Alpha Plus Holdings Limited

Group Financial Statements

31 August 2012

Company Registration No. 04418776

Officers and advisors

Directors

Sir John Ritblat
G G Able
M J Sample
J J Aviss
D Doran
R Purchase
R D Jones
D Elliott
Dame Rosalind Savill
C B Wagman
S Lancaster

Secretary

J Norton

Registered office

50 Queen Anne Street
London
W1G 8HJ

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Solicitors

S J Berwin LLP
10 Queen Street Place
London EC4R 1BE

Auditors

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

Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2012.

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 5 sixth form colleges all of which, with the exception of 2 schools and 3 colleges, are based in Central London.

Review of business and future developments

Group revenues in the year ended 31 August 2012 were 11% higher than in the previous year at £57.9m (2011: £52.3m) with the increase being attributable both to increased fee levels and to an increased number of pupils and students in the Group's schools and colleges. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose slightly to £8.2m (2011: £8.1m). Growth in EBITDA was negatively impacted by the Group's decision to incur additional expenditure to secure the scalability of its ICT infrastructure. Profit before tax more than doubled to £2.6m (2011: £1.2m).

The Directors do not recommend the payment of a dividend.

The Group's policy has been to make strategic acquisitions where appropriate but also to "Build and Expand" the existing portfolio. Capital expenditure in the year ended 31 August 2012 of £12.4m (2011: £13.7m) included £5.0m in respect of a major building redevelopment project at Hilden Grange School in Tonbridge, Kent and £0.8m to refurbish new premises for Rolfes Nursery, in Oxford Gardens, London W10. The Group intends to continue to look for opportunities to acquire 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 credit risk, cash flow risk and liquidity risk. These risks are described further in note 19 to the financial statements.

Directors

The Directors who served during the year were:

G G Able	Chief Executive Officer
J J Aviss	Director of Schools
D Doran	Director of Learning and Development
R Purchase	Director of Colleges
R D Jones	Director of Property
Dame Rosalind Savill	Non-Executive Director (appointed 2 July 2012)
R N Bird	(resigned 29 June 2012)

Directors Report *continued*

Directors *continued*

The following Directors have been appointed since the end of the year:

Sir John Ritblat	Non-Executive Chairman (appointed 1 October 2012)
M J Sample	Director of Finance (appointed 1 September 2012)
D Elliott	Director of ICT (appointed 1 September 2012)
C B Wagman	Non-Executive Director (appointed 18 October 2012)
S Lancaster	Non-Executive Director (appointed 1 October 2012)

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 systematically 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.

Further details regarding the Group's employees are provided in note 8 to the financial statements.

Charitable and political donations

The Group did not make any charitable or political donations during the year.

Audit Information

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 Company'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 Company'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 Company's auditor is aware of that information.

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 positive cash balances, but net current liabilities.
- The Group is funded by £58.4 million of loans from the immediate parent company. The immediate parent company is part-funded by way of a bank loan which currently stands at £39.2 million and matures in March 2013. The Directors recognise that as a consequence of the repayment of the bank loan, and in the absence of replacement financing, the immediate parent company may require repayment of a large proportion of its loan to the Group.
- The Group has planned capital expenditure over the next few years which is in excess of the projected operating cash inflows of the business, and is not permitted to be funded from the current bank loan facility with the immediate parent company.

Alpha Plus Holdings Limited

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Directors Report *continued*

Going concern *continued*

The Group continues to explore alternative funding sources, and has had favourable indications from the current bank loan provider, and others, of refinancing opportunities. Should the refinancing discussions not prove successful, the ultimate parent company, DV4 Limited, has undertaken to meet the liabilities of the Group until such time that appropriate alternative funding arrangements are in place. The Directors are satisfied that DV4 Limited has the ability to provide such support.

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.

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 company is to be proposed at the forthcoming Annual General Meeting.

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

Julia Norton

Secretary

1 November 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors have elected to prepare Group financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

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

Independent Auditors Report to the Members of Alpha Plus Holdings Limited

We have audited the Group financial statements of Alpha Plus Holdings Limited for the year ended 31 August 2012, which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

As explained more fully set out in the Statement of Directors’ Responsibilities, the Directors are responsible for the preparation of the Group 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 Group 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 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 Directors’ Report to identify material inconsistencies with the audited financial statements. 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 Group financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 August 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the Group financial statements are prepared is consistent with the Group 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:

- 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.

