this the directors believed that the group had to cut back its network of centres by approximately one third. At the same time, Explore Learning would accelerate its investment in new technology tools to support a richer, more interactive experience for children, enhanced feedback to parents and slicker communication. Other tools would be developed to support more effective management of members and tutors in the future when Explore Learning will be offering a mix of membership options.

Columbus Midco Limited

Strategic Report *(continued)*

For the Year ended 31 December 2020

Review of the Business *(continued)*

To put this plan into effect, Explore Learning undertook a redundancy process throughout June 2020, leading to the termination of employment of approximately 160 full-time staff. To reduce the size of the estate, the company launched a Company Voluntary Arrangement (CVA) to terminate the leases of 41 centres that were identified for permanent closure. The CVA was successfully concluded on 2 October 2020, fully compromising all outstanding historic and future rental liabilities on the 41 closed centres, the head office and reducing the future rent liability on the remaining centres. As a condition of the CVA, on expiry of the challenge period, the company agreed to write off an intercompany balance of £447k owed by Explore Learning.

To fund payments due under the CVA, to provide sufficient working capital for Explore Learning to continue to trade and in conjunction with the group restructuring, on 2 October 2020, the company negotiated with its loan note holders to inject additional funds by way of subordinated debt which was subsequently on-lent via an intercompany loan to Explore Learning, via the company's subsidiary Columbus Bidco Ltd. In addition, in exchange for shares in the group, on 2 October 2020 the loan note holders partially wrote down loan notes and accrued interest.

As a result of the substantial restructuring of the group, an impairment review was undertaken to consider the original value of the investment in Explore Learning. The conclusion of this review has resulted in an impairment of £24.8m to the intercompany receivable within its subsidiary company Columbus Bidco.

The directors consider there to be no key performance indicators relevant to the company.

Principal Risks and Uncertainties

The main risks arising from the financial assets and liabilities of the company and the group of which the company is part are liquidity risk, cashflow risk and collectively financial risk. 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.

Whilst the COVID-19 pandemic continues, there remains a risk that the company is unable to borrow from within the group in order to fund liabilities as they fall due. Although it is not certain that plans put in place by management will be successful, the directors have determined that the actions taken through the restructuring and the injection of new funds available to the company's indirect trading subsidiary, Explore Learning, provide sufficient liquidity to manage through the impact of COVID-19 and the company's ability to meet its financial commitments. The main risks arising from the financial assets and liabilities are explained in the Directors' Report under 'Financial Risk Management'.

Statement by the Directors in Performance of their Statutory Duties in Accordance With S172(1) Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. Since the company is a holding company, how the directors have met these requirements is disclosed in the consolidated financial statements of the group Columbus Topco Limited, of which the company is a part.

Columbus Midco Limited

Strategic Report *(continued)*

For the Year ended 31 December 2020

This report was approved by the board of directors on 20/10/21 and signed on behalf of the board by:



C Light
Director

Columbus Midco Limited

Directors' Report

For the Year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

C Light	
C J Scott	
L M Haycox	
W S Mills	
A H M Kelsey (Non-Executive Director)	(Resigned 31 December 2020)
R C W Hicks	(Resigned 21 September 2020)

Since the year end the following director(s) have been appointed:

Dr D T Kelly (Non-Executive Director)	(Appointed 19 July 2021)
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Dividends

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

Going Concern

The rapid and unprecedented development of the COVID-19 pandemic has had a significant impact upon the company's indirect trading subsidiary, Explore Learning Ltd. In complying with the COVID-19 restrictions, Explore Learning was required to temporarily close all 144 centres on 20 March 2020 causing significant disruption to the operations and financial performance of Explore Learning. Despite the launch of the online tuition service 'Explore at Home' on 25 March 2020 being extremely well received, a significant proportion of families chose to cancel or "freeze" their memberships, with a fall of nearly 40% over this period.

The board of directors prepared a revised strategic plan to allow the business to return to profitability with a diminished membership. To put this plan into effect, Explore Learning undertook a redundancy process throughout June 2020, leading to the termination of employment of approximately 160 full-time staff. To reduce the size of the estate, Explore Learning launched a Company Voluntary Arrangement (CVA) to terminate the leases of the 41 centres that were identified for permanent closure. The CVA was successfully concluded on 2 October 2020, fully compromising all outstanding historic property liabilities and future rental liabilities on the 41 closed centres, the head office and reducing the future rent liability on the remaining centres.

