Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2014

Company Registration No. 04418776

Alpha Plus Holdings plc

Company No. 04418776

Officers and advisors

Directors

Sir John Ritblat
G G Able
C J J Drinkall
M J Sample
J J Aviss
R J Purchase
R D Jones
D Elliott
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 12 independent schools, 2 nurseries and 4 sixth form colleges. With the exception of 2 schools and 3 colleges, all of the Group's schools and colleges are based in Central London.

Review of business

Group revenue in the year ended 31 August 2014 was 13% higher than in the previous year at £71.0m (2013: £63.0m) with the increase being attributable to increased fee levels, higher charges to students to cover the cost of their accommodation and increased pupil/student numbers which totalled 3,839 (2013: 3,683) at the end of the year.

Operating expenses rose by 12% to £60.6m (2013: £54.2m) reflecting an increase in the cost of student accommodation and other more general cost increases.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose 18% to £10.3m (2012: £8.7m).

In July 2014, the Group completed the sale of the freehold premises previously occupied by Falcons School for Girls in Gunnersbury Avenue, London W5 for £2.2m (see further comment below). This sale realised a profit of £1.1m.

The depreciation charge for the year of £4.1m (2013: £6.0m) was lower than in the previous year as the previous year included an amount of £1.1m arising from a re-assessment of the useful life of various items of equipment which, as a result, were fully depreciated in that year.

The increase in finance costs to £3.0m (2013: £2.7m) reflects a full year's interest on the secured sterling bonds which were issued during the previous year.

Profit before tax increased to £3.9m (2013: £0.1m) as a consequence of the above. The Directors do not recommend the payment of a dividend.

The Group has substantially completed the refurbishment of premises in Woodborough Road, Putney, London SW15, which were acquired in August 2013. Falcons School for Girls relocated to these premises in September 2014. Total capital expenditure in the year ended 31 August 2014 of £8.2m (2013: £17.7m) included £2.3m in respect of this refurbishment project.

In November 2013, the Group completed the acquisition of premises adjacent to St Anthony's School for £4m. The Group proposes utilising these premises to facilitate an expansion of the school but, as yet, no formal planning application has been submitted for the required change in use.

In March 2014, the Group signed a new 25 year lease agreement on premises in Lancaster Road, London W11. Chepstow House School moved, from its previous home at 19 Pembridge Villas, London W11, to the new site in September 2014. Chepstow House is now able to accommodate a 3-form entry school through to Year 6 with a further option available to continue at the school for years 7 and 8. The school also now offers a co-educational nursery. Subsequent to this new lease agreement, the Group chose not to take the opportunity to complete the acquisition of 49 Bassett Road, London W10 which had previously been the preferred site for the relocation of Chepstow House. An impairment charge of £0.6m has been made in the year ended 31 August 2014 in respect of costs incurred in connection with this aborted acquisition.

Strategic Report (continued)

Review of business *continued*

The premises vacated by Chepstow House at 19 Pembridge Villas have been utilised to facilitate the expansion of Wetherby School. For the first time in its history, Wetherby now has its own nursery (boys only), which will feed directly into the school. The extra space available to the school has also allowed it to add an additional reception class in September 2014.

Future developments

In January 2014, the Group announced that it is creating a new boys' senior school to be known as Wetherby Senior School. It will form part of the prestigious Wetherby Group, which currently includes both Wetherby School and Wetherby Preparatory School. The new school will open in September 2015 in Marylebone.

The consolidation of DLD College, which currently operates from two sites in Marylebone and Belgravia, to a new, purpose built, educational facility with on-site student accommodation currently being developed in Westminster Bridge Road, London SE1 remains on schedule. It is intended that DLD College will move to the new premises, which will have a capacity of over 700 students, in September 2015. The new college will be the only genuine sixth form college with on-site boarding in the heart of London.

Construction has now commenced on a development, by Homerton College, of a new purpose-built college at Homerton Business Centre, Cambridge. The Group had signed a conditional agreement for lease in August 2013. The new premises will enable Abbey College Cambridge to consolidate into one location for 450 students, 120 of whom will live on site. The move to the new college is expected to take place in September 2016.

The Group continues to seek opportunities to expand its school and college portfolio primarily in, but not limited to, London and the South East of England. Such expansion could include the acquisition of existing schools as well as identifying sites to which the Group's existing schools could move to increase capacity or sites where new schools could be established.

