Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2017

Company Registration No. 04418776

Alpha Plus Holdings plc

Company No. 04418776

Officers and advisors

Directors

Sir John Ritblat
G G Able
M D Hanley-Browne
M J Sample
R D Jones
E M Francis
J E Stephen
P D Brereton
Dame Rosalind Savill
C B Wagman
S M Lancaster

Secretary

J C Norton

Registered office

50 Queen Anne Street
London
W1G 8HJ

Bankers

Barclays Bank PLC
Level 27
One Churchill Place
London E14 5HP

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Copies of these financial statements may be downloaded from the Company's website:
www.alphaplusgroup.co.uk/Investors

Alpha Plus Holdings plc

Company No. 04418776

Strategic Report

Principal activities

The principal activity of the Group in the year under review continued to be the ownership and management of schools and colleges in the United Kingdom and the supply of educational services. The Group operates 13 independent schools, 3 nurseries and 3 sixth form colleges in the UK. With the exception of 2 schools and 2 colleges, all of the Group's UK schools and colleges are based in Central London. In addition, since the year-end, the Group has now opened one school in New York in the USA.

Review of business and financial performance

The Group continued to make good progress during the year under review.

Abbey College Cambridge successfully relocated to its new purpose-built campus adjacent to Homerton College in September 2016. Abbey College Cambridge can now accommodate around 580 students, 120 of whom can live on site with a further 215 accommodated in adjacent premises. St Anthony's School for Girls, a new Catholic girls school, opened at Ivy House, overlooking Golders Hill Park, London NW11 in September 2016.

Abbey College Birmingham closed at the end of the previous financial year and the freehold property previously occupied by the college in St Paul's Square was sold for £1.5m in January 2017, realising a book profit of £0.54m.

Abingdon House School was sold at the end of the previous year. The Group initially retained the freehold interest in the property occupied by the school in Rossmore Road, London NW1 and granted a 25-year lease to the new owner. The retained freehold interest, which was accounted for as an investment property, was sold for £7.5m in December 2016 realising a book profit of £0.85m.

In September 2016, the Group acquired new leasehold premises in Wetherby Gardens, London SW5. In December 2016, the Group acquired leasehold interests in the property known as Hannah House situated at 13-16 Manchester Street, London W1.

Group revenue in the year ended 31 August 2017 was 7% higher than in the previous year at £96.3m (2016: £90.1m) with the increase being attributable to increased tuition fees, increased ancillary fees for educational visits and other extra-curricular activities, and higher student accommodation income.

Total pupil/student numbers were slightly lower at the end of the year as summarised below:

	number
At 2015/16 academic year-end	4,289
Abingdon House pupils (school sold)	(64)
Abbey College Birmingham students (college closed)	(128)
Abbey College Birmingham students relocating to other Group colleges	27
	4,124
Increase in pupil/student numbers in continuing schools and colleges	119
At 2016/17 academic year-end	**4,243**

Strategic Report (continued)

Review of business and financial performance *continued*

Operating expenses rose by 11% to £91.4m (2016: £82.3m). The increase reflects a combination of higher personnel costs due to both higher salaries and additional staff recruitment as well as higher premises costs. Premises costs now include the new leasehold premises in Cambridge, the additional student accommodation on that site, and the additional leasehold premises acquired in London during the year as noted above.

Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") declined by 37% to £4.9m (2016: £7.8m) as a consequence.

As previously reported, the Group continues to expand each year through the creation of additional pupil and student capacity both by opening new schools and by relocating existing schools or acquiring new premises in the vicinity of existing schools. The Group views operating losses incurred in the initial years of a new school and the costs of unutilised new capacity within existing schools and colleges as a form of investment. In addition, this year the Group also incurred one-off staff termination costs well in excess of normal experience and expectation.

Since these "investment" and one-off costs reduce reported EBITDA, the Group considers it appropriate to quantify their impact by separately disclosing underlying EBITDA as follows:

	2017	2016
	£m	£m
Reported EBITDA	5.0	7.8
Costs associated with increasing pupil and student capacity:		
Establishment of Wetherby Senior School	2.3	1.6
Expansion costs at Abbey College Cambridge	1.5	-
Establishment of Wetherby-Pembridge, New York	1.2	-
Expansion costs at Chepstow House School	0.6	0.9
Expansion costs at DLD College	0.5	0.5
Establishment of Wetherby Kensington School	0.5	-
Establishment of St Anthony's School for Girls	0.4	0.2
Relocation of Falcons School for Girls	0.3	0.8
Non-recurring items		
Staff termination costs	0.7	-
Underlying EBITDA	13.0	11.8

Strategic Report (continued)

Future developments

A new boys-only pre-prep school, Wetherby Kensington, opened in September 2017 in the Group's new leasehold premises in Wetherby Gardens, London SW5, Wetherby Kensington is a two form, non-selective, pre-preparatory school for boys from Reception to Year 3 and follows the same curriculum and shares the same values and ethos as Wetherby School. The new school has started with pupils in Reception and Year 1 only and the remaining year groups are expected to fill over the next two academic years.

Wetherby-Pembridge School in New York City also opened in September 2017. The school is located in leasehold premises on the Upper East Side on East 96th Street near Central Park and has a capacity of approximately 230 students. The school follows the English National Curriculum. Students initially enter the school in preschool in a co-educational setting and then progress to Kindergarten (Year 1) where they will be entered into separate forms of boys and girls which will run initially to Grade 5 (Year 6). The boys' form will be called Wetherby and the girls' form will be called Pembridge Hall.

A major refurbishment programme has been carried out at Hannah House, London W1. It is intended that this property will form an additional campus for Wetherby Senior School, supplementing the existing campus in nearby Marylebone Lane.

The Group has agreed, subject to contract, to lease additional premises at 47 Bryanston Square, London W1 adjacent to Wetherby Prep School. This building will require refurbishment but will then allow Wetherby Prep to expand by adding one additional form to each year group.

The Board continues to expect short term future reported EBITDA to continue to be negatively impacted by costs associated with the current expansion program but anticipates significant medium / longer term growth as a consequence.

The Group continues to look for opportunities to expand its school and college portfolio both in the UK and overseas. This could involve the acquisition of existing schools as well as the identification of sites to which the Group's existing schools could move to increase capacity or sites where new schools could be established.

Board changes

There have been a number of changes at Board level. Julian Drinkall resigned his position as Chief Executive Officer in October 2016. Liz Francis (as Director of Education) and Anthony Kay (as Director of College Operations) both joined the Board in that month. Jenny Stephen (Director of Schools and Colleges) and Paul Brereton (Director of HR) both joined the Board in March 2017. Mark Hanley-Browne joined the Group as its new Chief Executive Officer in August 2017. Anthony Kay resigned his position in November 2017.

Strategic Report (continued)

Principal risks and financial risk management objectives and policies

The Group’s activities expose it to a number of risks, both business and financial.

Financial risks include interest risk, foreign currency risk, credit risk and liquidity risk. These risks are described further in note 24 to the financial statements.

Business risks include the Group’s ability to attract pupils and students which can be adversely impacted by the general economic environment. Consideration is given to this when establishing tuition fee levels. The Group could also be negatively impacted by matters affecting the reputation of the Group’s educational operations. The Group has developed a “Gold Standard” as the benchmark of the quality of education it aims to deliver in its schools and colleges. The Group also has internal review procedures to maintain educational standards and to comply with all relevant regulations. In addition, the Group’s schools and colleges are subject to regular inspection by Ofsted and the Independent Schools Inspectorate and all have been rated excellent, outstanding or good in the most recent inspections.

Approved by the Board of Directors and signed on behalf of the Board.

J C Norton

Secretary

11 December 2017

Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2017.

Directors

The Directors who served during the year were:

Sir John Ritblat	Non-Executive Chairman
G G Able	Deputy Chairman
M D Hanley-Browne	Chief Executive Officer (appointed 29 August 2017)
C J J Drinkall	Chief Executive Officer (resigned 12 October 2016)
M J Sample	Director of Finance
R D Jones	Director of Property
J E Stephen	Director of Schools and Colleges (appointed 1 March 2017)
E M Francis	Director of Education (appointed 11 October 2016)
A D Kay	Director of College Operations (appointed 11 October 2016, resigned 17 November 2017))
P D Brereton	Director of HR (appointed 27 March 2017)
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Directors' interests

As at 31 August 2017, the Directors, and their connected parties, collectively held £32,000 nominal value of the Company's secured sterling bonds.

