COMPANY REGISTRATION NUMBER: 04117281

Explore Learning Limited

Annual Report and Financial Statements

For the year ended

31 December 2022

Explore Learning Limited

Financial Statements

For the Year ended 31 December 2022

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Explore Learning Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS	C J Light Dr D T Kelly C J Scott L M Haycox W S Mills R Z Reynolds
REGISTERED OFFICE	Highpoint 9 Sydenham Road Guildford Surrey GU1 3RX
AUDITOR	Crowe U.K. LLP Chartered accountants & statutory auditor Aquis House 49-51 Blagrave Street Reading RG1 1PL

Explore Learning Limited

Strategic Report

For the Year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal Activities

The principal activity of the company during the year was the operation of Maths and English tuition centres throughout the United Kingdom for children aged 4 to 16. The company operates a network of virtual and physical centres where talented tutors work in a low ratio with children to meet their individual needs. The centres complement children's school experience in a positive way, helping them to succeed in the classroom. Children become members and attend once or twice a week for sessions lasting approximately 1 hour, either in centres or online at their home. The company continues to improve academic skills, confidence, enthusiasm and independence of its members.

At 31 December 2022, the company operated 95 physical centres (2021: 96). During the year, no new centres were opened (2021: nil) and 1 centre was closed (2021: 7). There were 23,759 members (2021: 22,141), of which 3,355 were 'Explore at Home' online members (2021: 2,585).

Review of the Business

At the start of 2021, the company commenced the year with all centres temporarily closed under government guidelines, with all tuition services being delivered virtually. During this time, a further 7 centres were permanently closed with the units being returned to the landlords. The company continued to utilise various government support available, including the Coronavirus Job Retention Scheme and Retail, Hospitality and Leisure Grants. Centres reopened in April 2021, however certain operating restrictions remained in place, such as social distancing measures.

Throughout the second half of 2021, the company was able to commence the process of rebuilding its membership base and to shift the strategic thinking to serving its members in a post-pandemic world. The digital transformation of the business continued to accelerate, with new features added to the company's digital platform.

During 2022, the company expanded its product range to include GCSE Maths, enhanced its 11 Plus and Entrance Exam courses, and stepped up the development of its adaptive learning platform. On 20 December 2022 the group raised £3m of funds, by way of shareholder loan notes to support the future growth plans for the business, including investing in new roles, digital capability and marketing.

In 2022, Explore Learning made a difference to 45,000 children, supported the employment and development of 6,500 amazing people and positioned the business to be selected as the 'People's Choice' for Private Tuition in the UK.

At the end of 2022 the company had grown its overall membership by 7.3% to 23,759 (2021: 22,141). As set out in the Statement of Income and Retained Earnings on page 16, the company reported an increase in turnover of 6.9% (2021: 13.2% decrease), resulting in total turnover of £34.4m (2021: £32.1m).

Review of the Business *(continued)*

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

Key Performance Indicator	2022	2021
Revenue	£34,354k	£32,146k
Revenue Growth	6.9%	(13.2%)
Revenue per member (a)	£116.50	£117.18
Operating loss (b)	(£487k)	(£48k)
EBITDA (c)	£1,962k	£1,792k
Number of centres (d)	95	96
Membership (e)	23,759	22,141

Notes:

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

(b) Operating (loss)/profit is defined as turnover less cost of sales and administrative expenses as disclosed in the Statement of Income and Retained Earnings on page 16

(c) EBITDA is defined as operating profit plus depreciation, amortisation and exceptional items

(d) Number of physical centres at end of year

(e) Total company membership at end of year.

Whilst revenue increased year on year by £2,208k, increased investment in new roles, digital capability and marketing have resulted in an EBITDA profit of £1,962k (2021: £1,792k). Revenue per member decreased slightly, mainly as a result of introducing a once a week membership option providing extra flexibility for our members.

At an operating level, the company reports a loss of £487k (2021: £48k loss). The loss in the prior year was reduced through government grant income of £711k and Coronavirus Job Retention Scheme income of £188k, compared with only £4k of government grant income received in 2022.

The directors continue to ensure the company 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.