Other matter

We have reported separately on the parent company financial statements of Alpha Plus Holdings Limited for the year ended 31 August 2012.

Ernst & Young LLP

Eamonn McGrath (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
1 November 2012

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 2012

	Notes	2012 £000	2011 £000
Revenue	6	57,875	52,299
Operating expenses	6	(49,698)	(44,172)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		8,177	8,127
Depreciation and amortisation	10	(4,095)	(3,734)
Operating profit		**4,082**	**4,393**
Profit on sale of property, plant and equipment		-	539
Finance costs	7	(1,444)	(3,708)
Finance income		5	2
Profit before tax		**2,643**	**1,226**
Tax credit	9	2,637	-
Profit and total comprehensive income for the year		**5,280**	**1,226**

Group balance sheet

as at 31 August 2012

	Notes	2012 £000	2011 £000	2010 £000
Assets				
Non-current assets				
Property, plant and equipment	10	102,351	94,062	88,798
Intangible assets	11	2,238	2,238	2,238
Deferred tax assets	9	2,637	-	-
		107,226	96,300	91,036
Current assets				
Trade and other receivables	12	2,469	2,217	5,658
Cash	13	1,632	2,679	11
		4,101	4,896	5,669
Total assets		**111,327**	**101,196**	**96,705**
Current liabilities				
Trade and other payables	16	26,005	20,183	17,984
Loans and borrowings	14	95	1,724	4,505
		26,100	21,907	22,489
Non-current liabilities				
Loans and borrowings	14	58,591	57,933	54,086
Total liabilities		**84,691**	**79,840**	**76,575**
Net assets		**26,636**	**21,356**	**20,130**
Equity attributable to equity shareholders				
Share capital	15	5	5	5
Retained earnings		26,631	21,351	20,125
Total equity		**26,636**	**21,356**	**20,130**

The financial statements were approved by the Board and authorised for issue on 1 November 2012

M.J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2012

	Issued capital	Retained earnings	Total equity
	£000	£000	£000
As at 1 September 2010	**5**	**20,125**	20,130
Profit and total comprehensive income for the year	-	1,226	1,226
At 31 August 2011	**5**	**21,351**	**21,356**
Profit and total comprehensive income for the year	-	5,280	5,280
At 31 August 2012	**5**	**26,631**	**26,636**

Group statement of cash flows

for the year ended 31 August 2012

	Notes	2012 £000	2011 £000
Operating activities			
Profit before tax		2,643	1,226
Adjustments to reconcile profit before tax to net cash flow from operating activities:			
Depreciation of property, plant and equipment		4,095	3,734
Gain on disposal of property, plant and equipment		-	(539)
Finance income		(5)	(2)
Finance costs		1,444	3,708
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(252)	197
Increase in trade and other payables		5,822	2,007
Cash generated from operations		13,747	10,331
Interest received		5	2
Interest paid		(1,444)	(3,708)
Net cash inflow from operating activities		**12,308**	**6,625**
Investing activities			
Proceeds from sale of property, plant and equipment		-	5,841
Additions of property, plant and equipment		(12,384)	(10,864)
Net cash outflow from investing activities		**(12,384)**	**(5,023)**
Financing activities			
Payment of finance lease liabilities		(185)	(192)
Proceeds from loans and borrowings		714	5,366
Repayment of loans and borrowings		(1,500)	(1,133)
Net cash (outflow)/inflow from financing activities		**(971)**	**4,041**
Net (decrease)/increase in cash and cash equivalents		**(1,047)**	**5,643**
Cash and cash equivalents at 1 September		2,679	(2,964)
Cash and cash equivalents at 31 August	13	**1,632**	**2,679**

1. Corporate information

The consolidated financial statements of Alpha Plus Holdings Limited and its subsidiaries ("the Group") for the year ended 31 August 2012 were authorised for issue in accordance with a resolution of the Directors on 1 November 2012. 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, for the first time, 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 Limited and its subsidiaries as at 31 August 2012.