Corporate Governance

Since the ordinary shares of the Company are not listed on any stock exchange, the Company is not required to comply with any UK corporate governance regime. However, certain aspects of the Group's governance are set out below:

Audit Committee

The Audit Committee comprises Mr C B Wagman (Chairman of the Committee), Sir John Ritblat and Mr Anandh Owen. The Audit Committee meets twice a year and is responsible for reviewing and reporting to the Board on a range of matters including the interim and annual financial statements, the appropriateness of the Group's accounting policies and practices and the effectiveness of the Group's internal control and risk management systems. The Audit Committee also advises the Board on the appointment of external auditors, their remuneration for audit and non-audit work, their cost effectiveness, independence and objectivity, as well as discussing the nature, scope and results of the annual audit with the external auditors.

Directors Report (continued)

Corporate Governance *continued*

Preparation of financial information

The Group operates a centralised accounting function. Annual budgets and monthly internal management accounts are prepared by the finance function and are reviewed by the Director of Finance prior to submission to the Board. Any significant variances between actual and budget performance are investigated and explained as part of this process. The Audit Committee and the Board also review both the interim and annual Group financial statements. The Audit Committee receives reports from management and the external auditors regarding all matters pertinent to the financial statements including significant judgements and any changes in accounting policies and estimates.

Going concern

The financial statements have been prepared on a going concern basis. In considering whether this is appropriate, the Directors have taken into account the following:

- The Group has substantial net assets and held £6.3m of cash at 31 August 2017. Current liabilities include £29.5m of deferred income that will not be settled in cash.
- The Group is principally financed by £128.5m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds (“ORB”). These bonds mature in December 2019 and March 2024. No repayments of capital fall due before the maturity date.
- The Group has loaned £47.0m to the ultimate parent company. Although repayment is not due until March 2024, early repayment may be made by agreement with the borrower (see note 15 to the financial statements).

The Directors have referred to cash flow forecasts for the coming year in order to understand the capital requirements of the Group. As a result, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

Staff policies

The Group seeks to involve all employees in the development of the Group’s business. The Directors regularly visit all of the Group’s schools and colleges to provide updates to staff. The Group undertakes to provide employees with information of concern to them that is likely to affect their interests.

The Group supports the principle of equal opportunities in employment and opposes all forms of discrimination. Every step is taken to ensure that individuals are treated equally and fairly and decisions on recruitment, training, promotion and career development are based only on objective and job related criteria. The Group gives full and fair consideration to applications for employment from disabled persons and also seeks to continue to employ, with suitable training, if appropriate, any person who becomes disabled whilst employed by the Group.

Further details regarding the Group’s employees are provided in note 7 to the financial statements.

Directors Report (continued)

Anti-slavery and human trafficking statement

Alpha Plus is a values-led organisation that maintains high expectations of its own conduct and of those with whom it works. The Group's code of ethical and professional conduct is an integral part of the Alpha Plus Gold Standard of educational excellence. The Group takes pride in its reputation and recognises that its values are just as important as the services it provides. The Group is rigorous in the recruitment and development of people and in the selection and management of suppliers. The Group expects Directors and all other employees within the Group, along with its suppliers, to act with the highest levels of professionalism and integrity, and within the law. The principles of the Group's code apply to all dealings with those who interact with, or may be affected by, the activities of the Group. This includes pupils, parents, employees, customers, suppliers, inspectors and regulators, shareholders, local communities and the environment in which the Group operates.

Consistent with its commitment to act ethically in all relationships and a zero tolerance of unethical or exploitative employment practices, the Group is committed to doing whatever it can to combat slavery and human trafficking. The Group will not engage in business with any party whom it deems to present a risk of participating in slavery or human trafficking.

Charitable donations

The Group made charitable donations of £7,000 (2016: £7,000) during the year.

Responsibility statements under the Disclosure and Transparency Rules

Each of the Directors listed above who were members of the Board at the time of approving the financial statements confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are shown above. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Directors Report (continued)

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

J C Norton

Secretary

11 December 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by European Union, subject to any material departures disclosed and explained in the Group financial statements;
- state whether the Company financial statements have been prepared in accordance with applicable UK Accounting Standards, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Alpha Plus Holdings plc

Opinion

In our opinion:

- Alpha Plus Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Alpha Plus Holdings plc which comprise:

Group	Parent company
Group statement of comprehensive income for the year then ended	Balance sheet as at 31 August 2017
Group balance sheet as at 31 August 2017	Statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Group statement of cash flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 below. We are independent of the Group and parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements (see our consideration of a prohibited non-audit service we provided to the company below).

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Revenue recognition • Assessment of carrying value of property, plant and equipment
Audit scope	• We performed an audit of the complete financial information of Alpha Plus Holdings plc and its components. • The components where we performed full or specific audit procedures accounted for 100% of earnings before interest, taxation, depreciation and amortisation (EBITDA), 100% of revenue, 100% of loss before tax and 100% of total assets (2016: 100% of EBITDA, 100% of revenue, 100% of loss before tax and 100% of total assets)
Materiality	• Overall group materiality of £150,000 which represents 3% of EBITDA (2016: £213,000 which represents 3% of EBITDA)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition 2017: £96.3m (2016: £90.1m) Refer to Accounting policies (page 23); and Note 6 of the Consolidated Financial Statements (page 28) Stakeholder expectations and profit based targets may place pressure on management to misstate revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting	Our procedures over revenue recognition included: We performed detailed testing for a sample of revenue transactions by agreeing to enrolment forms or other supporting documents to check that the revenue is being recognised in the appropriate period and at the correct amount. Analytical procedures were performed, which included	We audited the revenue recognition and assessed the risk of management override. Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year.

current or future targets and expectations.	setting expectations of revenue to be recognised and comparing it with actual revenue recognised. These procedures were performed in relation to revenue from school fee and accommodation. We investigated any material variances in revenue per our expectations and actual results. We assessed whether the revenue recognition policies adopted complied with IFRS as adopted by the European Union. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included particular focus on journal entries which impact revenue.	
Assessment of carrying value of property, plant and equipment 2017: £137.2m (2016: £124.2m) Refer to the Accounting policies (page 24 and 27); and Note 12 of the Consolidated Financial Statements (page 33) The carrying value and useful life of property, plant and equipment is assessed on an annual basis for indicators of impairment. There is a risk that impairment provisions are not identified and their carrying values are overstated. There is a risk that judgements are made by management in order to meet stakeholder expectations or to meet current or future targets.	Our audit procedures in the assessment of the carrying value of property, plant and equipment included: For the key assumptions used in the assessment of net realisable value such as fee increases, increase in number of students etc. we have obtained and reviewed management's forecasts for reasonableness and compared these with our expectations. We also corroborated the assumptions used by the management with market evidence where available. Challenge of management's assessment to consider whether the assumptions used and judgments made are appropriate and consistent with evidence obtained during the audit.	We have assessed the inputs, assumptions and methodology used by the management in the assessment of the net realisable value of property, plant and equipment. We conclude that the assumptions used are appropriate and the carrying value at 31 August 2017 is fairly stated.

An overview of the scope of our audit

Tailoring the scope

The Group primarily operates in the United Kingdom with limited operations in the United States both of which were subject to the same audit scope. We consider each legal entity within the Group as a separate component. We determined the scope of all components to be full scope due to materiality of each component in relation to the Group. The Group audit team performed direct audit procedures on all balances included within the Group financial statements.

Changes from the prior year

There have been no scoping changes from the prior year and all entities have been audited as full scope entities.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We have used an earnings based measure as our basis for materiality. We did not consider it appropriate to use the result for the year to calculate materiality because the company made a loss before tax. EBITDA is a key performance indicator for the Group and its investors and debt holders and is also a key metric reported on in the 'review of business and financial performance' section of the Strategic Report. We determined materiality for the Group to be £150,000 (2016: £213,000), which is 3% (2016: 3%) of EBITDA.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016: 50%) of our planning materiality, namely £75,000 (2016: £106,000). We have set performance materiality at this percentage to reflect our past experience of the audit that indicates a higher risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £7,500 (2016: £11,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 Group and the parent 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 directors

As explained more fully in the Directors' responsibilities statement set out on page 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 Group and 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 Group or the parent 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are Companies Act 2006, regulations of Department for Education and Tax legislation.
- We understood how Alpha Plus Holdings plc is complying with those frameworks by understanding the Group's control environment including the processes designed by management to ensure compliance with relevant laws and regulations. We obtained this understanding through inquiry and observation of the group's management.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by identifying fraud risks and related controls designed by the Group's management to mitigate such risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the management, review of minutes of board meetings and review of any legal correspondence.