Principal Risks and Uncertainties

The business management and execution of the company's strategy are subject to potential risks and uncertainties, including political risk, financial risk and operating risks. These could have a material impact on the company's operating performance and could cause future financial results to differ materially from expected and historical results.

The key risk to the business is a fall in membership. 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 centres, competition, and macro-economic factors including consumer confidence and the squeeze on cost of living through rising inflation. Whilst the cost of living crisis continues there remains a risk that recovery in membership numbers will be prolonged and short-term liquidity pressures continue.

Principal Risks and Uncertainties *(continued)*

Although it is not certain that plans put in place by management will be successful, the directors have determined that the current growth strategy, including the £3m of new capital raised at the end of the year and package of financial and operational covenants agreed with its bank, provide sufficient liquidity to manage through the current economic uncertainty and ensure the group's ability to meet its financial commitments.

The directors have considered the ongoing impact of the United Kingdom leaving the EU on the business and do not see this affecting operations, with the exception of the impact on the macro-economic factors as discussed above.

The directors have implemented systems to identify and assess the key business 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 risks to the business:

- Investment in training programmes and content to differentiate Explore Learning from other operators;
- Continuation of strong relationships, with key partners such as landlord and technology partners;
- Maintenance of competitiveness through an appropriate pricing architecture;
- Investment in key systems such as Curriculum tools, Membership Administration, Parent Portal, Payroll and HR;
- Dedicated safeguarding officers, policies and procedures focused on maintaining high operating standards both in centre and online.

The main risks arising from the financial assets and liabilities of the company 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

The board of directors of Explore Learning Limited considers, both individually and together, that it has acted in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022. The directors have a duty to promote the long-term sustainable success of the company and understand that consideration must be given to wider stakeholders and other factors when making decisions. This duty is reflected particularly when:

- Setting, updating and monitoring company strategy and mitigating risk;
- Putting in place policies and procedures to support operational performance and achievement of goals;
- Implementing engagement with customers, employees and suppliers and the wider community in which the centres and company operates; and
- Assessing the level and depth of information required for decision making and any training and development needs to carry out their duties.

The directors' behaviours are intended to reinforce this duty and help foster the company's values and "Fearless" culture and align them to the company's goals and objectives, set within the context of alignment with the interests of all stakeholders, where possible. Further details of Corporate Governance and Stakeholder Engagement are provided in the Directors' Report on pages 6 to 11 and describe how the directors have had regard to relevant matters when performing their duties under section 172.

Explore Learning Limited

Strategic Report *(continued)*

For the Year ended 31 December 2022

This report was approved by the board of directors on 20/06/23 and signed on behalf of the board by:

C J Light
Director

Explore Learning Limited

Directors' Report

For the Year ended 31 December 2022

The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.

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

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

R Z Reynolds (Appointed 29 March 2023)

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Going Concern

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.

On 20 December 2022 the group raised £3m of funds, by way of shareholder loan notes to support the future growth plans for the business. On the same day, a new package of financial and operational covenants was agreed on the group's facility agreement with its bank. The redemption dates of the unsecured loan notes of £16.5m are October 2026 and the facility agreement of £11.25m terminates in September 2025. The directors have noted and considered these dates in their going concern assessment.

In forming their conclusion, the directors have considered the future profit projections and cash flows of the business, as well as considering any mitigating actions that could be taken by the board to preserve liquidity for at least 12 months from the date of approval of these financial statements, should this be required.

After careful consideration, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to believe the going concern basis of accounting remains appropriate in preparing the annual financial statements.

Future Developments

The company is focused on optimising its membership offering across the existing network of centres, whilst growing its "Explore at Home" online service and launching new products. At the same time, the company will continue to invest in its digital capability supporting a richer, more interactive experience for children, enhancing feedback to parents and provide slicker communication.

In 2023, we will continue to dream bigger. We will challenge ourselves to meet the ever-changing needs of our families. We will develop our products and services to support thousands more children making a meaningful impact to the education sector throughout the UK.

Greenhouse Gas Emissions and Energy Consumption

Methodologies for Energy and Emissions Calculations

With all centres temporarily closed at the start of 2021 and government restrictions significantly reducing travel within the business, overall energy consumption for the company has significantly increased as expected from 2021 to 2022. The trackable electricity consumption across the company increased from 707,730 kWh in 2021 to 1,123,724 KWh in 2022 and company mileage increased from 100,181 miles in 2021 to 245,409 miles in 2022.