Principal risks and financial risk management objectives and policies

The Group's activities expose it to a number of risks, both business and financial. Business risks include the impact of the general economic environment on the Group's revenues as well as reputational and regulatory risks. 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 has rigorous internal policies and review procedures to ensure maintenance of this standard and to ensure compliance 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.

Financial risks include interest risk, credit risk and liquidity risk. These risks are described further in note 20 to the financial statements.

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

J C Norton

Secretary

1 December 2014

Alpha Plus Holdings plc

Company No. 04418776

Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2014.

Directors

The Directors who served during the year were:

Sir John Ritblat	Non-Executive Chairman
G G Able	Deputy Chairman
C J J Drinkall	Chief Executive Officer (appointed 1 July 2014)
M J Sample	Director of Finance
J J Aviss	Director of Schools
R J Purchase	Director of Colleges
R D Jones	Director of Property
D W Doran	Director of Learning and Development (resigned 13 November 2013)
D Elliott	Director of ICT
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Directors' interests

As at 31 August 2014, the Directors, and their connected parties, collectively held £50,000 nominal value of the Company's 5.75% 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.

Audit Committee

The Audit Committee comprises Mr C B Wagman (Chairman of the Committee), Sir John Ritblat and 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 Group financial statements

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 £13m of cash at 31 August 2014. Current liabilities include £20.4m of deferred income that will not be settled in cash.

- The Group is principally financed by £48.5m 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. No repayments of capital fall due before the maturity date.

- The Group has drawn loans totalling £26.9m from the immediate parent company. Any repayment request in respect of these loans is subject to a minimum of 366 days' notice. No repayment notice had been received from the immediate parent company as at the date these financial statements were approved.

The Directors therefore 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.

Charitable and political donations

The Group made charitable donations of £6,000 (2013: £nil) during the year.

Directors Report (continued)

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.

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

1 December 2014

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

We have audited the financial statements of Alpha Plus Holdings plc for the year ended 31 August 2014 which comprise Group Statement of Comprehensive Income, the Group and parent company Balance Sheet, the Group and parent company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 23. 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in Statement of Directors' Responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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.

Independent Auditor’s Report to the Members of Alpha Plus Holdings plc (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 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.

Ernst & Young LLP

Eamonn McGrath (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
1 December 2014

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 2014

	Notes	2014 £000	2013 £000
Revenue	6	70,973	62,950
Operating expenses	6	(60,640)	(54,204)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		10,333	8,746
Depreciation and amortisation	11	(4,140)	(5,973)
Impairment of property, plant and equipment		(567)	-
Operating profit		**5,626**	**2,773**
Profit/(loss) on sale of property, plant and equipment		1,143	(2)
Finance costs	8	(2,988)	(2,692)
Finance income	9	114	1
Profit before tax		**3,895**	**80**
Tax expense	10	(337)	(43)
Profit and total comprehensive income for the year		**3,558**	**37**

Group balance sheet

as at 31 August 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	11	116,539	114,108
Intangible assets	12	2,238	2,238
Deferred tax assets	10	2,257	2,594
		121,034	118,940
Current assets			
Trade and other receivables	13	5,123	4,168
Cash	14	12,976	5,554
		18,099	9,722
Total assets		**139,133**	**128,662**
Current liabilities			
Trade and other payables	17	33,764	30,225
Loans and borrowings	15	598	646
		34,362	30,871
Non-current liabilities			
Trade and other payables		100	-
Loans and borrowings	15	74,429	71,107
		74,529	71,107
Total liabilities		**108,891**	**101,978**
Net assets		**30,242**	**26,684**
Equity attributable to equity shareholders			
Share capital	16	16	16
Retained earnings		30,226	26,668
Total equity		**30,242**	**26,684**

The financial statements were approved by the Board and authorised for issue on 1 December 2014

M J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2014

	Issued capital	Retained earnings	Total equity
	£000	£000	£000
As at 1 September 2012	5	26,631	26,636
Profit and total comprehensive income for the year	-	37	37
Proceeds from issue of shares	11	-	11
At 31 August 2013	16	26,668	26,684
Profit and total comprehensive income for the year	-	3,558	3,558
At 31 August 2014	**16**	**30,226**	**30,242**