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 Adoption of IFRS

These financial statements, for the year ended 31 August 2012, are the first that the Group has prepared in accordance with IFRS. The Group previously prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). The Group has established its IFRS accounting policies for the year to 31 August 2012 and, in general, has applied these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 September 2010. Note 21 explains the principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 September 2010 and its previously published UK GAAP financial statements as at, and for the year ended, 31 August 2011. The Group has adopted the following approach to the key exemptions permitted under IFRS 1 "First-time adoption of International Financial Reporting Standards":

- Business combinations: the Group has chosen not to restate business combinations prior to the transition date; and
- Revaluation as deemed cost: Under UK GAAP, the Group applied a policy of revaluation to its freehold and long leasehold properties. As allowed under IFRS 1, the Group has elected to regard those fair values as deemed cost as at the date of transition.

2.4 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. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.4 Summary of significant accounting policies *continued*

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of education services

Revenue represents tuition fees together with fees for ancillary education-related services (exclusive of VAT). Revenue is recognised in the period that the educational services are provided.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income is accrued on a time basis by reference to the principal amount and the effective interest rate which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement. 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.

2.4 Summary of significant accounting policies *continued*

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.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

g) Cash and short-term deposits

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

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.4 Summary of significant accounting policies *continued*

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 20). 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 stakeholder pension scheme that is accounted for as a defined contribution pension scheme (see note 20). 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 20).

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.

2.5 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 positive cash balances, but net current liabilities.
- The Group is funded by £58.4 million of loans from the immediate parent company. The immediate parent company is part-funded by way of a bank loan which currently stands at £39.2 million and matures in March 2013. The Directors recognise that as a consequence of the repayment of the bank loan, and in the absence of replacement financing, the immediate parent company may require repayment of a large proportion of its loan to the Group.
- The Group has planned capital expenditure over the next few years which is in excess of the projected operating cash inflows of the business, and is not permitted to be funded from the current bank loan facility to the parent company.

The Group continues to explore alternative funding sources, and has had favourable indications from the current bank loan provider, and others, of refinancing opportunities. Should the refinancing discussions not prove successful, the ultimate parent company, DV4 Limited, has undertaken to meet the liabilities of the Group until such time that appropriate alternative funding arrangements are in place. The Directors are satisfied that DV4 Limited has the ability to provide such support.

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.

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.

Impairment of goodwill – determining whether goodwill impairment is necessary requires the Directors to assess the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to assess future cash flows from these cash generating units and to apply a suitable discount rate in order to calculate net present value. The carrying value of goodwill at 31 August 2012 was £2,206,000 (2011: £2,206,000). Details of the impairment calculations are set out in note 11.

Recognition of deferred tax assets – the Group has significant unutilised tax losses (see note 9). 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 now appropriate to recognise a £2.6m deferred tax asset in this regard.

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. A comprehensive analysis of the impact has not been completed.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 change the grouping of items presented in OCI. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

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 2015.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require the Directors to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 12 *Income Taxes (amendment)*
IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment, which is applied retrospectively in accordance with IAS 8 (changes in accounting policy), also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis.

IFRS 13 *Fair Value Measurement*
This amendment, which is effective for periods commencing on or after 1 January 2013, does not effect when fair value is used, but does provide clarification on a number of areas including how to measure fair value when a market becomes less active.

IAS 32 *Financial Instruments: Presentation (amendment)*
This amendment to IAS 32 clarifies the meaning of "currently has an enforceable right to set-off" and the application of the IAS 32 offsetting criteria application to settlement systems. The amendment is effective for periods commencing on or after 1 January 2014.

5. Segmental information

The Group's chief operating decision maker, as defined in IFRS 8, is the Board of Directors. The Board views the Group's portfolio of schools and colleges as a single operational business 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:

	2012	2011
	£000	£000
Staff and other direct costs	36,103	32,395
Administrative expenses	13,595	11,777
	49,698	**44,172**
Depreciation and amortisation	4,095	3,734
	53,793	**47,906**
Operating expenses include:		
Auditors remuneration – audit of the financial statements	25	12
Auditors remuneration – statutory audits of subsidiaries	43	42
Other fees paid to the auditors	68	6
Depreciation - owned assets	3,857	3,367
Depreciation - leased assets	238	367
Operating lease expense - land and buildings	2,480	2,684
Operating lease expense - plant and equipment	-	50

Other fees payable to the auditors relate to corporate finance services with respect to developing financial forecasting models.