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.

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

Other matters we are required to address

- We were appointed by the Company on 17 November 2017 to audit the financial statements for the year ending 31 August 2017 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 10 years, covering the years ending 31 August 2008 to 31 August 2017.

- During the year ended 31 August 2017, EY UK provided tax structuring advice to the Company relating to the set-up of Alpha Plus Holdings Asia Ltd. This was subsequently identified as a prohibited non-audit service in the Financial Reporting Council's Ethical Standard. We have notified the Audit Committee of this breach. The breach is considered minor by both EY UK and the Audit Committee on the basis that Alpha Plus Holdings Asia Ltd, which is recognised in the financial statements, is immaterial. The advice was provided to informed management by a separate EY UK tax team to safeguard the firm's independence. We therefore consider this to be a minor breach of the Ethical Standard and we do not consider our independence to be impaired.

- The audit opinion is consistent with the additional report to the Audit Committee

Ernst & Young LLP

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 December 2017

1. The maintenance and integrity of the Alpha Plus Holdings plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group statement of comprehensive income

for the year ended 31 August 2017

	Notes	2017 £000	2016 £000
Revenue	6	96,269	90,055
Operating expenses	6	(91,277)	(82,281)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		4,992	7,774
Depreciation	12	(5,901)	(5,784)
Operating (loss)/profit		**(909)**	**1,990**
Profit on disposal of asset held for sale	18	543	-
Profit on sale of investment property	13	852	-
Loss on disposal of fixed assets		(4)	(200)
College closure costs	8	-	(1,656)
Profit on sale of business	8	-	455
Profit before interest and tax		482	589
Finance costs	9	(7,259)	(4,682)
Finance income	10	3,732	1,771
Loss before tax		**(3,045)**	**(2,322)**
Tax (charge)/credit	11	(642)	871
Loss for the year		**(3,687)**	**(1,451)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		15	(3)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Revaluation of land and buildings		-	2,165
Total comprehensive (deficit)/income for the year		**(3,672)**	**711**

Group balance sheet
as at 31 August 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	12	137,166	124,153
Investment property	13	4,292	10,892
Intangible assets	14	2,238	2,238
Financial assets	15	4,378	5,589
Deferred tax assets	11	1,986	2,628
		150,060	145,500
Current assets			
Trade and other receivables	16	4,542	4,504
Other financial assets	15	50,261	46,313
Cash	17	6,258	8,320
		61,061	59,137
Assets held for sale	18	-	953
		61,061	60,090
Total assets		**211,121**	**205,590**
Current liabilities			
Trade and other payables	20	46,753	41,702
Loans and borrowings	19	2,380	2,385
		49,133	44,087
Non-current liabilities			
Trade and other payables	20	6,876	2,944
Loans and borrowings	19	126,599	126,374
		133,475	129,318
Total liabilities		**182,608**	**173,405**
Net assets		**28,513**	**32,185**
Equity attributable to equity shareholders			
Share capital	21	16	16
Revaluation reserve		-	2,165
Foreign currency translation reserve		12	(3)
Retained earnings		28,485	30,007
Total equity		**28,513**	**32,185**

The financial statements were approved by the Board and authorised for issue on 11 December 2017.

M J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2017

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
As at 1 September 2015	16	-	-	31,458	31,474
Loss for the year	-	-	-	(1,451)	(1,451)
Other comprehensive income	-	2,165	(3)	-	2,162
At 31 August 2016	16	2,165	(3)	30,007	32,185
Loss for the year	-	-	-	(3,687)	(3,687)
Realised on disposal of asset	-	(2,165)	-	2,165	-
Other comprehensive income	-	-	15	-	15
At 31 August 2017	**16**	**-**	**12**	**28,485**	**28,513**

Group statement of cash flows

for the year ended 31 August 2017

	Notes	2017 £000	2016 £000
Cash generated from operations	27	9,515	13,385
College closure costs	8	-	(1,051)
Deposits paid on new operating leases		(428)	(3,480)
Net cash inflow from operating activities		**9,087**	**8,854**
Investing activities			
Proceeds from sale of investment property		7,452	-
Proceeds from sale of assets held for sale		1,496	-
Proceeds from sale of property, plant and equipment		752	180
Additions of property, plant and equipment		(15,236)	(11,105)
Net proceeds from sale of business	8	-	455
Net cash outflow from investing activities		**(5,536)**	**(10,470)**
Financing activities			
Interest received		3,429	78
Interest paid		(6,884)	(2,822)
Loan granted to parent undertaking		(12,000)	(45,000)
Loan repaid by parent undertaking		10,000	-
Payment of finance lease liabilities		(155)	(61)
Repayment of other loans and borrowings		-	(34,085)
Proceeds from issue of 5% secured sterling bonds		-	80,000
Cost of issuing 5% secured sterling bonds		-	(1,840)
Net cash outflow from financing activities		**(5,610)**	**(3,730)**
Net decrease in cash and cash equivalents		**(2,059)**	**(5,346)**
Exchange differences		(3)	17
Cash and cash equivalents at 1 September		8,320	13,649
Cash and cash equivalents at 31 August	17	**6,258**	**8,320**

Notes forming part of the accounts

1. Corporate information

The consolidated financial statements of Alpha Plus Holdings plc and its subsidiaries ("the Group") for the year ended 31 August 2017 were authorised for issue in accordance with a resolution of the Directors on 11 December 2017. The Company is a public company limited by shares and is incorporated and domiciled in the United Kingdom.

The principal activity of the Group is the provision of educational services.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

Consistent accounting policies and presentation have been used in both years presented in the financial statements.

2.2 Basis of consolidation

The Group financial statements comprise the financial statements of Alpha Plus Holdings plc and its subsidiaries as at 31 August 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units, being schools and colleges, that are expected to benefit from the combination.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of education and related services

Tuition fees together with fees for ancillary education-related services and student accommodation (exclusive of VAT) are recognised in the period that those services are provided.

Interest income

Interest income is recognised using the effective interest rate approach.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

c) Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Freehold buildings 1-2%
- Freehold land is not depreciated.
- Leasehold land & buildings Shorter of the length of the lease and the useful life of the property
- Fixtures, fittings and equipment 25% - 33%

Assets under development are not depreciated until such time as the respective asset is brought into use for educational purposes.

The Directors review estimated useful lives and residual values annually and make provision for impairment if considered appropriate.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

e) Assets held for sale

The Group classifies non-current assets as assets held for sale if their carrying amounts will be recovered through a sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less anticipated disposal costs.

f) Investment property

Investment properties are initially recognised at cost including transaction costs. Transfers are made to or from investment property at carrying value if there is a change in use.

Investment properties are subsequently stated at fair value. Gains or losses arising from changes in fair values resulting from a change of use are included in other comprehensive income. Other revaluation gains or losses are included in profit or loss. Fair values are determined by the Directors' taking into account information received from external independent experts.

g) Leases

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

h) Receivables

Receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less any impairment.

i) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less.

j) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method.

k) Pensions

A significant number of the Group's employees are members of the Teachers' Pension Scheme, an unfunded defined benefit scheme (note 25). The Group is unable to identify its share of the underlying assets and liabilities of this scheme and so has treated this scheme as a multi-employer defined contribution scheme. The Group also operates a group personal pension plan which is a defined contribution pension scheme. Contributions payable for the year are charged in the income statement.

In addition, a small number of the Group's employees are members of the Independent Schools' Pension Scheme. This scheme is also accounted for as a multi-employer defined contribution scheme (see note 25).

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

l) Deferred income

School and college tuition fees are payable in advance. Fees are initially recognised as deferred income and are then transferred to the income statement over the period of time to which the fees relate.

m) Share-based payments

The Group previously operated a long term incentive plan for certain employees. Awards made under this plan were accounted for as cash-settled share-based payments. A liability has been recognised for any outstanding Awards under this plan at fair value and these have been subsequently re-measured at fair value at each reporting date.