To fund payments due under the CVA, to provide sufficient working capital for Explore Learning to continue to trade and in conjunction with the group restructuring, on 2 October 2020, the company negotiated with its loan note holders to inject additional funds by way of subordinated debt which was subsequently on-lent via an intercompany loan to Explore Learning, via the company's subsidiary Columbus Bidco Ltd. In addition, in exchange for shares in the group, on 2 October 2020 the loan note holders partially wrote down loan notes and accrued interest.

Columbus Midco Limited

Directors' Report *(continued)*

For the Year ended 31 December 2020

Going Concern *(continued)*

Outside of the group restructuring, steps have been taken to reduce outgoings and to utilise various government support schemes, including the Coronavirus Job Retention Scheme and Retail, Hospitality and Leisure Grants. The group also deferred certain tax payments that fell due during the shut-down period and agreed a 'Time to Pay' repayment plan with HMRC.

Post year-end the government announced further lockdown measures which resulted in all centres temporarily closing until 12 April 2021 when they were able to reopen subject to further social distancing restrictions. During this time all memberships were transferred to an online-only provision and liquidity preservation measures were put in place to ensure Explore Learning had sufficient working capital to operate through the period of closure. As of September 2021, all centres have fully reopened and are trading with no additional government restrictions in place.

The directors continue to ensure the business is prepared for the post-COVID-19 trading environment, operating at the right size and scale, with costs under control, whilst being flexible to respond to opportunities as they emerge, and therefore have a reasonable expectation that Explore Learning has adequate resources to continue in operational existence for the foreseeable future. However, whilst the COVID-19 pandemic continues, there remains a risk that recovery in membership numbers will be prolonged and short-term liquidity pressure will remain. Should there be further national lockdowns there remains the likelihood that centres will be required to close temporarily and membership transferred to an online-only provision during the period of closure. This could lead to a further decline in membership and impact on liquidity and cash flow. Therefore, a material uncertainty is deemed to exist despite the mitigating factors put in place during the year.

In forming their conclusion, the directors have considered the significant impact COVID-19 has had on the operations of Explore Learning including future profit projections and cash flows as well as considering the mitigating actions taken by the board to preserve trading and liquidity for at least 12 months from the date of approval of these financial statements. The company has received a letter of support from the ultimate parent company in the group, Columbus Topco Limited and the directors therefore continue to believe the going concern basis of accounting remains appropriate in preparing the annual financial statements.

Future Developments

The company is expected to continue as a holding company for the foreseeable future.

Financial Risk Management

The company is exposed in varying degrees to financial risks from liquidity risk and cash flow risk. The board is confident that the exposure to each of these risks is properly managed to limit the possible adverse impact on the financial performance of the company.

The directors consider the financial risks that face the company to be as follows:

Liquidity and Cashflow risk

The company actively manages its finances to ensure that it has sufficient available funds for its operations. The group has a structure in place to monitor the best financing structure for the company and periodically review its strategies. The company will establish regular cash forecasting reports and conduct other required financial modelling to manage cash funding. In addition, the company will regularly meet with key stakeholders to discuss actual and future performance. The company's liquidity is managed through investor loan notes and intercompany borrowings.

Columbus Midco Limited

Directors' Report *(continued)*

For the Year ended 31 December 2020

Financial Risk Management *(continued)*

Whilst the COVID-19 pandemic continues, there remains a risk that recovery in membership numbers in the company's indirect subsidiary Explore Learning will be prolonged, impacting group revenue, cashflow and short-term liquidity. The board believes that the steps taken to restructure the business during the year, reducing its debt and securing additional funding into the group will provide sufficient liquidity to help manage through the COVID-19 pandemic and on the company's ability to meet its financial commitments as they fall due.

Qualifying Indemnity Provision

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.

Statement of Directors' Responsibilities

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standards applicable 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 company and 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;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

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.