Group statement of cash flows

for the year ended 31 August 2014

	Notes	2014 £000	2013 £000
Cash generated from operations	23	17,097	7,752
Income tax paid		-	-
Net cash inflow from operating activities		**17,097**	**7,752**
Investing activities			
Proceeds from sale of property, plant and equipment		2,193	-
Additions of property, plant and equipment		(12,268)	(13,652)
Net cash outflow from investing activities		**(10,075)**	**(13,652)**
Financing activities			
Interest received		114	1
Interest paid		(2,806)	(2,572)
Proceeds from issue of ordinary shares		-	11
Proceeds from issue of 5.75% secured sterling bonds		-	48,500
Cost of issuing 5.75% secured sterling bonds		-	(1,277)
Proceeds from other loans and borrowings		4,100	8,000
Repayment of other loans and borrowings		(925)	(42,737)
Payment of finance lease liabilities		(83)	(104)
Net cash inflow from financing activities		**400**	**9,822**
Net increase in cash and cash equivalents		**7,422**	**3,922**
Cash and cash equivalents at 1 September		5,554	1,632
Cash and cash equivalents at 31 August	14	**12,976**	**5,554**

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 2014 were authorised for issue in accordance with a resolution of the Directors on 1 December 2014. The Company is incorporated 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.

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 2014.

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 services

Tuition fees together with fees for ancillary education-related services (exclusive of VAT) are recognised in the period that the educational 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 is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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 all 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%
- Major improvement works expenditure on freehold buildings and long leaseholds is depreciated over seven years.

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) 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.

f) Receivables

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

g) 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.

h) 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.

i) Pensions

A significant number of the Group's employees are members of the Teachers' Pension Scheme, an unfunded defined benefit scheme (note 21). 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 that is accounted for as 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 21).

j) Deferred revenue

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

k) Share-based payments

The Group operates a long term incentive plan for certain employees. Awards made under this plan are accounted for as cash-settled share-based payments. The fair value of each award is recognised as an expense over the vesting period after allowing for an estimate of the awards that will eventually vest.

Notes forming part of the accounts (continued)

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 £13m of cash at 31 August 2014. Current liabilities include £20.4m of deferred income that will not be settled in cash.
- The Group is principally financed by £48.5m 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. No repayments of capital fall due before the maturity date.
- In addition, the Group has drawn loans totalling £26.9m from the immediate parent company. Any repayment request in respect of these loans is subject to a minimum of 366 days' notice. No repayment notice had been received from the immediate parent company as at the date these financial statements were approved.

The Directors, therefore, 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.

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 10). 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 £2.3m 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, and it has undertaken to make those losses available to the Company as necessary sufficient to cover the reversal of the temporary timing differences.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 with a mandatory effective date of 1 January 2018. A comprehensive analysis of the impact has not been completed.

Notes forming part of the accounts (continued)

4. Standards issued but not yet effective *continued*

IFRS 12 *Disclosures of interests in other entities*

IFRS 12 applies to the Group for accounting periods commencing on 1 September 2014 and introduces disclosure requirements for all forms of interest in other entities including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 15 *Revenue from Contracts with Customers*

Establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, which will be effective for accounting periods commencing on or after 1 January 2017, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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:

	2014	2013
	£000	£000
Staff and other direct costs	44,012	39,381
Administrative expenses	16,628	14,823
	60,640	**54,204**
Depreciation and amortisation	4,140	5,973
Impairment of fixed assets	567	-
	65,347	**60,177**

	2014	2013
	£000	£000
Operating expenses include:		
Auditors remuneration – audit of the financial statements	26	25
Auditors remuneration – statutory audits of subsidiaries	43	37
Other fees paid to the auditors	10	9
Cash-settled share-based payment expense	100	-
Depreciation - owned assets	4,084	5,882
Depreciation - leased assets	56	91
Operating lease expense - land and buildings	3,300	2,808

Other fees payable to the auditors relate to agreed interim review procedures. In addition, in 2013 fees totalling £60,000 which were paid to the auditors in connection with the issue of 5.75% secured sterling bonds were treated as bond issue costs and deducted from the carrying value of the bonds (see note 15).