The Group operates a cash incentive plan for certain employees. Awards made under this plan are also accounted for as cash-settled share-based payments. A liability is recognised for such Awards at fair value and these are subsequently re-measured at fair value at each reporting date.

n) Foreign currencies

Transactions in foreign currencies are initially recorded at the respective currency spot rate. Monetary assets and liabilities denominated in foreign currencies are translated at the currency spot rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Sterling at the prevailing exchange rate on the reporting date and the statements of profit or loss are translated at the average exchange rate applicable during the reporting period. Exchange differences arising are recognised in other comprehensive income.

2.4 Going concern

The financial statements have been prepared on a going concern basis. In considering whether this is appropriate, the Directors have taken into account the following:

- The Group has substantial net assets and held £6.3m of cash at 31 August 2017. Current liabilities include £29.5m of deferred income that will not be settled in cash.
- The Group is principally financed by £128.5m of 5.75% secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds (“ORB”). These bonds mature in December 2019 and March 2024. No repayments of capital fall due before the maturity date.
- The Group has loaned £47.0m to the ultimate parent company. Although repayment is not due until March 2024, early repayment may be made by agreement with the borrower (see note 15).

The Directors have referred to cash flow forecasts for the coming year in order to understand the capital requirements of the Group. As a result, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes forming part of the accounts (continued)

3. Significant accounting judgements, estimates and assumptions *continued*

Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Group financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Recognition of deferred tax assets – the Group has significant unutilised tax losses (see note 11). IAS 12 provides that deferred tax assets should be recognised in respect of unutilised losses where it is probable that taxable profits will subsequently arise against which the losses can be utilised. The Directors have prepared and reviewed future financial projections for the Group and have concluded that it is appropriate to recognise a £2.0m deferred tax asset in this regard.

In addition, the carrying value of properties owned by the Group is higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability is recognised. However, this liability may be offset against losses arising in the Company's immediate parent company which has undertaken to make those losses available to the Company as necessary sufficient to cover the reversal of the temporary timing differences.

Valuation of investment property – the Group has investment property with a fair value of £4.3m (2016: £10.9m) at the balance sheet date. The assumptions underlying the fair value assessment are described in note 13.

Impairment of fixed assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount which is the higher of its fair value less costs of disposal and its value in use. Short-term operating losses in new schools and losses or reduced profits in recently relocated or otherwise expanded schools and colleges may negatively impact fair value. However, the Group takes a long-term view when making decisions to open new schools or to relocate or otherwise expand existing schools and colleges. A new school typically fills with an annual pupil or student intake at the beginning of each academic year starting with the youngest age group. A school educating pupils aged between 3 and 11, for example, will consequently take at least eight years to fill. The Group consequently prepares financial projections covering periods of up to ten years when considering the value in use of fixed assets which includes making long-term assumptions regarding future pupil and student numbers, annual fee increases and cost inflation. This is longer than the default period of five years detailed in IAS 36.

4. Standards issued but not yet effective

A number of Standards have been issued but are not yet effective up to the date of issuance of the Group's financial statements.

IFRS 9 "Financial Instruments" is mandatory for accounting periods beginning on or after 1 January 2018. The Group has performed a high-level impact assessment of all three aspects of IFRS 9 based on currently available information. The Group expects no significant impact on its balance sheet and equity.

IFRS 15 "Revenue from Contracts with Customers" will supersede all current revenue recognition requirements for accounting periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group has performed a preliminary assessment of IFRS 15, based on currently available information. Based on this preliminary assessment, the Standard is not currently expected to have any significant impact on the Group's revenue recognition pattern due to the characteristics of the Group's revenue streams.

Notes forming part of the accounts (continued)

4. Standards issued but not yet effective *continued*

The Amendment to IAS 40 regarding transfers of investment property is effective for accounting periods beginning on or after 1 January 2018 and clarifies when an entity should transfer property, including property under construction or development, into or out of, investment property.

IFRS 16 "Leases" is effective from 1 January 2019 and specifies how leases should be recognised, presented and disclosed. This will require the recognition of operating lease commitments (see note 23) on balance sheet.

Management does not currently believe that any other new standards will have any significant impact on the financial statements.

5. Segmental information

The Group's chief operating decision maker is the Board of Directors. The Board views the Group's portfolio of schools and colleges as a single operational segment and, consequently, no further detailed segmental analysis has been included in these financial statements.

6. Revenue and operating expenses

Revenue, all of which derives from continuing operations, relates to the provision of educational services in the UK. Operating expenses may be analysed as follows:

	2017	2016
	£000	**£000**
Staff and other direct costs	61,277	56,561
Administrative expenses	30,000	25,720
	91,277	**82,281**

	2017	2016
	£000	**£000**
Operating expenses include:		
Auditors remuneration – audit of the financial statements	35	32
Auditors remuneration – statutory audits of subsidiaries	60	55
Other fees paid to the auditors	69	90
Cash-settled share-based payment (credit)/expense	(287)	472
Operating lease expense - land and buildings	10,466	7,177

Other fees payable to the auditors relate to certain agreed upon procedures. In addition, fees totalling £50,000 paid to the auditors in the year ended 31 August 2016 in connection with the issue of 5% secured sterling bonds were treated as bond issue costs and deducted from the carrying value of the bonds (see note 19).

Notes forming part of the accounts (continued)

7. Information regarding directors and employees

	2017	2016
	£000	£000
Wages and salaries	36,402	35,019
Social security costs	3,807	3,401
Other pension costs	2,953	2,575
	43,162	**40,995**

The average monthly full time equivalent number of employees during the year was:	Number	Number
Directors	7	8
Head teachers	21	20
Teachers and tutors	713	735
Office administration	118	125
Others	80	83
	939	**971**

	2017	2016
	£000	£000
Directors' emoluments	762	803
Directors' pension contributions to money purchase schemes	9	28
Termination benefits	333	30
Share-based payments - amounts paid	553	472
	1,657	**1,333**
Information regarding the highest paid Director is as follows:		
Emoluments	749	211

In addition to the emoluments disclosed above, The Group made contributions totalling £nil (2016: £12,000) to a money purchase pension scheme in respect of the highest paid Director. Three Directors, defined as key management personnel in accordance with IFRS, accrued pension benefits under defined contribution schemes in 2016 (2016: 4).

Three Directors exercised Awards during the year under the Group's Long Term Incentive Plan as further described in note 26. The Group's Chief Executive Officer resigned in October 2016 and received a payment of £393,000 in respect of Awards under the Group's long term incentive plan and a payment of £333,000 in respect of termination benefits both of which are included in the emoluments figure above.

8. College closure costs and profit on sale of business

In June 2016, the Group announced the closure of Abbey College Birmingham. Costs associated totalling £1.656m were accounted for in the year ended 31 August 2016. The freehold property previously occupied by Abbey College Birmingham at 6-10 St Paul's Square, Birmingham, was reclassified as an asset held for sale at 31 August 2016 (see note 18). This property was sold for £1.5m in January 2017 realising a book profit of £0.54m.

In July 2016, the Group completed the sale of the Abingdon House School business realising a profit of £0.46m.

Notes forming part of the accounts (continued)

9. Finance costs

	2017	2016
	£000	**£000**
Interest on 5% secured sterling bonds	4,000	1,666
Interest on 5.75% secured sterling bonds	2,789	2,789
Amortisation of secured sterling bonds issue costs	375	194
Bank interest	60	18
Finance charges payable under finance leases	35	14
Other interest payable	-	1
	7,259	**4,682**

10. Finance income

	2017	2016
	£000	**£000**
Interest receivable from parent company	3,557	1,313
Bank interest	71	78
Other interest receivable	59	23
Foreign exchange translation differences	45	357
	3,732	**1,771**

Interest receivable from parent company relates to a loan to the ultimate parent undertaking which attracts interest at 7% per annum (see also note 15).