The company does not use gas in its centres or head office. Approximately half of the estate are concessions within Sainsbury's supermarkets where there has been no sub metering or charging of electricity up until November 2021 when Sainsbury's began a policy of metering and recharging in 11 centres. In line with ESOS phase 1 and 2 no allowance is made for electricity consumed in the centres that have not been recharged but the data for the 11 centres since November 2021 has been included.

These 11 centres increased overall consumption by 133,304 kWh. It is expected that recharging will increase across the Sainsbury's estate in the coming years and will mean that overall trackable consumption will increase further in the future.

The main drivers of electricity consumption during the year are, air conditioning, lighting and IT equipment at approximately 30% of total each. The main action taken on energy efficiency was to minimise consumption whilst centres are not open for tutoring. In order to calculate CO_2 emissions, a Carbon Footprint Calculator from The Carbon Trust was used.

Total Mileage claimed by employees = 245,409 miles *(a)*
Average fuel consumption by employees = 8.535 miles per ltr of fuel *(a)*
Total fuel consumption by employees = 28,753 ltrs *(a)*
Total trackable electricity consumption from centres = 1,123,724 kWh *(b)*
Total emissions = 301,671 $kgCO_2e$

(a) Employee mileage was taken directly from claims made by employees in 2022.
(b) Energy consumption was supplied on a site by site basis by Corona Energy.

The Carbon Footprint Calculator has been designed to measure corporate emission footprint by following GHG Protocol Guidance. This includes direct emissions from fuel and processes (Scope 1 emissions) and emissions from purchased electricity (or Scope 2 emissions) for the assets they operate.

Results	**2022**	**2021**
Total Emissions ($kgCO_2e$)	301,671	176,019
% by Scope		
Scope 1	21%	15%
Scope 2	79%	85%

SECR requires the reporting of an Emissions Intensity Ratio (EIR). In order to calculate this ratio for the company the number of tuition session delivered during the year has been used. The directors believe an EIR calculated on this basis will provide an excellent indication of the progress of the group to improve energy efficiency over time.

Emissions Intensity Ratio for the company in 2022 = 0.18 *(c)*

(c) Emissions intensity ratio = Total emissions /Tuition sessions provided

Greenhouse Gas Emissions and Energy Consumption *(continued)*

The EIR increased from 0.10 in 2021 to 0.18 in 2022. The primary factor for this increase was all centres being open and operational during 2022 with no lockdowns, and the full year inclusion of 11 Sainsbury's centres.

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 company continues and that appropriate provisions are arranged. It is the policy of the company 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.

Employee Involvement

The company continues to communicate with all employees and provide visibility of performance. This is done through multiple forums, including a weekly newsletter, manager briefings and publication of key reports on the company intranet. Training sessions and video messages from senior management are also used to inform staff of news and key changes that affect them. The company holds regular focus groups and employee sentiment surveys, with new initiatives influenced directly by employee feedback.

The company operates an 'equal opportunity' policy. It is company policy that training, career development and promotion are consistent and fair for all employees, irrespective of sex, race, religion, age or disability.

Financial Risk Management

The board regularly reviews the financial requirements of the company and the risks associated therewith in order to limit the adverse effects on the financial performance of the company. The company takes the following approach to financial risks:

Credit risk
The company 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.

Liquidity risk
The board actively manages financing that is designed to ensure the company has sufficient available funds to meet its short- and long-term creditors and for planned capital investment. 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.

Financial Risk Management *(continued)*

Cashflow risk

The company's cashflow risk is minimised by the structure of its operations, with the collection of membership fees primarily via Direct Debit at the start of the month, and payments to suppliers and employees made during the month.

Whilst the cost of living crisis continues there remains a risk that recovery in membership numbers will be prolonged impacting revenue, cashflow and short-term liquidity. The board believes that the current growth strategy, including the £3m of new capital raised at the end of the year and package of financial and operational covenants agreed with its bank, provide sufficient liquidity to manage through the current economic uncertainty and ensure the company's ability to meet its financial commitments, as they fall due.