Notes forming part of the accounts (continued)

7. Information regarding directors and employees

	2014	2013
	£000	£000
Wages and salaries	27,775	25,766
Social security costs	2,626	2,464
Other pension costs	1,638	1,501
	32,039	29,731

The average monthly full time equivalent number of employees during the year was:	Number	Number
Directors	7	6
Head teachers	17	17
Teachers and tutors	629	576
Office administration	103	95
Others	63	52
	819	746

	2014	2013
	£000	£000
Directors' emoluments	820	796
Directors' pension contributions to money purchase schemes	48	35
Share-based payment expense	100	-
	968	831
Information regarding the highest paid Director is as follows:		
Emoluments	157	157

Five Directors accrued pension benefits under defined contribution schemes in 2013 (2013: 2). Four Directors received Awards during the year under the Group's new Long Term Incentive Plan as further described in note 22.

8. Finance costs

	2014	2013
	£000	£000
Interest on parent company loan	-	510
Interest on 5.75% secured sterling bonds	2,789	1,957
Amortisation of 5.75% secured sterling bonds issue costs	182	122
Bank interest	2	-
Finance charges payable under finance leases	11	22
Other interest payable	4	81
	2,988	2,692

Notes forming part of the accounts (continued)

9. Finance income

	2014	2013
	£000	**£000**
Bank interest	113	1
Other interest receivable	1	-
	114	1

10. Taxation

The major components of the tax expense for the year ended 31 August 2014 were:

	2014	2013
	£000	**£000**
Current tax:		
Current tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(577)	(1,169)
Tax losses	914	1,212
Tax expense reported in the statement of comprehensive income	**337**	**43**

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2014 and 2013 is as follows:

	2014	2013
	£000	**£000**
Profit before tax	**3,895**	**80**
At UK corporation tax rate of 22.17% (2013: 23.58%)	864	19
Excess reliefs on capital disposal	(253)	-
Utilisation of tax losses	(207)	(226)
Group relief	(576)	(1,205)
Other temporary differences	474	1,440
Other tax adjustments	35	15
Tax expense	**337**	**43**

Notes forming part of the accounts (continued)

10. Taxation *continued*

The Group has tax losses of £5,779,000 (2013: £6,719,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The carrying value of properties owned by the Group is £30.0m (2013: £30.4m) 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, and it 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 2014, the Group had unrecognised deferred tax assets in respect of tax losses carried forward of £307,000 (2013: £356,000) and depreciation in excess of capital allowances of £340,000 (2013: £643,000). These 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 Act 2013 was enacted on 17 July 2013 and introduced a reduction in the headline rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The rate of 20% has been substantively enacted by the balance sheet date. Deferred tax has been recognised using the rates which are expected to apply upon the unwinding of the deferred tax asset.

	Consolidated balance sheet		Consolidated income statement	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	1,348	1,526	178	(663)
Unutilised tax losses	6,852	7,766	914	1,212
Difference between carrying value of property and tax base cost	(6,002)	(6,749)	(747)	(455)
Other timing differences	59	51	(8)	(51)
	2,257	**2,594**		
Deferred tax expense			**337**	**43**
Reflected in the balance sheet as follows:				
Deferred tax assets	2,257	2,594		
Deferred tax liabilities	-	-		
Net deferred tax assets	**2,257**	**2,594**		

Reconciliation of net deferred tax assets	**2014**	**2013**
	£000	**£000**
Opening balance	2,594	2,637
Tax expense recognised during the period	(337)	(43)
Closing balance	**2,257**	**2,594**

Notes forming part of the accounts (continued)

11. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 September 2012	84,120	3,226	13,268	19,032	119,646
Additions	14,838	-	247	2,647	17,732
Disposals	-	-	-	(4)	(4)
At 31 August 2013	98,958	3,226	13,515	21,675	137,374
Additions	2,193	-	4,134	1,861	8,188
Disposals	(1,060)	-	-	(257)	(1,317)
At 31 August 2014	**100,091**	**3,226**	**17,649**	**23,279**	**144,245**
Depreciation and impairment					
At 1 September 2012	1,467	128	4,366	11,334	17,295
Depreciation charge for the year	980	64	678	4,251	5,973
Disposals	-	-	-	(2)	(2)
At 31 August 2013	2,447	192	5,044	15,583	23,266
Depreciation charge for the year	769	64	683	2,624	4,140
Impairment	567	-	-	-	567
Disposals	(107)	-	-	(160)	(267)
At 31 August 2014	**3,676**	**256**	**5,727**	**18,047**	**27,706**
Net book value					
At 31 August 2014	**96,415**	**2,970**	**11,922**	**5,232**	**116,539**
At 31 August 2013	96,511	3,034	8,471	6,092	114,108
At 31 August 2012	82,653	3,098	8,902	7,698	102,351

During the year, the Group decided not to complete the acquisition of 49 Bassett Road, London W10 which had previously been the preferred site for the relocation of Chepstow House School. An impairment charge of £0.6m has been made in the year ended 31 August 2014 in respect of costs incurred in connection with this aborted acquisition.