11. Taxation

The major components of the tax(expense)/credit for the year ended 31 August 2017 were:

	2017	2016
	£000	**£000**
Current tax:		
Current tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(642)	871
Tax losses	-	-
Tax (expense)/credit reported in the statement of comprehensive income	**(642)**	**871**

Notes forming part of the accounts (continued)

11. Taxation *continued*

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2017 and 2016 is as follows:

	2017	2016
	£000	**£000**
Loss before tax	**(3,045)**	**(2,322)**
At UK corporation tax rate of 19.58% (2016: 20.58%)	596	464
Movements in recognition of deferred tax assets	(509)	(280)
Expenses not deductible	(104)	(242)
Group relief	5	974
Chargeable gain	(7)	(45)
Derecognition of non-trade loan relationship losses	(646)	-
Other tax adjustments	23	-
Tax (expense)/credit	**(642)**	**871**

Deferred tax

	Consolidated balance sheet		Consolidated income statement	
	2017	**2016**	**2017**	**2016**
	£000	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	1,527	1,971	444	(1,042)
Unutilised tax losses	5,291	7,498	2,207	(811)
Difference between carrying value of property and tax base cost	(4,968)	(7,077)	(2,109)	1,162
Other timing differences	136	236	100	(180)
	1,986	**2,628**		
Deferred tax expense/(credit)			**642**	**(871)**

Reflected in the balance sheet as follows:		
Deferred tax assets	1,986	2,628
Deferred tax liabilities	-	-
Net deferred tax assets	**1,986**	**2,628**

Reconciliation of net deferred tax assets	**2017**	**2016**
	£000	**£000**
Opening balance	2,628	1,757
Tax (expense)/credit recognised during the period	(642)	871
Closing balance	**1,986**	**2,628**

Notes forming part of the accounts (continued)

11. Taxation *continued*

Deferred tax *continued*

The Group has tax losses of £4.462m (2016: £4.619m) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The tax value of these losses is £848,000 (2016: £905,000) of which £323,000 (2016: £377,000) has been recognised at 31 August 2017.

The carrying value of properties owned by the Group is £39.7m (2016: £42.3m) higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability of £4.968m (2016: £7.077m) is recognised. However, this liability may be offset against losses arising in the Company's immediate parent company which has undertaken to make those losses available to the Company as necessary sufficient to cover the reversal of the temporary timing differences.

At 31 August 2017, the Group had unrecognised deferred tax assets in respect of tax losses carried forward of £525,000 (2016: £471,000) and depreciation in excess of capital allowances of £213,000 (2016: £432,000) which have not been recognised because, in the opinion of the Directors, it is not sufficiently certain that taxable profits will arise against which to offset them.

Change in corporation tax rate

The Finance (No. 2) Act 2015 introduced a reduction in the headline rate of corporation tax to 19% from 1 April 2017. The Finance Act 2016, enacted on 15 September 2016, introduced a further reduction in the headline rate of corporation tax to 17% from 1 April 2020. The deferred tax asset recognised has been calculated at the appropriate tax rate.

Notes forming part of the accounts (continued)

12. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Assets under development	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At 1 September 2015	96,204	3,221	21,553	27,330	8,203	156,511
Additions	867	-	1,533	5,205	4,026	11,631
Revaluation surplus	2,165	-	-	-	-	2,165
Presented as investment property	(6,826)	-	-	-	-	(6,826)
Reclassified as asset held for sale	(1,160)	-	(441)	-	-	(1,601)
Disposals	(978)	-	(644)	(3,641)	-	(5,263)
At 31 August 2016	90,272	3,221	22,001	28,894	12,229	156,617
Additions	1,479	180	739	3,894	12,630	18,922
Reclassification	-	9,721	2,492	-	(12,213)	-
Disposals	-	-	-	(35)	-	(35)
At 31 August 2017	**91,751**	**13,122**	**25,232**	**32,753**	**12,646**	**175,504**
Depreciation and impairment						
At 1 September 2015	4,184	320	6,656	19,924	-	31,084
Depreciation charge for the year	968	64	1,216	3,536	-	5,784
Impairment	-	-	427	-	-	427
Presented as investment property	(226)	-	-	-	-	(226)
Reclassified as asset held for sale	(210)	-	(438)	-	-	(648)
Disposals	(298)	-	(419)	(3,240)	-	(3,957)
At 31 August 2016	4,418	384	7,442	20,220	-	32,464
Depreciation charge for the year	859	261	1,205	3,576	-	5,901
Disposals	-	-	-	(27)	-	(27)
At 31 August 2017	**5,277**	**645**	**8,647**	**23,769**	**-**	**38,338**
Net book value						
At 31 August 2017	**86,474**	**12,477**	**16,585**	**8,984**	**12,646**	**137,166**
At 31 August 2016	85,854	2,837	14,559	8,674	12,229	124,153

Additions to assets under development includes £3.604m in respect of refurbishment works carried out on the Group's behalf by the landlord of 7 East 96th Street in New York.

The impairment charge of £427,000 in the year to 31 August 2016 arose as a consequence of the Group's decision to close Abbey College Birmingham which previously operated from these premises.

Freehold and leasehold land and buildings and assets under development with a carrying value of £107.5m (2016: £107.3m) are subject to a first charge to secure the Company's secured sterling bonds.

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

Finance leases

The carrying value of plant and equipment held under finance leases at 31 August 2017 was £359,000 (2016: £466,000). The cost of finance leased assets included in additions to fixtures and equipment capitalised during the year was £21,000 (2016: £526,000). The depreciation charge for the year includes £128,000 in respect of leased assets (2016: £60,000).

13. Investment property

	2017	2016
	£000	£000
Opening balance as at 1 September 2016	10,892	4,292
Transfer from property, plant and equipment		6,600
Sale of investment property	(6,600)	-
Closing balance as at 31 August 2017	**4,292**	**10,892**

Investment property at 31 August 2017 represented a residential property in Hampstead, London NW3. The Directors consider its cost to be a reasonable assessment of fair value, on a vacant possession basis, as at 31 August 2017, with no significant unobservable inputs included in their assessment. During the year, the Group sold its investment property in Rossmore Road, London NW1 for £7.45m net of sale costs realising a book profit of £0.85m

	2017	2016
	£000	£000
Rental income derived from investment properties	151	91
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	-	(8)
	151	**83**

There are no restrictions in respect of the Group’s ability to sell its investment property and the Group has no contractual obligations to develop or maintain its investment property.

Notes forming part of the accounts (continued)

14. Intangible assets

	Goodwill	Other	Total
	£000	**£000**	**£000**
Cost			
At 1 September 2015 and at 31 August 2016 and 2017	**7,923**	**32**	**7,955**
Provision for impairment			
At 1 September 2015 and at 31 August 2016 and 2017	**5,717**	**-**	**5,717**
Net book value			
At 1 September 2015 and at 31 August 2016 and 2017	**2,206**	**32**	**2,238**

Goodwill has been allocated, for impairment testing, to cash generating units (schools or colleges or groups of schools and colleges) that benefit from the synergies of the combination. Of the net book value of £2.206m at 31 August 2017, £1.808m relates to a portfolio of 11 schools and colleges acquired in 2002. The recoverable value of goodwill is subject to annual impairment review based on the fair value of the Group's business as determined by an external valuer.

Key assumptions used in fair value calculations

The key assumptions for the fair value calculations are projected pupil/student numbers and annual fees per pupil/student. The Group prepares financial projections for periods of up to ten years. Earnings beyond this period are extrapolated using a long term growth rate of 2% per annum. These cash flows are discounted at a post-tax rate of 7.3% (2016: 6.8%) per annum.

Sensitivity to changes in assumptions

There are no reasonably possible changes in the assumptions in the fair value calculations that would result in the impairment of goodwill as stated above.

15. Financial assets

	2017	2016
	£000	**£000**
Loan to parent company	48,512	46,313
Deposits receivable	5,174	4,684
Deferred lease expense	953	905
	54,639	**51,902**
Current	50,261	46,313
Non-current	4,378	5,589
	54,639	**51,902**

Notes forming part of the accounts (continued)

15. Financial assets *continued*

As at 31 August 2016, the Company had advanced a loan of £45,000,000 to the ultimate parent company. A further net £12,000,000 was advanced during the current year of which £10,000,000 was subsequently repaid before the year-end. The outstanding loan has a long-stop repayment date of 31 March 2024 but may be repaid at any earlier date by agreement between the parties and is consequently treated as a current asset. The Group continues to evaluate investment projects the financing of which could lead to the repayment of some or all of this loan at short notice although no further repayments had been made as at the date the accounts were approved for issue. Interest of 7% per annum is receivable by the Company in respect of this loan and the figures above includes £1,512,000 (2016: £1,313,000) of accrued interest.