Directors' Confirmations

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

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

Columbus Midco Limited

Directors' Report *(continued)*

For the Year ended 31 December 2020

Independent Auditors

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 20/10/21 and signed on behalf of the board by:



C Light
Director

Columbus Midco Limited

Independent Auditor's Report to the Members of Columbus Midco Limited

For the Year ended 31 December 2020

Opinion

We have audited the financial statements of Columbus Midco Limited (the "company") for the year ended 31 December 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2020 and of the company's loss for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and the
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 3 in the financial statements, which indicates that the effects of the Covid-19 pandemic has had a very significant impact on the company's operations with the board having to revise its strategic plan for the group with a reduction in staff and the size of the estate, together with the restructuring of existing debt arrangements and an injection of new capital from shareholders. As stated in note 3, whilst the Covid-19 pandemic continues, there remains a risk that recovery in membership numbers will be prolonged and short-term liquidity pressure will remain. Should there be further national lockdowns there remains the likelihood that centres will be required to close temporarily and membership transferred to an online-only provision during the period of closure. This could lead to a further decline in membership and impact on liquidity and cash flow. Therefore, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern despite the mitigating factors put in place during the year. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures included obtaining and assessing Directors' paper relating to going concern which was prepared for a period of at least 12 months from the date of signing the financial statements. In conjunction with reviewing the Directors' assessment of going concern we have reviewed the July 2021 updated forecasts and cashflows for a period of at least 12 months from the date of signing the financial statements including checking the mathematical accuracy of the documents, assessing that the data used was in accordance with the key assumptions, as well as performing a sensitivity analysis on key inputs such as membership numbers.

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £35,000 (2019: £260,000), based on 1% of total assets.

Columbus Midco Limited

Independent Auditor's Report to the Members of Columbus Midco Limited

(continued)

For the Year ended 31 December 2020

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality to be £29,000 (2019: £216,000).

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000 (2019: £14,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We performed a full scope audit of Columbus Midco Limited. All audit procedures were performed in one location.

Key Audit Matters

We set out below, together with the material uncertainty related to going concern above, our key audit matter:

Key audit matter	How our scope addressed the key audit matter
Recoverability of intercompany receivables As described in note 8 the company has amounts of £3,587,000 owed by group undertakings as at 31 December 2020. The directors considered the current financial position of the intercompany receivable and an impairment review was undertaken. This resulted in an impairment of £24,807,000 being recognised.	We have reviewed the directors' assessment of whether an impairment as at year end existed. We compared the carrying value of the intercompany receivable in Columbus Midco Limited of £24,807,000, which was due from Columbus Bidco Limited, to the net assets and ability of Columbus Bidco Limited to be able to repay the balance outstanding, either by cash or distributable reserves as at the year end. We concluded that we agree with the directors' assessment that an impairment existed and consequently a charge has been recognised in the Statement of Comprehensive Income.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Columbus Midco Limited

Independent Auditor's Report to the Members of Columbus Midco Limited

(continued)

For the Year ended 31 December 2020

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and assessing the treatment of non-routine transactions.

Columbus Midco Limited

Independent Auditor's Report to the Members of Columbus Midco Limited

(continued)

For the Year ended 31 December 2020

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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

Other matters which we are required to address

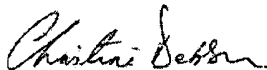
We were appointed by the audit committee on 5 December 2019 to audit the financial statements for the year ending 2019 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering the periods ending 2019 to 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



Christine Dobson
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

20 October 2021

Columbus Midco Limited

Statement of Comprehensive Income

For the Year ended 31 December 2020

	Note	2020 £000	2019 £000
Administrative expenses		(452)	(3)
OPERATING LOSS	4	(452)	(3)
Intercompany impairment	5	(24,807)	—
Interest payable and similar expenses	6	(2,647)	(3,035)
LOSS BEFORE TAXATION		(27,906)	(3,038)
Tax on loss	7	—	87
LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		<u>(27,906)</u>	<u>(2,951)</u>

All the activities of the company are from continuing operations.

The notes on pages 16 to 25 form part of these financial statements.

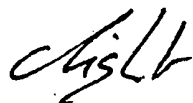
Columbus Midco Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £000	2019 £000
CURRENT ASSETS			
Debtors: due within one year	9	89	25,921
Debtors: due after more than one year	9	3,500	—
		<u>3,589</u>	<u>25,921</u>
CREDITORS: amounts falling due within one year	10	<u>(2,477)</u>	<u>(3,051)</u>
NET CURRENT ASSETS		<u>1,112</u>	<u>22,870</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,112</u>	<u>22,870</u>
CREDITORS: amounts falling due after more than one year	11	<u>(12,678)</u>	<u>(40,232)</u>
NET LIABILITIES		<u>(11,566)</u>	<u>(17,362)</u>
CAPITAL AND RESERVES			
Called up share capital	12	—	—
Share premium account	13	33,702	—
Profit and loss account	13	(45,268)	(17,362)
TOTAL EQUITY		<u>(11,566)</u>	<u>(17,362)</u>

The financial statements on pages 13 to 25 were approved by the board of directors on 20/10/21 and signed on its behalf by:



C Light
Director

Company registration number: 08181000

The notes on pages 16 to 25 form part of these financial statements.