Freehold land and buildings with a carrying value of £68.6m (2013: £56.6m) are subject to a first charge to secure the Company's 5.75% secured sterling bonds. Land and buildings with a carrying amount of £111.3m (2013: £108.0m) are subject to a first or second charge to secure loans from the immediate parent company (note 15).

Finance leases

The carrying value of plant and equipment held under finance leases at 31 August 2014 was £40,000 (2013: £96,000). No new finance leased assets were acquired during the year (2013: £nil).

Notes forming part of the accounts (continued)

12. Intangible assets

	Goodwill	Other	Total
	£000	**£000**	**£000**
Cost			
At 1 September 2012 and at 31 August 2013 and 2014	**7,923**	**32**	**7,955**
Provision for impairment			
At 1 September 2012 and at 31 August 2013 and 2014	**5,717**	**-**	**5,717**
Net book value			
At 1 September 2012 and at 31 August 2013 and 2014	**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 2014, £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 a value in use estimate.

Key assumptions used in value in use calculations

The key assumptions for the value in use calculations are projected pupil/student numbers and annual fees per pupil/student. The Group prepares discounted cash flow forecasts covering a five year period. Cash flows beyond this period are extrapolated using a long term growth rate of 2% per annum. These cash flows have then been discounted at a pre-tax rate of 7.8% (2013: 7.7%) per annum.

Sensitivity to changes in assumptions

The value in use is most sensitive to projected pupil/student numbers and to annual fees per pupil/student. However, management considers that no reasonably likely change in any of the key assumptions would cause the carrying value of goodwill to exceed its recoverable amount. The Group has significant forward visibility of school pupil numbers as pupils who enrol in a school typically remain in that school until they graduate. Furthermore, in many cases, the Group's pupils then move on to another of the Group's schools. Many of the Group's schools have significant waiting lists which support projected future new entrant numbers. Projected annual fees reflect both the Group's past experience as well as published statistics in the *Independent Schools Council Census*.

13. Trade and other receivables

	2014	2013
	£000	**£000**
Trade receivables	572	384
Other receivables	2,215	1,733
Prepayments	2,336	2,051
	5,123	4,168

Trade and other receivables are non-interest bearing. Other receivables include £1.5m paid into escrow which will form the rent deposit required under the agreement for lease in respect of new premises in Westminster Bridge Road, London SE1 once the lease is completed.

Notes forming part of the accounts (continued)

13. Trade and other receivables *continued*

As at 31 August 2014, trade receivables with an initial value of £453,000 (2013: £445,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2012	482
Charge for the year	105
Utilised	(115)
Unused amounts released	(27)
At 31 August 2013	445
Charge for the year	174
Utilised	(87)
Unused amounts released	(79)
At 31 August 2014	453

Ageing analysis of trade receivables past due not impaired

	2014	2013
	£000	£000
<30 days	358	80
30-60 days	75	109
60-90 days	94	73
> 90 days	45	122
	572	384

The Group adopts robust collection procedures with regard to outstanding receivables. All of the amounts disclosed above are considered collectable. There are no significant concentrations of credit risk.

14. Cash and short term deposits

	2014	2013
	£000	£000
Cash at bank and in hand	**12,976**	**5,554**

Notes forming part of the accounts (continued)

15. Loans and borrowings

	2014	2013
	£000	£000
Current loans and borrowings		
5.75% secured sterling bonds	563	563
Obligations under finance leases	35	83
	598	**646**
Non-current loans and borrowings		
5.75% secured sterling bonds	47,527	47,345
Amounts due to immediate parent company	26,885	23,710
Obligations under finance leases	17	52
	74,429	**71,107**

The 5.75% 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. 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 September 2014, the security portfolio was valued at 1.98 times (2013: 1.87 times) the principal amount of the bonds in issue.

Interest 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 £563,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.973m (2013: £1.155m) which are being amortised over the seven year life of the bonds.