Deposits receivable at 31 August 2017 also include £3,041,000 (2016: £2,935,000) representing the fair value of US$5 million deposited with the Group's bankers as security for the issuance of a standby letter of credit to the landlord of premises the Group has leased in New York. Of this $5 million, $2.5 million is repayable to the Group in five annual instalments of $0.5m commencing 1 June 2022 with the balance of $2.5m being repayable at the end of the 20-year lease term.

Deposits receivable also include £384,000 in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in December 2026.A rent deposit of £1,749,000 in respect of premises in Westminster Bridge Road, London SE1 was repaid to the Group in September 2017.

16. Trade and other receivables

	2017	2016
	£000	£000
Trade receivables	415	329
Other receivables	606	1,158
Prepayments	3,521	3,017
	4,542	**4,504**

As at 31 August 2017, trade receivables with an initial value of £616,000 (2016: £600,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2015	596
Charge for the year	227
Utilised	(248)
At 31 August 2016	575
Charge for the year	424
Unused amounts released	(108)
Utilised	(275)
At 31 August 2017	**616**

Notes forming part of the accounts (continued)

16. Trade and other receivables

Ageing analysis of trade receivables past due not impaired

	2017	2016
	£000	£000
<30 days	215	179
30-60 days	22	50
60-90 days	46	32
> 90 days	132	68
	415	**329**

All of the amounts disclosed above are considered collectable.

There are no significant concentrations of credit risk in trade and other receivables. Trade and other receivables are non-interest bearing.

17. Cash and short term deposits

	2017	2016
	£000	£000
Cash at bank and in hand	**6,258**	**8,320**

Cash at bank earns interest at floating rates based on bank deposit rates.

18. Assets held for sale

	2017	2016
	£000	£000
Freehold property	**-**	**953**

Freehold property at 31 August 2016 represented a property at 6-10 St Paul's Square, Birmingham. This property was sold for £1.5m in January 2017 realising a book profit of £0.54m.

Notes forming part of the accounts (continued)

19. Loans and borrowings

	2017	2016
	£000	**£000**
Current loans and borrowings		
5.75% secured sterling bonds	564	564
5% secured sterling bonds	1,666	1,666
Obligations under finance leases	150	155
	2,380	**2,385**
Non-current loans and borrowings		
5.75% secured sterling bonds	48,008	47,824
5% secured sterling bonds	78,430	78,239
Obligations under finance leases	161	311
	126,599	**126,374**

The secured sterling bonds are secured by way of a first legal mortgage over a portfolio of assets held by certain of the Company's subsidiaries and other related companies. This security portfolio is subject to annual external professional valuation and the Company is obligated to ensure that the value of the security portfolio is not less than 1.5 times the principal amount of the bonds in issue. Additional properties can be added to the security portfolio in the event of a shortfall. At the most recent valuation date, 1 March 2017, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £234.9m which is 1.83 times (1 March 2016: 1.75 times) the principal amount of the bonds in issue.

Interest on the 5.75% secured sterling bonds is payable twice a year, on 18 June and 18 December and the bonds mature on 18 December 2019. The current amount shown above of £0.564m represents accrued interest. The non-current amount is net of unamortised issue costs of £0.492m (2016: £0.676m) which are being amortised over the seven year life of the bonds.

The Company issued £80m 5% secured sterling bonds on 31st March 2016. The current amount shown above of £1.666m represents accrued interest. The non-current amount is net of unamortised issue costs of £1.570m (2016: £1.761m) which are being amortised over the eight year life of the bonds. Interest on the 5% secured sterling bonds is payable twice a year, on 30 September and 31 March and the bonds mature on 31 March 2024.

In addition to the £80m nominal value of issued 5% secured sterling bonds, a further £50m of 5% secured sterling bonds are held on behalf of the Company by Deutsche Bank AG who were appointed as Retained Bond Custodian. Since these bonds have not been issued outside the Group, these are not recognised as a liability as at the year-end.

At 31 August 2017, the Group had £5 million (2016: £5 million) of undrawn committed borrowing facilities.

Notes forming part of the accounts (continued)

20. Trade and other payables

	2017	2016
	£000	**£000**
Current		
Trade payables	530	746
Other payables	12,356	10,763
Social security and other taxes	1,005	926
Cash-settled share-based payments	137	-
Accruals	3,330	3,275
Deferred income	29,395	25,992
	46,753	**41,702**
Non-current		
Cash-settled share-based payments	159	1,136
Other payables	6,717	1,808
	6,876	**2,944**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled in accordance with the supplier's terms of business.
- Other payables are primarily pupil and student deposits which are non-interest bearing. These are usually either offset against final term school fees or are returned when the student leaves the school or college.

21. Share capital

	2017	2016
	£000	**£000**
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	**16**

The Ordinary Shares entitle the holder to one vote for each share held.

The Preference Share, which carries no voting rights, entitles the holder to be paid out of the surplus assets of the Company arising on a return of assets in a liquidation, a reduction of capital or otherwise, in priority to the holders of the Ordinary Shares.

Notes forming part of the accounts (continued)

22. Related party disclosures

Balances and transactions between the Company and its wholly owned subsidiaries listed below (all of which are related parties and are incorporated in England and Wales) have been eliminated on consolidation and so are not disclosed in this note:

Alpha Plus Group Limited

Alpha Plus Education Limited

Alpha Plus Schools Limited

Alpha Plus Developments Limited

The Directors consider DV4 Limited, a company registered in the British Virgin Islands, to be the ultimate parent company and controlling party of the Group. The immediate parent company is DV4 Holdings Alpha Plus Co. Limited, a company registered in the British Virgin Islands.

As at 31 August 2017, the Company had advanced a loan of £47,000,000 (2016: £45,000,000) to the ultimate parent company. This loan has a nominal repayment date of 31 March 2024 but may be repaid at an earlier date by agreement between the parties. Interest of 7% per annum is receivable by the Company in respect of this loan.

The security portfolio relating to the Group's 5% secured sterling bonds includes two freehold properties that are owned by subsidiary companies of the Group's ultimate parent company.

These financial statements represent the smallest and largest group of which the Company is a member and for which consolidated statements are publicly available.

Compensation of key management personnel

Key management personnel comprise the Company's Board of Directors. The amounts in the table below were recognised as an expense in the reporting period:

	2017	2016
	£000	£000
Short-term employment benefits	762	803
Employer's national insurance	222	109
Post-employment benefits (including pension contributions)	9	28
Termination benefits	333	30
Share-based payment (credit)/expense	(287)	472
Share-based payments - amounts paid	553	-
	1,592	**1,442**

As at 31 August 2017, the Directors and their connected parties collectively held £32,000 (2016: £32,000) nominal value of the Company's secured sterling bonds and interest of £2,000 (2016: £2,000) was receivable by them thereon.

Notes forming part of the accounts (continued)

23. Commitments and contingencies

Operating lease commitments – Group as lessee
Future minimum rentals payable under non-cancellable operating leases as at 31 August were as follows:

	Land and buildings 2017	Land and buildings 2016
	£000	£000
Not later than one year	16,262	9,946
After one year but not more than five years	64,705	39,268
After five years	243,384	178,915
	324,351	**228,129**

In September 2016, the Group completed new 25 year leases on a new, purpose-built, educational facility with on-site student accommodation in Cambridge. The total annual rent commitment for this facility, including the on-site student accommodation, is £2.1 million.

In June 2017, the Group completed a new 20-year lease with a 10-year tenant's break option on premises in East 96th Street in Manhattan, New York. The initial annual rent commitment for these premises is £1.2 million. The Group also leased new premises in Wetherby Gardens, London SW5 and at Hannah House, Manchester Street, London W1 during the year with a resultant additional annual rent obligation of £1.2 million.

Finance lease commitments
The Group has entered into finance leases for various items of office equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	2017		2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	192	150	200	155
After one year but not more than five years	143	161	323	311
Total minimum lease payments	335	311	523	466
Less amounts representing finance charges	(24)		(57)	
Present value of minimum lease payments	311		466	

Capital commitments
At 31 August 2017, the Group had committed capital expenditure of £933,000 (2016: £nil).

Contingent liabilities

Seven (2016: 8) employees were members of the Independent Schools' Pension Scheme, a multi-employer defined benefit scheme. The Group has been notified by the trustee of this scheme that, as at 30 September 2016 (the most recent date for which information is available).in the event of the Group withdrawing from the scheme, an amount of £802,000 would be payable into this scheme.