7. Finance costs

	2012	2011
	£000	£000
Interest on parent company loan	1,368	3,618
Finance charges payable under finance leases	38	37
Other interest payable	38	53
	1,444	3,708

8. Information regarding directors and employees

	2012	2011
	£000	**£000**
Wages and salaries	24,358	22,999
Social security costs	2,336	2,134
Other pension costs	1,446	1,338
	28,140	26,471

The average monthly full time equivalent number of employees during the year was as follows:

	Number	Number
Directors	6	6
Head teachers	18	19
Teachers and tutors	551	523
Office administration	87	83
Others	32	23
	694	654

	2012	2011
	£000	**£000**
Directors’ emoluments	668	706
Directors’ pension contributions to money purchase schemes	14	14
	682	720
Information regarding the highest paid Director is as follows:		
Emoluments	149	134

One Director accrued pension benefits under defined contribution schemes in 2012 (2011: 1).

9. Taxation

The major components of the tax credit for the year ended 31 August 2012 are:

Consolidated income statement	**2012**	**2011**
	£000	**£000**
Current tax:		
Current tax charge	-	-
Adjustments in respect of current tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(863)	-
Tax losses	(1,774)	-
Tax credit reported in the statement of comprehensive income	**(2,637)**	**-**

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2012 and 2011 is as follows:

	2012	**2011**
	£000	**£000**
Accounting profit before tax	**2,643**	**1,226**
At UK corporation tax rate of 25.16% (2011: 27.16%)	665	333
Recognition of previously unrecognised deferred tax assets relating to temporary differences	(863)	-
Capital allowances less than/(in excess of) depreciation	340	254
Utilisation of previously unrecognised tax losses	(583)	(397)
Recognition of previously unrecognised losses	(1,774)	-
Non-deductible expenses / (income not taxable)	14	(27)
Group relief	(416)	-
Other tax adjustments	(20)	(163)
Tax credit	**(2,637)**	**-**

9. Taxation *continued*

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet			Consolidated income statement	
	2012	**2011**	**2010**	**2012**	**2011**
	£000	**£000**	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	863	-	-	(863)	-
Unutilised tax losses	8,979	7,205	7,205	(1,774)	-
Difference between deemed cost of land and buildings and tax base cost	(7,205)	(7,205)	(7,205)	-	-
	2,637	-	-		
Deferred tax income				**(2,637)**	**-**
Reflected in the balance sheet as follows:					
Deferred tax assets	2,637	-	-		
Deferred tax liabilities	-	-	-		
Net deferred tax assets	**2,637**	**-**	**-**		

Reconciliation of net deferred tax assets	**2012**	**2011**	**2010**
	£000	**£000**	**£000**
Opening balance	**-**	**-**	**-**
Tax credit during the period	2,637	-	-
Recognised in other comprehensive income	-	-	-
Closing balance	**2,637**	**-**	**-**

The Group has tax losses of £7,712,000 (2011: £10,030,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The book cost of properties owned by the Group is £31.324m 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 a deferred tax asset arising from the Company's immediate parent company, as the immediate parent company will have tax losses arising sufficient to cover the reversal of the temporary timing differences which it has undertaken to make available to the Company as necessary.

Change in Corporation Tax rate

In the Budget of 21 March 2012, the Chancellor of the Exchequer announced further tax changes which, if enacted in the proposed manner, could have a significant effect of the Group's future tax position. The Budget proposed a continued decrease in the rate of UK corporation tax from 24% to 22% over the period to April 2014. The Finance Bill 2011achieved Royal Assent on 17 July 2012 which has now confirmed the future rate of corporation tax at 23% for the period commencing 1 April 2013.

The effect of the further reduction in the tax rate, from 23% to 22% as discussed in the Budget on 21 March 2012 would be to reduce the deferred tax asset above by £115,000.