Amounts owed to the immediate parent company, DV4 Holdings Alpha Plus Co. Ltd, are secured by a first ranking fixed and floating charge over those assets of the Group that do not form part of the portfolio securing the 5.75% sterling bonds referred to above. In addition, amounts owing to the immediate parent company are secured by a second ranking fixed and floating charge over those assets that also secure the 5.75% sterling bonds. No interest is currently payable on amounts owed to the immediate parent company but the immediate parent does have the right to re-charge interest to the Company should it obtain debt finance from a third party financial institution for the specific purpose of providing additional funding to the Group.

At 31 August 2014, the Group had £5 million (2013: £5 million) of undrawn committed borrowing facilities.

16. Share capital

	2014	2013
	£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)

17. Trade and other payables

	2014	2013
	£000	£000
Current		
Trade payables	448	1,173
Other payables	8,330	7,249
Social security and other taxes	999	849
Accruals	3,626	5,321
Deferred income	20,361	15,633
	33,764	30,225
Non-current		
Other payables	100	-

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.

Accruals at 31 August 2013 included £4.08m of deferred purchase consideration in respect of 3 Arkwright Road, London NW3 where contracts were unconditionally exchanged in June 2013 but completion did not take place until November 2013.

18. 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

A.W. & P. Patton 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 disclosed in note 15, at 31 August 2014 the Group owed £26,885,000 (2013: £23,710,000) to its immediate parent company. No interest payable to the immediate parent company arose in the year (2013: £510,000).

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:

	2014	2013
	£000	£000
Short-term employment benefits	820	796
Employer's national insurance	86	89
Post-employment benefits (including pension contributions)	48	35
Share-based payment expense	100	-
	1,054	920

Notes forming part of the accounts (continued)

18. Related party disclosures *continued*

As at 31 August 2014, the Directors and their connected parties collectively held £50,000 (2013: £50,000) nominal value of the Company's 5.75% secured sterling bonds and interest of £3,000 (2013: £2,000) was receivable by them thereon.

19. 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 2014	Land and buildings 2013
	£000	£000
Not later than one year	5,198	2,732
After one year but not more than five years	15,363	8,349
After five years	42,742	5,762
	63,303	16,843

The Company has signed an agreement to lease a new, purpose-built, educational facility with on-site student accommodation which is currently being developed in Westminster Bridge Road, London SE1. The annual rent commitment for this facility, which is scheduled for completion in 2015, is estimated at £1.5 million for the educational facility and £3.1m for the student accommodation.

The Company has also signed an agreement to lease a new, purpose-built, educational facility with on-site student accommodation which is currently being developed in Cambridge. The annual rent commitment for this facility, which is scheduled for completion in 2016, is estimated at £1.8 million.

Finance lease commitments

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

	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	39	35	95	83
After one year but not more than five years	17	17	56	52
Total minimum lease payments	56	52	151	135
Less amounts representing finance charges	(4)		(16)	
Present value of minimum lease payments	52		135	

Notes forming part of the accounts (continued)

19. Commitments and contingencies *continued*

Capital commitments

At 31 August 2014, the Group was committed to capital expenditure totalling £163,000 (2013: £4.08m). The £4.08m as at 31 August 2013 represented the balance of the purchase price of premises in Arkwright Road, London NW3 which was included in accruals at 31 August 2013 (see also note 17).

Contingent liabilities

Eight (2013: 9) 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, in the event of the Group withdrawing from the scheme, an amount of £215,000 would be payable into this scheme as at 30 September 2013 (the most recent date for which information is available).

20. 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 5.75% secured sterling bonds issued in December 2012 and which mature in December 2019. Since the interest rate on these secured bonds is fixed and the Group also has a loan from the immediate parent company which is currently non-interest bearing, the Group is not exposed to any significant interest rate risk.

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.

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 2014 and 2013 is the carrying amounts indicated in notes 13 and 14 respectively.

Notes forming part of the accounts (continued)

20. Financial risk management objectives and policies *continued*

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 15.

Other business risks

The Group's ability to attract pupils and students 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 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.

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 2014					
5.75% secured sterling bonds	-	2,789	11,155	49,894	**63,838**
Amount due to parent company	-	-	26,885	-	**26,885**
Obligations under finance leases	10	29	17	-	**56**
Trade and other payables	448	8,330	-	-	**8,778**
Total	**458**	**11,148**	**38,057**	**49,894**	**99,557**
At 31 August 2013					
5.75% secured sterling bonds	-	2,789	11,155	52,683	66,627
Amount due to parent company	-	-	23,710	-	23,710
Obligations under finance leases	24	71	56	-	151
Trade and other payables	1,173	7,249	-	-	8,422
Total	1,197	10,109	34,921	52,683	98,910

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 primary objective of the Group's capital management is to ensure that it maintains a net debt/equity ratio below 300% 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.