Notes forming part of the accounts (continued)

24. Financial risk management objectives and policies

The Group is exposed to a variety of business risks. A register of all key risks is maintained and regularly reviewed by the Directors. This register records an assessment of the likelihood of the risk having a negative impact on the business as well as the potential significance of such an event. Mitigating actions are also recorded and monitored by the Board.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's principal financial liability comprises secured sterling bonds which mature in December 2019 and March 2024. Since the interest rate on these secured bonds is fixed, the Group is not exposed to any significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign current risk primarily relates to the Group's proposed new school in New York. The Group has not hedged its exposure to movement in the US Dollar to Sterling exchange rate.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily from outstanding trade receivables and to a lesser extent from cash deposits and from the loan advanced to the ultimate parent company.

Trade receivables

The Group considers the credit risk in respect to trade receivables to be low, as all fees are payable in advance and the Group reserves the right to exclude a particular pupil/student where fees remain unpaid. Outstanding customer receivables are regularly monitored by each school or college and debt collection agents/solicitors are engaged wherever appropriate.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's head office finance department. Any surplus funds are held on current account or short term deposit with approved counterparties, usually UK clearing banks.

The Directors regularly review surplus funds held and seek to minimise the concentration of risks and therefore mitigate financial loss through any potential counterparty's failure.

The Group's maximum exposure to credit risk for the components of the balance sheet at 31 August 2017 and 2016 is the carrying amounts indicated in notes 15,16 and 17 respectively.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring regularly updated cash flow forecasts. The Group has assessed the risk of having insufficient financial resources and has concluded it to be low (as further explained in note 2.4 “Going Concern”).

Details of undrawn committed borrowing facilities are set out in note 19.

Notes forming part of the accounts (continued)

24. Financial risk management objectives and policies continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	< 3 mths	3-12 mths	1-5 years	>5 years	Total
	£000	£000	£000	£000	£000
At 31 August 2017					
5.75% secured sterling bonds	-	2,789	52,684	-	**55,473**
5% secured sterling bonds	2,000	2,000	16,000	88,000	**108,000**
Obligations under finance leases	48	144	143	-	**335**
Trade and other payables	530	12,356	-	-	**12,886**
Total	**2,578**	**17,289**	**68,827**	**88,000**	**176,694**
At 31 August 2016					
5.75% secured sterling bonds	-	2,789	55,473	-	58,262
5% secured sterling bonds	2,000	2,000	16,000	92,000	112,000
Obligations under finance leases	50	150	323	-	523
Trade and other payables	746	10,763	-	-	11,509
Total	2,796	15,702	71,796	92,000	182,294

Capital management

Capital includes net debt and equity attributable to the equity holders of the parent. The Group includes within net debt, interest and non-interest bearing loans and borrowings less cash and cash equivalents. The Group issued £80m of new secured sterling bonds during the previous year and, as a consequence, amended the primary objective of the Group's capital management so as to ensure that it maintains a reported net debt to equity ratio below 500% to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

	2017	2016
	£000	£000
5.75% secured sterling bonds	48,572	48,388
5% secured sterling bonds	80,096	79,905
Obligations under finance leases	311	466
Less: cash and short-term deposits	(6,258)	(8,320)
Net debt	122,721	120,439
Equity	28,513	32,185
Total capital	**151,234**	**152,624**
Net debt to equity ratio	430%	374%

Notes forming part of the accounts (continued)

24. Financial risk management objectives and policies *continued*

Capital management *continued*

As stated in note 2.3 d), the carrying value of property, plant and equipment is at cost less accumulated depreciation. Total equity as stated above, therefore, excludes an increase in the Group's stated equity were the Group's property assets to be revalued. Note 19 gives details of a valuation performed on 1 March 2017 for testing compliance with terms of the Group's secured sterling bonds. Of this valuation, £194.7m is attributed to assets held by the Group with a carrying value of £107.5 million (note 12). Adjusting for this potential increase in equity would significantly reduce the Group's reported net debt to equity ratio.

Fair values

A comparison by class of the carrying amounts and fair value of the Group's financial instruments is set out below:

	Fair value		Carrying amount	
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	1,021	1,487	1,021	1,487
Loan to parent company	48,512	46,313	48,512	46,313
Other financial assets	6,127	3,840	6,127	3,840
Cash	6,258	8,320	6,258	8,320
Total	**61,918**	**59,960**	**61,918**	**59,960**
Financial liabilities				
Trade and other payables	12,886	11,509	12,886	11,509
5.75% secured sterling bonds	51,761	52,789	48,572	48,388
5% secured sterling bonds	86,216	86,721	80,096	79,905
Obligations under finance leases	311	466	311	466
Total	**151,174**	**151,485**	**141,865**	**140,268**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current assets and liabilities approximate to their carrying amounts largely due to the short-term maturities of the instruments.
- The fair value of borrowings is evaluated, in the case of the secured sterling bonds, by reference to listed prices and, otherwise, by discounting expected future cash flows at prevailing market rates for instruments with substantially the same terms and characteristics.

Notes forming part of the accounts (continued)

25. Pensions and other post-employment benefit plans

At 31 August 2017, the Group had 337 (2016: 318) staff who were members of the Teachers' Pension Scheme, an unfunded defined benefit pension scheme. The last formal actuarial valuation undertaken for this scheme was as at 31 March 2012. This actuarial valuation, however, does not provide sufficient information to enable the Group to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis. This scheme has, therefore, been treated as a multi-employer defined contribution scheme in these financial statements. Estimated employer contributions to this scheme in the year ending 31 August 2018 total £2.75m.

In addition, 7 (2016: 8) employees were members of the Independent Schools' Pension Scheme which is also a multi-employer defined benefit scheme. Detailed analysis of the Group's share of the assets and liabilities of the scheme is unavailable but the Group has been notified by the trustee of this scheme that, as at 30 September 2016 (the most recent date for which information has been provided by the scheme's trustees), in the event of the Group withdrawing from the scheme, an amount of £802,000 would be payable into this scheme. Estimated employer contributions to this scheme in the year ending 31 August 2018 total £34,000.

26. Long term incentive plan – share-based payments

The Board established a Long Term Incentive Plan ("LTIP") in June 2014 under which "Awards" may be made to eligible employees. An Award represented the right to receive a cash payment based upon the increase in the enterprise value of the Group. Enterprise value is determined by the Directors at their absolute discretion but having taken into account the most recent external valuation of the Group or, if there has been an Exit event, the basis on which the Group was valued for the purposes of the Exit. Awards may be exercised at any time after the third anniversary of the award commencement date and will automatically lapse on the seventh anniversary of that date.

As at 1 September 2016, three participants held existing LTIP Awards. One of the Award holders left the Group's employment in October 2016 and received an LTIP cash settlement payment of £393,000 at that time. That holder's remaining Awards consequently lapsed. In May 2017, the Company reached an agreement whereby the two remaining Award holders agreed to waive their existing Awards in exchange for a series of cash payments, the first of which, totalling £160,000, were made in the year to 31 August 2017. A further £296,000 remains to be paid in the years ending 31 August 2018 and 2019. No further LTIP Awards will be made in the future.

The resultant net accounting credit for all LTIP Awards for the current year of £287,000 (2016: charge of £472,000) has been included within operating expenses in the Group Statement of Comprehensive Income.

In May 2017, the Group established a new Cash Incentive Plan under which "Awards" may be made to eligible employees. An Award represents the right to receive a cash payment based upon the increase in the enterprise value of the Group between the date the Award is granted and the date of an Exit event. Awards will automatically lapse if the Award Holder ceases to be employed by the Group.

As at 31 August 2017, seven Awards had been granted with an aggregate value equal to 2.1% of the increase in the enterprise value of the Group. Since the enterprise value of the Group had not increased between the date these Awards were granted and the year-end, no liability has been recognised as at 31 August 2017.