Corporate Governance

The board of directors understands the need for sound corporate governance practices in fulfilling its respective duties and responsibilities in line with the UK Corporate Governance Code 2018. Full details of the company's policies and procedures can be found on the website at www.explorelearning.co.uk

Corporate Governance within the company is summarised below:

- **Leadership** - the Senior Leadership Team (SLT) is responsible to the shareholders for promoting the long-term success of the company for operating effective governance arrangements. It sets the company's strategy and ensures adequate resources are in place to deliver it, underpinned by the company's values, beliefs and "Fearless" culture.

- **Effectiveness** - the SLT is chaired by the CEO and comprises the executive directors of the company. The members of the SLT have extensive experience in their field of expertise, either as operational executives or as functional specialists. It meets weekly, is attended regularly by heads of departments to review and monitor strategic developments, membership and operational KPIs, financial performance, sales and marketing plans, project updates, customer insight, people sentiment and development.

- **Responsibilities** - members of the SLT have a clear understanding of their individual accountabilities and responsibilities, which are set by the CEO and reviewed annually by the remuneration committee.

- **Opportunity and risk** - the SLT promotes the long-term sustainable success of the company by identifying opportunities to create and maintain value and provides oversight for the purpose of identifying and mitigating risks. The annual budget and long-term plan are mechanisms to capture opportunities and mitigate risk and, once approved by the board, provide a road map against which performance is measured.

- **Remuneration** - remuneration structures reflect the skills and experience of the SLT. Incentives are structured to align performance with the company's objectives and strategy. All remuneration of the SLT is approved by the remuneration committee.

- **Stakeholders** - building and fostering constructive relationships with key stakeholders is critical to business success. The SLT oversees stakeholder engagement and reflects the importance of stakeholder views when making decisions.

Stakeholder Engagement Statement

- **Members** - we seek parents'/guardians' and children's feedback from the moment they join us to help evaluate our care provision, quality of tuition and make improvements to our overall service. We provide different methods for them to provide their feedback about all aspects of their membership, from email surveys to face-to-face meetings in centre or online. Actions taken in response to feedback are regularly communicated to parents/guardians and children, via our membership newsletter, at the end of a session or during a parents' meeting.

- **Employees** - the company places considerable value on the involvement of its employees and continues to keep them informed of matters affecting them and on the performance of the company as a whole. This is achieved through formal and informal meetings, a weekly newsletter, manager briefings and the company intranet. The company holds regular focus groups and employee sentiment surveys, with new initiatives influenced directly from employee feedback.

- **Suppliers** - collaboration and partnerships are fundamental to our supply chain relationships. Regular review meetings are held with all key suppliers to discuss challenges and share opportunities for further development. Where relevant, employee and membership feedback is shared directly with suppliers to further enhance the customer experience.

- **Shareholders** - the board of directors meets on a monthly basis, is chaired by a non-executive director and is attended by two investor directors. In addition to oversight of company operations and health and safety, the board will regularly review operational performance, people plans and financial performance against the company budget and strategic plan.

- **Communities and Environment** - at the heart of our centres is a desire to create a safe and enjoyable environment for children, with the provision of activities to encourage confidence building, learning and development, making friends and exploring the wider world around them. Our centres pride themselves on being part of the community they operate in, with our free maths and English workshops and competitions accessible to all young learners, regardless of their means or background. During 2022 we supported over 3,200 disadvantaged children through our scholarship scheme and a further 200 children though our schools and charity partnerships designed to target disadvantaged children and close the education attainment gap.

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:

Statement of Directors' Responsibilities *(continued)*

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 also 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 the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

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 20/06/23 and signed on behalf of the board by:

C J Light
Director

Independent Auditor's Report to the Members of Explore Learning Limited

Opinion

We have audited the financial statements of Explore Learning Limited for the year ended 31 December 2022 which comprise the Statement of income and retained earnings, the Statement of financial position as at 31 December 2022 and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinion on other matter prescribed by 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 financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 10 to 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Explore Learning Limited

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 risks of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. 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 and reviewing accounting estimates for biases and assessing the treatment of non-routine transactions. Our audit procedures to respond to revenue recognition risks included sample testing a sample of revenue across the year to agree to supporting documentation, and reviewing revenue received either side of the year end to ensure this has been recognised correctly.