Notes forming part of the accounts (continued)

20. Financial risk management objectives and policies *continued*

Capital management *continued*

	2014	2013
	£000	**£000**
5.75% secured sterling bonds	48,090	47,908
Amounts due to parent company	26,885	23,710
Obligations under finance leases	52	135
Less: cash and short-term deposits	(12,976)	(5,554)
Net debt	62,051	66,199
Equity	30,351	26,684
Total capital	92,402	92,883
Net debt to equity ratio	204%	248%

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	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Financial assets				
Trade and other receivables	2,787	2,117	2,787	2,117
Cash	12,976	5,554	12,976	5,554
Total	15,763	7,671	15,763	7,671
Financial liabilities				
Trade and other payables	8,778	8,422	8,778	8,422
5.75% secured sterling bonds	45,780	45,163	48,090	47,908
Amounts due to parent company	26,885	22,421	26,885	23,710
Obligations under finance leases	52	135	52	135
Total	80,033	76,141	83,805	80,175

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 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)

21. Pensions and other post-employment benefit plans

At 31 August 2014, the Group had 260 (2013: 243) 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 in 2004. Actuarial valuations for unfunded public service pension schemes were subsequently suspended by HM Treasury. The Group is, consequently, unable 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.

In addition, 8 (2013: 9) 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 2013 (the most recent date for which information is available), in the event of the Group withdrawing from the scheme, an amount of £215,000 would be payable into this scheme.

22. Long term incentive plan

The Board established a Long Term Incentive Plan ("LTIP") in June 2014 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 Alpha Plus Holdings plc and its subsidiaries which is exercisable in accordance with the LTIP rules. 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.

Four participants have received awards with an award commencement date of 1 September 2013. These represent an aggregate 0.4% of the Group's enterprise value. There are no vesting conditions attaching to these awards. The resultant accounting charge for the year of £100,000 has been included within operating expenses in the Group Statement of Comprehensive Income.

23. Operating cash flow

	2014	2013
	£000	**£000**
Profit before tax	3,895	80
Adjustments to reconcile profit before tax to cash generated from operations:		
Depreciation of property, plant and equipment	4,140	5,973
Impairment of property, plant and equipment	567	-
(Profit)/loss on disposal of property, plant and equipment	(1,143)	2
Cash-settled share-based payment provision	100	-
Finance income	(114)	(1)
Finance costs	2,988	2,692
Working capital adjustments:		
(Increase) in trade and other receivables	(955)	(1,699)
Increase in trade and other payables	7,619	705
Cash generated from operations	17,097	7,752

Alpha Plus Holdings plc

Company Financial Statements

31 August 2014

Company Registration No. 04418776

Company balance sheet

as at 31 August 2014

	Notes	2014 £000	2013 £000	2012 £000
Fixed assets				
Investments	4	24,058	24,058	20,015
Current assets				
Debtors	5	59,498	55,897	40,784
Cash at bank and in hand		67	30	21
		59,565	55,927	40,805
Creditors: amounts falling due within one year	7	(563)	(563)	(6)
Net current assets		59,002	55,364	40,799
Total assets less current liabilities		83,060	79,422	60,814
Creditors: amounts falling due after more than one year	8	(74,412)	(71,055)	(58,447)
Net assets		**8,648**	**8,367**	**2,367**
Equity attributable to equity shareholders				
Share capital	9	16	16	5
Retained reserves		8,632	8,351	2,362
Total equity		**8,648**	**8,367**	**2,367**

The financial statements were approved by the Board and authorised for issue on 1 December 2014

M J Sample
Director of Finance

Company statement of changes in equity

for the year ended 31 August 2014

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
As at 1 September 2012	5	2,362	2,367
Profit and total comprehensive income for the year	-	5,989	5,989
Proceeds from issue of shares	11	-	11
At 31 August 2013	16	8,351	8,367
Profit and total comprehensive income for the year	-	281	281
At 31 August 2014	**16**	**8,632**	**8,648**

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 1 December 2014. 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 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. Adoption of FRS 101

The Company previously prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). The Company has decided, as permitted by FRS 101, to adopt the reduced disclosure framework set-out in FRS 101 early. These financial statements, for the year ended 31 August 2014, are the first that the Company has prepared in accordance with FRS 101.