Notes forming part of the accounts (continued)

27. Operating cash flow

	2017	2016
	£000	**£000**
Loss before tax	(3,045)	(2,322)
Adjustments to reconcile loss before tax to cash generated from operations:		
Depreciation of property, plant and equipment	5,901	5,784
Amortisation of deferred rent expense	(80)	-
Loss on disposal of fixed assets	4	200
Profit on disposal of asset held for sale	(543)	-
Profit on sale of investment property	(852)	-
College closure costs	-	1,656
Profit on the sale of business	-	(455)
Impact of cash-settled share-based payments	(287)	472
Cash-settled share-based payments amounts paid	(553)	-
Finance income	(3,732)	(1,771)
Finance costs	7,259	4,682
Foreign exchange translation differences	-	-
Working capital adjustments:		
(Increase) in trade and other receivables	(786)	(468)
Increase in trade and other payables	6,229	5,607
Cash generated from operations	**9,515**	**13,385**

28. Events after the reporting period

A new boys-only pre-prep school, Wetherby Kensington, opened in September 2017 in the Group's new leasehold premises in Wetherby Gardens, London SW5. Wetherby-Pembridge School in New York City also opened in September 2017.

Alpha Plus Holdings plc

Company Financial Statements

31 August 2017

Company Registration No. 04418776

Company balance sheet

as at 31 August 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Investments	3	24,058	24,058
Current assets			
Debtors	4	112,824	112,801
Cash at bank and in hand		-	5
		112,824	112,806
Creditors: amounts falling due within one year	6	(2,230)	(2,235)
Net current assets		110,594	110,571
Total assets less current liabilities		134,652	134,629
Creditors: amounts falling due after more than one year	7	(126,438)	(126,063)
Net assets		**8,214**	**8,566**
Equity attributable to equity shareholders			
Share capital	8	16	16
Retained reserves		8,198	8,550
Total equity		**8,214**	**8,566**

The financial statements were approved by the Board and authorised for issue on 11 December 2017

M J Sample
Director of Finance

Company statement of changes in equity

for the year ended 31 August 2017

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
As at 1 September 2015	16	8,981	8,997
Loss and total comprehensive deficit for the year	-	(431)	(431)
At 31 August 2016	16	8,550	8,566
Loss and total comprehensive deficit for the year	-	(352)	(352)
At 31 August 2017	**16**	**8,198**	**8,214**

Notes forming part of the accounts

1. Basis of preparation

The parent company financial statements of Alpha Plus Holdings plc (the Company) are presented as required by the Companies Act 2006 and were approved for issue on 11 December 2017. These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91-99 of IFRS 13: Fair Value Measurement;
- The requirements of paragraphs 10(d) and 134-136 of IAS 1: Presentation of Financial Statements;
- The requirements of IAS 7: Statement of Cash Flows;
- The requirements of paragraphs 30-31 of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements in IAS 24: Related Party Disclosures to disclose related party transactions entered into between members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36: Impairment of Assets.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and have not presented an income statement or statement of comprehensive income for the Company. The profit for the period is disclosed in the statement of changes in equity.

2. Summary of significant accounting policies

a) Investments

Investments in subsidiaries are shown at cost less provision for impairment.

b) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

3. Investments

	Subsidiary undertakings
	£000
Cost and net book value	
At 1 September 2015, 31 August 2016 and 31 August 2017	**24,058**

Notes forming part of the accounts (continued)

3. Investments *continued*

Name of company	Country of registration	Nature of business	Proportion held
Alpha Plus Group Limited	England & Wales	Education	100%
Alpha Plus Education Limited	England & Wales	Education	100%
Alpha Plus Developments Limited	England & Wales	Investment company	100%
Alpha Plus Group LLC	Delaware, USA	Investment company	100%
Alpha Plus (BVI) Ltd	British Virgin Islands	Investment company	100%

Alpha Plus Developments Limited is the limited partner, and holds a 99.99% economic interest, in Alpha Plus US LP, a New York State registered limited partnership formed to own and operate Wetherby-Pembridge School, New York which opened in September 2017.

As at 31 August 2017, the Company also held indirectly ordinary share capital of the following:

Name of company	Country of registration	Nature of business	Proportion held
Alpha Plus Schools Limited	England & Wales	Education	100%
Abbey College Limited	England & Wales	Dormant	100%
A.W.& P. Patton Limited	England & Wales	Dormant	100%
Alpha Plus Holdings Asia Ltd	Hong Kong	Education	100%

All of the direct and indirect subsidiary companies listed above which are registered in England & Wales have their registered office addresses at 50 Queen Anne Street, London W1G 8HJ.
The registered office address of Alpha Plus Group LLC is Suite 400, 2711 Centerville Road, Wilmington, Delaware 19808, United States of America.
The registered office address of Alpha Plus (BVI) Limited is Craigmuir Chambers, P.O. Box 71,Road Town, Tortola, VG 1110, British Virgin Islands
The registered office of Alpha Plus Holdings Asia Limited is 13/F Gloucester Tower, The Landmark, 15 Queen’s Road, Central, Hong Kong.

Notes forming part of the accounts (continued)

4. Debtors

	2017	2016
	£000	**£000**
Amount owed by parent undertaking	48,512	46,313
Amounts owed by Group undertakings	64,312	66,488
	112,824	**112,801**

As at 31 August 2016, the Company had advanced a loan of £45,000,000 to the ultimate parent company. A further net £12,000,000 was advanced during the current year of which £10,000,000 was subsequently repaid before the year-end. The outstanding loan has a nominal repayment date of 31 March 2024 but may be repaid at an earlier date by agreement between the parties. Interest of 7% per annum is receivable by the Company in respect of this loan. The Group continues to evaluate investment projects the financing of which could which could lead to the repayment of some or all of this loan at short notice although no further repayments had been made as at the date the accounts were approved for issue.

5. Deferred tax

	2017	2016
	£000	**£000**
Unutilised tax losses	**-**	**-**
Reflected in the balance sheet as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred tax assets	**-**	**-**

Reconciliation of net deferred tax assets	**2017**	**2016**
	£000	**£000**
Opening balance	-	371
Tax charge recognised during the year	-	(371)
Closing balance	**-**	**-**

Notes forming part of the accounts (continued)

6. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
5.75% secured sterling bonds	564	564
5% secured sterling bonds	1,666	1,666
Accruals	-	5
	2,230	**2,235**

7. Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
5.75% secured sterling bonds	48,008	47,824
5% secured sterling bonds	78,430	78,239
	126,438	**126,063**

The secured sterling bonds are secured by way of a first legal mortgage over a portfolio of assets held by certain of the Company's subsidiaries and other related companies. This security portfolio is subject to annual external professional valuation and the Company is obligated to ensure that the value of the security portfolio is not less than 1.5 times the principal amount of the bonds in issue. Additional properties can be added to the security portfolio in the event of a shortfall. At the most recent valuation date, 1 March 2017, the security portfolio was valued at £234.9m which is 1.83 times (1 March 2016: 1.75 times) the principal amount of the bonds in issue.

Interest on the 5.75% secured sterling bonds is payable twice a year, on 18 June and 18 December and the bonds mature on 18 December 2019. The current amount shown above of £564,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.492m (2016: £0.676m) which are being amortised over the seven year life of the bonds. Interest on the 5% secured sterling bonds is payable twice a year, on 30 September and 31 March and the bonds mature on 31 March 2024. The current amount shown above of £1,666,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £1.570m (2016: £1.761m) which are being amortised over the eight year life of the bonds.

Notes forming part of the accounts (continued)

8. Issued share capital

	2017	2016
	£000	£000
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	16

Ordinary Shares entitle the holder to one vote for each share held.

The Preference Share, which carries no voting rights, entitles the holder to be paid out of the surplus assets of the Company arising on a return of assets in a liquidation, a reduction of capital or otherwise, in priority to the holders of the Ordinary Shares.

9. Related party disclosures

The Company has taken advantage of the exemption not to disclose transactions with its wholly-owned subsidiaries.

The Company's key management personnel are its Board of Directors each of whom is remunerated by one of the Company's subsidiary undertakings (see note 7 to the Group financial statements). As at 31 August 2017, the Directors and their connected parties collectively held £32,000 (2016: £32,000) nominal value of the Company's secured sterling bonds and interest was receivable by them thereon.

10. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £3,000 (2016: £3,000).

11. Ultimate and immediate parent company and controlling party

The Directors consider DV4 Limited, a company registered in the British Virgin Islands, to be the ultimate parent company and controlling party. This is the largest and smallest group into which the Company is consolidated.

The immediate parent company is DV4 Holdings Alpha Plus Co. Limited, a company registered in the British Virgin Islands.