Columbus Midco Limited

Statement of Changes in Equity

For the Year ended 31 December 2020

	Share premium account £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2019	—	(14,411)	(14,411)
Loss for the year	—	(2,951)	(2,951)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(2,951)	(2,951)
AT 31 DECEMBER 2019	—	(17,362)	(17,362)
Loss for the year	—	(27,906)	(27,906)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(27,906)	(27,906)
Issue of shares	33,702	—	33,702
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	33,702	—	33,702
AT 31 DECEMBER 2020	<u>33,702</u>	<u>(45,268)</u>	<u>(11,566)</u>

The notes on pages 16 to 25 form part of these financial statements.

Columbus Midco Limited

Notes to the Financial Statements

For the Year ended 31 December 2020

1. GENERAL INFORMATION

Columbus Midco Limited ("the company") is a limited company domiciled and incorporated in United Kingdom. The company is a private company limited by shares. The address of the company's registered office and principal place of business is Spaces Station View, Austen House Units A-J, Guildford, Surrey, GU1 4AR. The principal activity of the company during the year was that of a holding company and hence there is one segment.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Columbus Midco 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.

3. 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. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. 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.

Functional and presentational currency

The financial statements are presented in pounds sterling which is the company's functional currency. All amounts are rounded to the nearest thousand unless indicated otherwise.

Going concern

The rapid and unprecedented development of the COVID-19 pandemic has had a significant impact upon the company's indirect trading subsidiary, Explore Learning Ltd. In complying with the COVID-19 restrictions, Explore Learning was required to temporarily close all 144 centres on 20 March 2020 causing significant disruption to the operations and financial performance of Explore Learning. Despite the launch of the online tuition service 'Explore at Home' on 25 March 2020 being extremely well received, a significant proportion of families chose to cancel or "freeze" their memberships, with a fall of nearly 40% over this period.

The board of directors prepared a revised strategic plan to allow the business to return to profitability with a diminished membership. To put this plan into effect, Explore Learning undertook a redundancy process throughout June 2020, leading to the termination of employment of approximately 160 full-time staff. To reduce the size of the estate, Explore Learning launched a Company Voluntary Arrangement (CVA) to terminate the leases of the 41 centres that were identified for permanent closure. The CVA was successfully concluded on 2 October 2020, fully compromising all outstanding historic property liabilities and future rental liabilities on the 41 closed centres, the head office and reducing the future rent liability on the remaining centres.

Columbus Midco Limited

Notes to the Financial Statements (continued)

For the Year ended 31 December 2020

3. ACCOUNTING POLICIES (continued)

Going concern (continued)

To fund payments due under the CVA, to provide sufficient working capital for Explore Learning to continue to trade and in conjunction with the group restructuring, on 2 October 2020, the company negotiated with its loan note holders to inject additional funds by way of subordinated debt which was subsequently on-lent via an intercompany loan to Explore Learning, via the company's subsidiary Columbus Bidco Ltd. In addition, in exchange for shares in the group, on 2 October 2020 the loan note holders partially wrote down loan notes and accrued interest.

Outside of the group restructuring, steps have been taken to reduce outgoings and to utilise various government support schemes, including the Coronavirus Job Retention Scheme and Retail, Hospitality and Leisure Grants. The group also deferred certain tax payments that fell due during the shut-down period and agreed a 'Time to Pay' repayment plan with HMRC.

Post year-end the government announced further lockdown measures which resulted in all centres temporarily closing until 12 April 2021 when they were able to reopen subject to further social distancing restrictions. During this time all memberships were put in place to ensure Explore Learning had sufficient working capital to operate through the period of closure. As of September 2021, all centres have fully reopened and are trading with no additional government restrictions in place.