10. 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 2010	72,749	3,200	11,875	10,961	98,785
Additions	7,585	19	228	5,801	13,633
Disposals	(3,370)	-	-	(1,786)	(5,156)
At 31 August 2011	76,964	3,219	12,103	14,976	107,262
Additions	7,156	7	1,165	4,056	12,384
Disposals	-	-	-	-	-
At 31 August 2012	**84,120**	**3,226**	**13,268**	**19,032**	**119,646**
Depreciation and impairment					
At 1 September 2010	-	-	3,181	6,806	9,987
Depreciation charge for the year	739	64	575	2,356	3,734
Disposals	(38)	-	-	(483)	(521)
At 31 August 2011	701	64	3,756	8,679	13,200
Depreciation charge for the year	766	64	610	2,655	4,095
Disposals	-	-	-	-	-
At 31 August 2012	**1,467**	**128**	**4,366**	**11,334**	**17,295**
Net book value					
At 31 August 2012	**82,653**	**3,098**	**8,902**	**7,698**	**102,351**
At 31 August 2011	76,263	3,155	8,347	6,297	94,062
At 31 August 2010	72,749	3,200	8,694	4,155	88,798

Finance leases

The carrying value of plant and equipment held under finance leases at 31 August 2012 was £189,000 (2011: £397,000). Additions during the year include £30,000 (2011: £423,000) under finance leases

Land and buildings with a carrying amount of £94,653,000 (2011: £87,765,000) are subject to a first charge to secure certain loans of the immediate parent company (note 14).

11. Intangible assets

	Goodwill	Other	Total
	£000	**£000**	**£000**
Cost			
At 1 September 2010 and at 31 August 2011 and 2012	**7,923**	**32**	**7,955**
Provision for impairment			
At 1 September 2010 and at 31 August 2011 and 2012	**5,717**	**-**	**5,717**
Net book value			
At 1 September 2010 and 31 August 2011 and 2012	**2,206**	**32**	**2,238**

Goodwill has been allocated, for impairment testing, to cash generating units which may be individual schools or colleges or groups of schools and colleges. Of the net book value of £2.206m at 31 August 2012, £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 value in use.

Key assumptions used in value in use calculations

The key assumptions for the value in use calculations are changes in short/medium term revenue and costs. 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 8.2% (2011: 6.3%) per annum.

Sensitivity to changes in assumptions

Short/medium term revenue and costs are most sensitive to the following assumptions:

- Projected pupil/student numbers
- Annual fees per pupil/student

Management believes that no reasonably likely change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

12. Trade and other receivables

	2012	2011	2010
	£000	**£000**	**£000**
Trade receivables	496	639	758
Other receivables	487	259	297
Amount due from parent company	-	-	3,244
Prepayments and accrued income	1,486	1,319	1,359
	2,469	2,217	5,658

Trade receivables are non-interest bearing.

12. Trade and other receivables *continued*

As at 31 August 2012, trade receivables with an initial value of £482,000 (2011: £858,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2010	596
Charge for the year	309
Utilised	(47)
At 31 August 2011	858
Charge for the year	4
Utilised	(25)
Unused amounts reversed	(355)
At 31 August 2012	482

Ageing analysis of receivables not impaired

	2012	**2011**	**2010**
	£000	**£000**	**£000**
<30 days	877	644	736
30-60 days	11	88	21
60-90 days	8	32	19
> 90 days	87	134	279
	983	898	1,055

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

13. Cash and short term deposits

	2012	**2011**	**2010**
	£000	**£000**	**£000**
Cash at bank and in hand	**1,632**	2,679	11

Cash at bank is held in non-interest bearing current accounts.

14. Loans and borrowings

	2012	2011	2010
	£000	**£000**	**£000**
Current loans and borrowings			
Bank overdraft	-	-	2,975
Amounts due to immediate parent company	-	1,500	1,300
Obligations under finance leases	95	224	230
	95	**1,724**	**4,505**
Non current loans and borrowings			
Amounts due to immediate parent company	58,447	57,733	53,700
Obligations under finance leases	144	200	386
	58,591	**57,933**	**54,086**

Amounts owed to the immediate parent company, DV4 Holdings Alpha Plus Co. Ltd, are unsecured. The Company and its subsidiaries, however, are obligors and guarantors of the immediate parent company's bank loan facility and have granted first charges over their assets and undertakings.

Interest is due on the element of the immediate parent company loan which relates to the immediate parent company's banking facility at a fixed interest rate of 3.295% (2011: 3.295%) per annum.