No adjustments have needed to be made by the Company to its previously published statement of financial position as at 1 September 2012 ("the transition date") and its previously published financial statements as at, and for the year ended, 31 August 2013. The Company has adopted the following approach to the key exemptions permitted under FRS 101:

- Business combinations: the Company has chosen not to restate business combinations prior to the transition date.

In addition, 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.

3. 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.

Notes forming part of the accounts (continued)

4. Investments

	Subsidiary undertakings
	£000
Cost and net book value	
At 1 September 2012	20,015
Additions	4,043
At 31 August 2013 and 31 August 2014	**24,058**

On 30 August 2013, the Company subscribed for 4,043,000 new £1 ordinary shares in Alpha Plus Education Limited which were issued at par. As at 31 August 2014, the Company held directly ordinary share capital of the following:

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%

As at 31 August 2014, the Company 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%

5. Debtors

	2014	2013	2012
	£000	£000	£000
Amounts owed by Group undertakings	59,125	55,505	40,135
Other debtors	-	11	32
Deferred tax (note 6)	373	381	617
	59,498	**55,897**	**40,784**

Notes forming part of the accounts (continued)

6. Deferred tax

	2014	2013	2012
	£000	**£000**	**£000**
Unutilised tax losses	373	381	617
Other timing differences	-	-	-
	373	**381**	**617**
Reflected in the balance sheet as follows:			
Deferred tax assets	373	381	617
Deferred tax liabilities	-	-	-
Net deferred tax assets	**373**	**381**	**617**

Reconciliation of net deferred tax assets	2014	2013	2012
	£000	**£000**	**£000**
Opening balance	381	617	-
Tax (charge)/credit recognised during the year	(8)	(236)	617
Closing balance	**373**	**381**	**617**

7. Creditors: amounts falling due within one year

	2014	2013	2012
	£000	**£000**	**£000**
5.75% secured sterling bonds	563	563	-
Other creditors	-	-	6
	563	**563**	**6**

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

	2014	2013	2012
	£000	**£000**	**£000**
5.75% secured sterling bonds	47,527	47,345	-
Amounts owed to immediate parent undertaking	26,885	23,710	58,447
	74,412	**71,055**	**58,447**

The 5.75% 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. 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. At the most recent valuation date, 1 September 2014, the security portfolio was valued at 1.98 times (1 September 2013: 1.87 times) the principal amount of the bonds in issue.

Notes forming part of the accounts (continued)

8. Creditors: amounts falling due after more than one year *continued*

Interest 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 £563,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.973m (2013: £1.155m) which are being amortised over the 7 year life of the bonds.

Amounts owed to the immediate parent company, DV4 Holdings Alpha Plus Co. Ltd, are secured by a first ranking fixed and floating charge over those assets of the Group that do not form part of the portfolio securing the 5.75% sterling bonds referred to above. In addition, amounts owing to the immediate parent company are secured by a second ranking fixed and floating charge over those assets that also secure the 5.75% sterling bonds. No interest is currently payable on amounts owed to the immediate parent company but the immediate parent does have the right to re-charge interest to the Company should it obtain debt finance from a third party financial institution for the specific purpose of providing additional funding to the Company.

That element of the immediate parent company loan that related to the immediate parent company's banking facilities carried interest at a fixed rate of 3.295% to 18 December 2012. No interest is payable on the residual element of the immediate parent company loan outstanding at 31 August 2014.

9. Issued share capital

	2014	2013	2012
	£000	£000	£000
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11	-
1 Preference Share of £1	-	-	-
	16	16	5

The Ordinary Shares entitle the holder to one vote for each share held. On 13 November 2012, the Company issued 45,000 new Ordinary Shares to the immediate parent company, DV4 Holdings Alpha Plus Co Ltd. These new shares, which rank pari-passu with the existing Ordinary Shares, are 25p paid up.

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.

10. Related party disclosures

The Company has taken advantage of the exemption not to disclose transactions with its wholly-owned subsidiaries. Details of a loan from the parent company are described in note 8.

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 18 to the Group financial statements). As at 31 August 2014, the Directors and their connected parties collectively held £50,000 (2013: £50,000) nominal value of the Company's 5.75% secured sterling bonds and interest was receivable by them thereon.

11. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £3,000 (2013: £2,500).

12. 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.