The directors continue to ensure the business is prepared for the post-COVID-19 trading environment, operating at the right size and scale, with costs under control, whilst being flexible to respond to opportunities as they emerge, and therefore have a reasonable expectation that Explore Learning has adequate resources to continue in operational existence for the foreseeable future. However, whilst the COVID-19 pandemic continues, there remains a risk that recovery in membership numbers will be prolonged and short-term liquidity pressure will remain. Should there be further national lockdowns there remains the likelihood that centres will be required to close temporarily and membership transferred to an online-only provision during the period of closure. This could lead to a further decline in membership and impact on liquidity and cash flow. Therefore, a material uncertainty is deemed to exist despite the mitigating factors put in place during the year. In forming their conclusion, the directors have considered the significant impact COVID-19 has had on the operations of Explore Learning including future profit projections and cash flows as well as considering the mitigating actions taken by the board to preserve trading and liquidity for at least 12 months from the date of approval of these financial statements. The company has received a letter of support from the ultimate parent company in the group, Columbus Topco Limited and the directors therefore continue to believe the going concern basis of accounting remains appropriate in preparing the annual financial statements.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Columbus Topco Limited which can be obtained from their registered office as detailed in note 16. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

- (a) No cash flow statement has been presented for the company (FRS 102 para 3.17(d));
- (b) Certain disclosures in respect of financial instruments have not been presented (FRS 102 paras 11.39-11.48A, 12.26-12.29);
- (c) No disclosure has been given for the aggregate remuneration of key management personnel (FRS 102 para 33.7); and
- (d) No disclosure in respect of related party transactions (FRS 102 para 33.1A).

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:

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.

Taxation

Taxation expense for the period 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.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

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.

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.

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.

Transaction fees are spread over the life of the loan to the extent 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.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

4. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2020 £000	2019 £000
Intercompany balances written off	<u>447</u>	<u>—</u>

As a condition of the CVA, on 2 October 2020, the company agreed to write off an amount of £447k owed by Explore Learning Ltd.

Directors' remuneration

During the year there were 6 (2019: 6) directors being remunerated by the Group. No costs were re-charged to the company for the directors' services (2019: £nil).

Directors' emoluments of £677k (2019: £675k) were borne by Explore Learning Limited in relation to services to the group. Group contributions to money purchase pensions were £28k (2019: £29k).

The total amount payable to the highest paid director in respect of emoluments was £251k (2019: £250k). Group pension contributions of £nil (2019: £nil) were made to a money purchase scheme on their behalf.

Staff costs and average numbers

During the year there were no employees (2019: nil).

Auditors' remuneration

The auditors' remuneration was borne by a fellow group company during the year. Fees payable to the company auditors for auditing the company's annual financial statements are £2,400 (2019: £3,000).

5. INTERCOMPANY IMPAIRMENT

	2020 £000	2019 £000
Impairment of intercompany receivable	<u>24,807</u>	<u>—</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £000	2019 £000
Loan note interest	<u>2,647</u>	<u>3,035</u>

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

7. TAX ON LOSS

Major components of tax income

	2020 £000	2019 £000
Current tax:		
UK current tax income	-	(25)
Adjustments in respect of prior periods	-	(62)
Total current tax	-	(87)
Tax on loss	-	(87)

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 £000
Loss on ordinary activities before taxation	(27,906)	(3,038)
Loss on ordinary activities by rate of tax	(5,302)	(577)
Adjustment to tax charge in respect of prior periods	-	(62)
Effect of expenses not deductible for tax purposes	5,790	490
Deferred tax not recognised	(488)	55
Change in tax rates	-	7
Tax on loss	-	(87)

At 31 December 2020, the company had an unrecognised deferred tax asset of £109,054 (2019: £539,247) as a result of accumulated losses and other short term timing differences.

Factors that may affect future tax income

An increase to the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced in the Chancellor's Budget on 3 March 2021. As this was not substantively enacted as at the balance sheet date, no revaluation of deferred tax balances has taken place for the year ended 31 December 2020. This will increase the company's future current tax charge accordingly.

Columbus Midco Limited

Notes to the Financial Statements (continued)

For the Year ended 31 December 2020

8. INVESTMENTS

The 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 Bidco Limited	Direct	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 2020 are:

Name	Registered Office	Profit/(loss) £000	Net assets/ (liabilities) £000
Columbus Bidco Limited	Spaces Station View, Austen House Units A-J, Guildford, UK	(31,194)	(40,033)
Explore Learning Limited	Spaces Station View, Austen House Units A-J, Guildford, UK	(14,434)	4,340
Explore Horizons Incorporated	Spaces Station View, Austen House Units A-J, Guildford, UK	-	-

Explore Learning Limited and Explore Horizons Incorporated are direct subsidiaries of Columbus Bidco Limited and indirect subsidiaries of Columbus Midco Limited.