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

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Independent Auditor's Report to the Members of Explore Learning Limited

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.

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

21 June 2023

Explore Learning Limited

Statement of Income and Retained Earnings

For the Year ended 31 December 2022

	Note	2022 £000	2021 £000
TURNOVER	4	**34,354**	32,146
Cost of sales		**(25,561)**	(24,785)
GROSS PROFIT		**8,793**	7,361
Administrative expenses		**(9,459)**	(8,308)
Other operating income	5	**179**	899
OPERATING LOSS	6	**(487)**	(48)
Interest payable and similar expenses	10	**(7)**	(12)
LOSS BEFORE TAXATION		**(494)**	(60)
Tax on loss	11	**(176)**	570
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		**(670)**	510
RETAINED LOSSES AT THE START OF THE YEAR		**(3,632)**	(4,142)
RETAINED LOSSES AT THE END OF THE YEAR		**(4,302)**	(3,632)

All the activities of the company are from continuing operations.

The notes on pages 18 to 30 form part of these financial statements.

Explore Learning Limited

Statement of Financial Position

As at 31 December 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Intangible assets	**12**	**4,639**	3,336
Tangible assets	**13**	**3,803**	4,713
		8,442	8,049
CURRENT ASSETS			
Stocks	**14**	**74**	49
Debtors: due within one year	**15**	**4,241**	2,507
Debtors: due after more than one year	**15**	**974**	1,140
Cash at bank and in hand		**2,522**	2,431
		7,811	6,127
CREDITORS: amounts falling due within one year	**16**	**(4,880)**	(5,218)
NET CURRENT ASSETS		**2,931**	909
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,373**	8,958
CREDITORS: amounts falling due after more than one year	**17**	**(6,500)**	(3,500)
PROVISIONS FOR LIABILITIES	**18**	**(693)**	(608)
NET ASSETS		**4,180**	4,850
CAPITAL AND RESERVES			
Called up share capital	**21**	**7**	7
Share premium account	**22**	**8,475**	8,475
Profit and loss account	**22**	**(4,302)**	(3,632)
TOTAL EQUITY		**4,180**	4,850

The financial statements on pages 16 to 30 were approved by the board of directors on 20/06/23, and signed on its behalf by:

C J Light
Director

Company registration number: 04117281

The notes on pages 18 to 30 form part of these financial statements.

1. GENERAL INFORMATION

Explore Learning Limited ("the company") is a private company limited by shares, domiciled and incorporated in the England & Wales. The address of the company's registered office and principle place of business is Highpoint, 9 Sydenham Road, Guildford, Surrey, GU1 3RX. The principal activity of the company during the year was the operation of Maths and English tuition centres throughout the United Kingdom.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Explore Learning 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.

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.

Going concern

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.

On 20 December 2022 the group raised £3m of funds, by way of shareholder loan notes to support the future growth plans for the business. On the same day, a new package of financial and operational covenants was agreed on the group's facility agreement with its bank. The redemption dates of the unsecured loan notes of £16.5m are October 2026 and the facility agreement of £11.25m terminates in September 2025. The directors have noted and considered these dates in their going concern assessment.

In forming their conclusion, the directors have considered the future profit projections and cash flows of the business, as well as considering any mitigating actions that could be taken by the board to preserve liquidity for at least 12 months from the date of approval of these financial statements, should this be required.

After careful consideration, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to believe the going concern basis of accounting remains appropriate in preparing the annual financial statements.

3. ACCOUNTING POLICIES *(continued)*

Functional and presentational currency

These financial statements are presented in Sterling, which is the company's functional currency. All amounts are rounded to the nearest thousand unless indicated otherwise.

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 26. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

(a) A reconciliation in respect of each class of share capital have not been presented (FRS 102 para 4.12(a)(iv));
(b) No cash flow statement has been presented for the company (FRS 102 para 3.17(d));
(c) Certain disclosures in respect of financial instruments have not been presented (FRS 102 paras 11.39-11.48A, 12.26-12.29);
(d) No disclosure has been given for the aggregate remuneration of key management personnel (FRS 102 para 33.7); and
(e) 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:

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 asset's 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.