At 31 August 2012, the Group had £4 million (2011: £4 million) of undrawn committed borrowing facilities.

15. Share capital

	2012	2011	2010
	£000	**£000**	**£000**
5,000 Ordinary Shares of £1 each	5	5	5
1 Preference Share of £1	-	-	-
	5	5	5

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.

16. Trade and other payables

	2012	2011	2010
	£000	£000	£000
Trade payables	2,460	765	2,031
Other payables	6,786	6,382	5,730
Social security and other taxes	696	617	1,276
Accruals	2,196	1,182	1,714
Deferred income	13,867	11,237	7,233
	26,005	20,183	17,984

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled in accordance with the supplier's normal terms of business.
- Other payables are non-interest bearing and have an average term of less than six months

Accruals include interest payable on the loan from the immediate parent company (note 14) of £565,000 (2011: £160,000).

17. 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 Schools Limited

Alpha Plus Education Limited

Abbey College 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 14, at 31 August 2012 the Group owed £58,447,000 (2011: £59,233,000) to its immediate parent company. The Company and its subsidiaries are obligors and guarantors of the immediate parent company's bank loan facilities and have granted first charges over their assets and undertakings. Interest payable to the immediate parent company in the year amounted to £1,368,000 (2011: £3,618,000).

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:

	2012	2011
	£000	£000
Short-term employment benefits (including employers national insurance)	726	805
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transactions	-	-
	726	805

18. 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	
	2012	**2011**
	£000	**£000**
Not later than one year	2,418	2,461
After one year but not more than five years	7,891	8,375
After five years	6,407	6,631
	16,716	17,467

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:

	2012		**2011**		**2010**	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**	**Minimum payments**	**Present value of payments**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Not later than one year	126	95	256	224	253	230
After one year but not more than five years	152	144	215	200	421	386
After five years						
Total minimum lease payments	278	239	471	424	674	616
Less amounts representing finance charges	(39)		(47)		(58)	
Present value of minimum lease payments	239		424		616	

The Group has no contingent leasing commitments**.**

Capital commitments
At 31 August 2012, the Group was committed to capital expenditure totalling £1,035,000 (2011: £4,757,000).

Contingent liabilities
The Company has entered into cross-guarantees with its subsidiary undertakings and its immediate parent company DV4 Holdings Alpha Plus Co. Limited, with respect to obligations relating to the full balance of the immediate parent company's bank borrowings of £40,237,000.

In addition, 9 (2011: 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 £147,000 would be payable into this scheme as at 30 September 2011 (the most recent date for which information is available).

19. 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 a loan from the parent company, the main purpose of which is to finance the Group's operations including the Group's trade and other receivables/payables and cash and short-term deposits that arise directly from its operations. The Company and its subsidiaries are guarantors and obligors of the parent company's bank loan facility interest. The parent company has confirmed that interest rate risk is hedged through the use of appropriate derivative instruments including interest rate swaps The parent company recharges interest on its bank loan facility, and the related hedging costs, to the Group which effectively then bears a fixed rate of interest.

Interest rate sensitivity

An increase of 100 basis points in the floating interest rate payable by the parent company and hence recharged to the Group would have no impact on the finance costs charged to the income statement or to the carrying value of equity attributable to equity shareholders.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, which shows relatively low volatility than seen in previous years.

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. Counterparty credit limits are reviewed by the Directors and are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group's maximum exposure to credit risk for the components of the balance sheet at 31 August 2012 and 2011 is the carrying amounts indicated in this note 19.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring regularly updated cash flow forecasts. The Group has assessed the risk of being unable to refinancing its debt and has concluded it to be low (as further explained in note 2 "Going Concern").

Details of undrawn committed borrowing facilities are set out in note 14.

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 rigorous internal review procedures to ensure maintenance of educational standards and 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.

The Group also has appropriate business continuity and IT security contingency plans in place.