The cost and net book value of the investment in Columbus Bidco Limited at year-end was £100 (2019: £100).

On 31 August 2019 Explore Horizons Incorporated ceased trading and all operations discontinued.

9. DEBTORS

Debtors falling due within one year are as follows:

	2020 £000	2019 £000
Amounts owed by group undertakings	87	25,919
Prepayments	2	2
	<u>89</u>	<u>25,921</u>

Amounts owed by group undertakings falling due within one year are unsecured, interest free and repayable on demand.

Debtors falling due after one year are as follows:

	2020 £000	2019 £000
Amounts owed by group undertakings	<u>3,500</u>	<u>-</u>

Amounts owed by group undertakings falling due after one year are unsecured and interest free.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

10. CREDITORS: amounts falling due within one year

	2020	2019
	£000	£000
Amounts owed to group undertakings	<u>2,477</u>	<u>3,051</u>

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

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

	2020	2019
	£000	£000
Loan notes	12,472	22,604
Capitalised interest	206	17,628
	<u>12,678</u>	<u>40,232</u>

Maturity of debt:

	Loan Notes 2020	Loan Notes 2019
	£000	£000
In more than five years	<u>12,678</u>	<u>40,232</u>

Classified as:

Creditors: amounts falling due after more than one year (note 11)	<u>12,678</u>	<u>40,232</u>
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The loan notes, which are unsecured, were issued on 22 August 2012 as part of the management buyout. The interest on the loan notes is due and payable on the date of the redemption of the notes, however the company can elect to pay on the relevant interest accrual date any or part or all the accrued interest. Any unpaid interest is combined into the loan balance payable at the maturity of the loan.

On 9 April 2015, the company's Unsecured Investor Loan Notes were admitted and listed to the Official List of The International Stock Exchange.

On 2 October 2020, £33.7m of unsecured loan notes and accrued interest was written down in exchange for shares in the company. These shares were subsequently exchanged for shares in its parent company, Columbus Topco Ltd. The redemption date of the remaining loan notes has been extended to 2 October 2026 and the interest charge reduced to 6%. On the same day, the company received £3.5m of funds in exchange for the issue of new unsecured loan notes. The redemption date of the notes is 2 October 2026 and they carry an 8% interest charge. The new loan notes are not listed.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

12. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.01 (2019 - £1) each	<u>12,000</u>	<u>120</u>	<u>100</u>	<u>100</u>

As part of the financial restructuring of the group, on 2 October 2020 the company subdivided its existing share capital of 100 ordinary shares of £1.00 into 10,000 ordinary shares of £0.01 each. Subsequently, the holders of the loan notes agreed to release all of the accrued but unpaid interest and principal of their loan notes in the aggregate amount of £33.7m in consideration for 2,000 ordinary shares in the share capital of the company. The shares acquired by the loan note holders were transferred to Columbus Topco Limited, in consideration for the issuance of shares in Columbus Topco Limited. After the restructuring was completed on 2 October 2020 the share capital of the company is £120, representing 12,000 ordinary shares of £0.01 each.

13. RESERVES

Share capital - There is a single class of ordinary shares which are 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.

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

14. CHARGES ON ASSETS

Bank loan

The bank loan held within the group is secured by way of a fixed charge over all present leasehold property held within the group. 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.

15. RELATED PARTY TRANSACTIONS

Shareholders with significant influence over Columbus Topco Limited are owed amounts in aggregate of £10,738k (2019: £34,172k). Interest on these amounts of £2,248k (2019: £2,578k) was charged to the Statement of Comprehensive Income on the terms set out in note 11.

Columbus Midco Limited

Notes to the Financial Statements *(continued)*

For the Year ended 31 December 2020

16. CONTROLLING PARTY

The immediate parent undertaking is Columbus Topco Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Columbus Topco Limited. Copies of the Columbus Topco Limited consolidated financial statements can be obtained from the Company Secretary, at Spaces Station View, Austen House Units A-J, Guildford, Surrey, GU1 4AR.

Columbus Topco Limited is owned by a number of shareholders and individually no shareholder is able to exert control. There is no ultimate controlling party.