We have also considered the recoverability of the intercompany debtor balances and have made appropriate provision such that they are included at their recoverable amounts.

3. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

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 of the assets are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible fixed assets and below for the useful economic lives for each class of assets.

Government grants and furlough income

Government income is recognised where it is reasonable to expect that the income will be received and that all related conditions will be met. Furlough income was received in the prior year under the government's Coronavirus Job Retention Scheme, and government grant income has been received under the Retail, Hospitality and Leisure Grant Fund. Income has been recognised within 'Other Operating Income' in the period incurred.

Revenue recognition

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

Termination payments

Redundancy and termination payments are included within the accounts on an accruals basis, in line with other expenditure and measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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.

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.

3. ACCOUNTING POLICIES *(continued)*

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.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Software Development costs are recognised as an intangible asset when all the following criteria is demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale;
- The intention to complete the software and use or sell it;
- The ability to use the software or to sell it;
- How the software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software;
- The ability to measure reliably the expenditure attributable to the software during its development.

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:

Software Development	-	20% - 33% straight line

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

3. 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.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

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.

3. ACCOUNTING POLICIES *(continued)*

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.

Defined contribution plans

Contributions to the company's defined contribution pension scheme are recognised as an expense in the period in which the related service is provided.

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.

4. TURNOVER

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. OTHER OPERATING INCOME

	2022	2021
	£000	£000
Government Grant Income	**4**	711
Coronavirus Job Retention Scheme income	**–**	188
Insurance Loss of Attraction claim	**175**	–
	179	899

6. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2022	2021
	£000	£000
Amortisation of intangible assets	**1,191**	901
Depreciation of tangible assets	**1,157**	1,399
Loss on disposal of tangible assets	**131**	165
Operating lease rentals	**3,300**	3,101

7. INDEPENDENT AUDITORS' REMUNERATION

	2022	2021
	£000	£000
Fees payable for the audit of the financial statements	**45**	34

8. STAFF COSTS

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

	2022	2021
	No.	No.
Head Office Management Staff	**98**	84
Head Office Operational Staff	**23**	25
Head Office Part-Time Staff	**2**	6
Centre Managers	**244**	251
Centre Part-Time Tutors	**2,701**	2,770
	3,068	3,136

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

	2022	2021
	£000	£000
Wages and salaries	**19,731**	20,470
Social security costs	**1,214**	1,158
Other pension costs	**464**	551
	21,409	22,179

9. DIRECTORS' REMUNERATION

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

	2022	2021
	£000	£000
Remuneration	**710**	913
Company contributions to defined contribution pension plans	**30**	64
	740	977

9. DIRECTORS' REMUNERATION *(continued)*

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

	2022	2021
	£000	£000
Aggregate remuneration	**275**	442

There were 3 directors (2021: 3) that contributed to a defined contribution pension plan. No amounts were paid to a defined contribution pension plan for the highest paid director (2021: £nil).

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Bank loans and overdrafts or similar	**7**	12

11. TAX ON LOSS

Major components of tax expense/(income)

	2022	2021
	£000	£000
Current tax:		
Adjustments in respect of prior periods	**9**	(101)
Deferred tax:		
Origination and reversal of timing differences	**129**	(195)
Impact of change in tax rate	**–**	(274)
Adjustments in respect of prior periods	**38**	–
Total deferred tax	**167**	(469)
Tax on loss	**176**	(570)

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£000	£000
Loss on ordinary activities before taxation	**(494)**	(60)
Loss on ordinary activities by rate of tax	**(94)**	(11)
Adjustment to tax charge in respect of prior periods	**47**	(101)
Effect of capital allowances and depreciation	**73**	55
Effect of different UK tax rates on some earnings	**31**	(276)
Other permanent differences	**3**	–
Super-deduction expenditure	**(152)**	(64)
Deferred tax not recognised	**268**	(1)
Group relief claimed	**–**	(172)
Tax on loss	**176**	(570)

11. TAX ON LOSS *(continued)*

Factors that may affect future tax expense

An increase to the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) has been enacted. Deferred tax balances have been calculated at the corporation tax rate of 25% (2021: 25%). This will also increase the company's future current tax charge accordingly.