19. 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:

	On demand	< 3 mths	3-12 mths	1-5 years	Total
	£000	**£000**	**£000**	**£000**	**£000**
At 31 August 2012					
Interest-bearing loans and borrowings	-	331	994	58,447	59,772
Obligations under finance leases	-	24	71	144	239
Trade and other payables	-	2,460	6,786	-	9,246
Total	**-**	**2,815**	**7,851**	**58,591**	**69,257**
At 31 August 2011					
Interest-bearing loans and borrowings	-	344	1,031	59,233	60,608
Obligations under finance leases	-	56	168	200	424
Trade and other payables	-	765	6,382	-	7,147
Total	-	1,165	7,581	59,433	68,179
At 31 August 2010					
Bank overdraft	2,975	-	-	-	2,975
Interest-bearing loans and borrowings	-	413	1,238	55,000	56,651
Obligations under finance leases	-	58	173	386	617
Trade and other payables	-	2,031	5,730	-	7,761
Total	2,975	2,502	7,141	55,386	68,004

Capital management

Capital includes net debt and equity attributable to the equity holders of the parent. The Group includes within net debt, 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 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2012 and 31 August 2011.

19. Financial risk management objectives and policies *continued*

	2012	2011	2010
	£000	£000	£000
Bank overdraft	-	-	2,975
Interest-bearing loans and borrowings	58,447	59,233	55,000
Obligations under finance leases	239	424	616
Less: cash and short-term deposits	(1,632)	(2,679)	(11)
Net debt	57,054	56,978	58,580
Equity	26,636	21,356	20,130
Total capital	83,690	78,334	78,710
Net debt to equity ratio	214%	267%	291%

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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	983	898	983	898
Cash	1,632	2,679	1,632	2,679
Total	2,615	3,577	2,615	3,577
Financial liabilities				
Trade and other payables	9,246	7,147	9,246	7,147
Interest-bearing loans and borrowings	56,657	57,449	58,447	59,233
Obligations under finance leases	239	424	239	424
Total	66,142	65,020	67,932	66,804

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 these instruments.

- The fair value of long-term borrowings is evaluated by the Group by discounting expected future cash flows at prevailing market rates for instruments with substantially the same terms and characteristics

20. Pensions and other post-employment benefit plans

At 31 August 2012 the Group had 226 (2011: 220) 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, 9 (2011: 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 2011(the most recent date for which information is available), in the event of the Group withdrawing from the scheme, an amount of £147,000 would be payable into this scheme.

21. Adoption of International Financial Reporting Standards

These financial statements, for the year ended 31 August 2012, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 August 2011, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 August 2012, together with the comparative period data as at and for the year ended 31 August 2011, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 September 2010, the Group's date of transition to IFRS. The principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 September 2010 and its previously published UK GAAP financial statements as at, and for the year ended, 31 August 2011 are detailed below.

	Note	At 31 August 2011	At 31 August 2010
		£000	**£000**
Equity under UK GAAP		21,082	20,025
IAS 38 - goodwill	1	184	-
IAS 38 - negative goodwill	2	280	295
IAS 12 - deferred tax liability	3	(7,205)	(7,205)
IAS 12 - deferred tax losses	4	7,205	7,205
Other adjustments		(190)	(190)
Equity under IFRS		**21,356**	**20,130**

The adjustments above are after taxation

21. Adoption of International Financial Reporting Standards *continued*

	Note	Year to 31 August 2011
		£000
Profit under UK GAAP		1,057
IAS 38 - goodwill	1	184
IAS 38 - negative goodwill	2	(15)
Total comprehensive income under IFRS		**1,226**

On transition to IFRS the Group has changed the sections in its cash flow from the seven sections required under UK GAAP to operating activities, investing activities and financing activities.

IFRS Conversion Adjustments

1. Under UK GAAP, goodwill was capitalised and amortised over its useful economic life. Under IAS 38 – "Intangible Assets" goodwill is initially considered to have an indefinite life but is subject to an annual impairment review. Goodwill amortisation in the year ended 31 August 2011 has, therefore, been reversed. No adjustment has been made to the carrying value of goodwill as at the IFRS transition date of 31 August 2010.

2. IAS 38 does not permit the recognition of negative goodwill and consequently the UK GAAP balance as at 31 August 2010 has been credited to retained earnings.

3. The fair values of land and buildings at 31 August 2010 have been treated as deemed cost as at the date of IFRS transition. Since these fair values exceed tax base cost a deferred tax liability has been recognised in accordance with IAS 12.