12. INTANGIBLE ASSETS

	Software Development £000
Cost	
At 1 January 2022	5,490
Additions	2,494
At 31 December 2022	7,984
Accumulated Amortisation	
At 1 January 2022	2,154
Charge for the year	1,191
At 31 December 2022	3,345
Carrying amount	
At 31 December 2022	4,639
At 31 December 2021	3,336

13. TANGIBLE ASSETS

	Fixtures and Fittings £000	Computer Equipment £000	Total £000
Cost			
At 1 January 2022	13,073	4,650	17,723
Additions	256	122	378
Disposals	(293)	(26)	(319)
At 31 December 2022	13,036	4,746	17,782
Depreciation			
At 1 January 2022	8,652	4,358	13,010
Charge for the year	999	158	1,157
Disposals	(167)	(21)	(188)
At 31 December 2022	9,484	4,495	13,979
Carrying amount			
At 31 December 2022	3,552	251	3,803
At 31 December 2021	4,421	292	4,713

14. STOCKS

	2022	2021
	£000	£000
Raw materials and consumables	**74**	49

Stocks consists of promotional and learning materials held in storage by a third party. There is no material difference between the replacement cost of stocks and the amount stated above.

15. DEBTORS

Debtors falling due within one year are as follows:

	2022	2021
	£000	£000
Trade debtors	**325**	181
Amounts owed by group undertakings	**2,229**	546
Prepayments and accrued income	**1,687**	1,300
Corporation tax repayable	**–**	480
	4,241	2,507

Debtors falling due after one year are as follows:

	2022	2021
	£000	£000
Deferred tax asset	**974**	1,140

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

Included in prepayments and accrued income is £3k (2021: £3k) owed by the Employee Benefit Trust, as disclosed in note 25.

16. CREDITORS: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	**1,046**	1,219
Accruals and deferred income	**3,459**	3,682
Social security and other taxes	**312**	270
Other creditors	**63**	47
	4,880	5,218

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

	2022	2021
	£000	£000
Amounts owed to group undertakings	**6,500**	3,500

Amounts owed to group undertakings are unsecured and interest free.

18. PROVISIONS FOR LIABILITIES

	Dilapidations £000
At 1 January 2022	608
Additions	85
At 31 December 2022	**693**

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

19. DEFERRED TAX

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

	2022 £000	2021 £000
Included in debtors (note 15)	**974**	1,140

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

	2022 £000	2021 £000
Accelerated capital allowances	**783**	975
Other timing differences	**191**	165
	974	1,140

20. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £464k (2021: £551k).

The company operates a defined contribution pension scheme, with contributions recognised as an expense in the period in which the related service is provided. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions amounting to £72k (2021: £52k) were payable to the fund at the balance sheet date and are included in other creditors.

21. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2022 No.	**2022 £000**	2021 No.	2021 £000
Ordinary shares of £0.001 each	**5,608,691**	**6**	5,608,691	6
Ordinary A shares of £0.001 each	**900,000**	**1**	900,000	1
	6,508,691	**7**	6,508,691	7

22. RESERVES

Called up share capital - There are two 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.

Retained earnings - This reserve records retained earnings and accumulated losses.

23. OPERATING LEASES

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

	2022	2021
	£000	£000
Not later than 1 year	**3,371**	3,337
Later than 1 year and not later than 5 years	**10,506**	11,528
Later than 5 years	**3,445**	4,847
	17,322	19,712

24. CHARGES ON ASSETS

Bank Loans

The bank loan held within the parent company 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.

25. RELATED PARTY TRANSACTIONS

The company administered an Employee Benefit Trust ("EBT") on behalf of the ultimate controlling party, Columbus Topco 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/or its subsidiaries.

W Mills, a Director of the group and company, is also a Director of Highfield School (Liphook) Ltd. During the year, the company was charged £2k (2021: £2k) for W Mills' private healthcare by Highfield School (Liphook) Ltd. No balance was outstanding at the year-end date (2021: £nil).

At 31 December 2022, the company was owed £3k (2021: £3k) represented by the number of shares held by the trust. This amount is included in prepayments (see note 15).

26. CONTROLLING PARTY

The immediate parent undertaking is Columbus Bidco 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 Highpoint, 9 Sydenham Road, Guildford, Surrey, GU1 3RX.

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.