4. To the extent that a deferred tax liability may crystallise as a consequence of the disposal of a property at a value equal to deemed cost, then the immediate parent company has undertaken to make available to the Group tax losses sufficient to cover such liability and a deferred tax asset has been recognised accordingly

Alpha Plus Holdings Limited

Company Financial Statements

31 August 2012

Company Registration No. 04418776

Statement of Directors' Responsibilities

The Directors are responsible for preparing 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 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 Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditors Report to the Members of Alpha Plus Holdings Limited

We have audited the parent company financial statements of Alpha Plus Holdings Limited for the year ended 31 August 2012 which comprise the Company Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors

As explained more fully in the Statement of Directors‘ Responsibilities, the Directors are responsible for the preparation of the parent company 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 parent company 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 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 Directors' Report to identify material inconsistencies with the audited financial statements. 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 parent company financial statements:

- give a true and fair view of the state of the Company‘s affairs as at 31 August 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors‘ Report for the financial year for which the financial statements are prepared is consistent with the parent company 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.

Other matter

We have reported separately on the Group financial statements of Alpha Plus Holdings Limited for the year ended 31 August 2012.

Ernst & Young LLP

Eamonn McGrath (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
1 November 2012

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.

Company balance sheet

as at 31 August 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	3	20,015	20,015
Current assets			
Debtors	4	40,784	41,224
Cash		21	-
		40,805	41,224
Creditors: amounts falling due within one year	5	(6)	(1,756)
Net current assets		40,799	39,468
Total assets less current liabilities		60,814	59,483
Creditors: amounts falling due after more than one year	6	(58,447)	(57,733)
Net assets		**2,367**	**1,750**
Capital and reserves			
Share capital	7	5	5
Retained earnings	8	2,362	1,745
Shareholders' funds		**2,367**	**1,750**

The financial statements were approved by the Board and authorised for issue on 1 November 2012

M.J Sample
Director of Finance

1 Basis of preparation

The parent company financial statements of Alpha Plus Holdings Limited (the Company) are presented as required by the Companies Act 2006 and were approved for issue on 1 November 2012.

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and, similarly, no cash flow statement for the Company is presented in line with the exemption under FRS 1.

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 Financial Instruments: Disclosures and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures

The Company has taken advantage of the exemption in FRS 8, not to disclose transactions with its wholly owned subsidiaries.

2. Summary of significant accounting policies

a) Investments

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

b) Loans

Interest bearing loans are recognised at cost

3. Investments

	Subsidiary undertakings
	£000
Cost and net book value	
At 1 September 2011 and 31 August 2012	20,015

As at 31 August 2012, the Company held directly ordinary share capital of the following:

Name of company	Country of registration	Proportion held	Nature of business
Alpha Plus Group Limited	England & Wales	100%	Education
Alpha Plus Education Limited	England & Wales	100%	Education

As at 31 August 2012, the Company held indirectly ordinary share capital of the following:

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

4. Debtors

	2012	2011
	£000	£000
Amounts owed by Group undertakings	40,135	41,194
Other debtors	32	30
Deferred tax	617	-
	40,784	41,224

5. Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Bank overdraft	-	256
Amounts owed to immediate parent undertaking	-	1,500
Other creditors	6	-
	6	1,756

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

	2012	2011
	£000	£000
Amounts owed to immediate parent undertaking	58,447	57,733

Amounts owed to the immediate parent company, DV4 Holdings Alpha Plus Co. Ltd, are unsecured. The Company and its subsidiaries, however, are obligors and guarantors of the immediate parent company's bank loan facility and have granted first charges over their assets and undertakings.

Interest is due on the element of the parent company loan which relates to the immediate parent company's banking facility at a fixed interest rate of 3.295% (2011: 3.295%) per annum.

7. Issued share capital

	2012	2011
	£000	£000
5,000 Ordinary Shares of £1 each	5	5
1 Preference Share of £1	-	-
	5	5

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.

8. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Retained earnings	Total
	£000	£000	£000
As at 1 September 2010	5	1,681	1,686
Profit for the year	-	64	64
As at 31 August 2011	5	1,745	1,750
Profit for the year	-	617	617
At 31 August 2012	**5**	**2,362**	**2,367**

9. 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 6.

The Company's key management personnel are its Board of Directors each of whom is remunerated by one of the Company's subsidiary undertakings.

10. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £2,500 (2011: £2,500).

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.