



# Alpha Plus Holdings plc

## Group Financial Statements

31 August 2013

Company Registration No. 04418776

# Alpha Plus Holdings plc

Company No. 04418776

## Officers and advisors

### Directors

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

### Secretary

J Norton

### Registered office

50 Queen Anne Street  
London  
W1G 8HJ

### Bankers

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

### Solicitors

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

### 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](http://www.alphaplusgroup.co.uk/Investors)

# 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 2013.

### **Change of Company Status**

On 15 November 2012, the Company re-registered as a public limited company and changed its name from Alpha Plus Holdings Limited to Alpha Plus Holdings plc.

### **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, two of the colleges having, for operational purposes, merged in the year. 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 2013 was 9% higher than in the previous year at £63.0m (2012: £57.9m) 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 3,683 (2012: 3,625) at the end of the period. Overseas student numbers, however, were lower than in the previous year, mainly as a result of adverse publicity abroad following the Government action against London Metropolitan University, which occurred at a critical time in the 2012-13 recruitment cycle and caused many students to opt for Australia and the US rather than the UK. There has, however, been some recovery in overseas student numbers for the 2013-14 academic year.

Operating expenses rose by 9% to £54.2m (2012: £49.7m) reflecting an increase in the cost of student accommodation, increased ICT expenditure resulting from decisions taken in the second half of the previous year and other general cost increases.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose 6% to £8.7m (2012: £8.2m).

The depreciation charge for the year of £6.0m (2012: £4.1m) includes an amount of £1.1m arising from a re-assessment of the estimated useful life of various items of equipment which, as a result, have now been fully depreciated. The impact of this will be to reduce the depreciation charge that would have been charged in the forthcoming year by £0.8m and in the following year by £0.3m had the original estimated useful life been retained.

The increase in finance costs to £2.7m (2012: £1.4m) reflects the higher coupon on the secured sterling bonds issued during the year (see further comment below).

Profit before tax fell from £2.6m to £0.1m as a result of the above. The Directors do not recommend the payment of a dividend.

### **Future developments**

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.

# Alpha Plus Holdings plc

Company No. 04418776

## Directors Report (continued)

Capital expenditure in the year ended 31 August 2013 of £17.7m (2012: £12.4m) included £7.8m to acquire freehold premises in Putney, London SW15 which the Group intends to refurbish prior to relocating Falcons School for Girls from its existing location in South Ealing to Putney in September 2014.

The Group 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. It is intended that DLD College, which currently operates from two sites in Marylebone and Belgravia, will move to the new premises in September 2015. The new college site, which will have a capacity of over 700 students, will be the only genuine sixth form college with on-site boarding in the heart of London.

The Group unconditionally exchanged contracts in July 2013 to acquire premises adjacent to St Anthony's School in Hampstead, London NW3 for £4m. Completion of this acquisition subsequently took place on 29 November 2013. The Group is also looking at other expansion opportunities which are also conditional upon the necessary planning consents being obtained.

### Financing

On 18 December 2012, the Company issued £48.5m 5.75% secured sterling bonds maturing in December 2019. The proceeds, after deducting issue expenses of £1.3m, amounted to £47.2m. Of this, £39.5m was repaid to the Company's immediate shareholder to facilitate full repayment of its bank debt facilities in respect of which the Company and certain of its subsidiaries were guarantors and obligors. A further £2.5m was repaid to the Company's immediate shareholder in January 2013. The remaining bond issue proceeds have been retained by the Group to supplement working capital resources.

The 5.75% secured sterling bonds, which are listed on the London Stock Exchange's Electronic Order Book for Retail Bonds ("ORB"), are secured by way of a first legal mortgage over a portfolio of seven freehold properties owned by certain of the Company's subsidiaries. Interest on the bonds is payable in arrears on 18 June and 18 December in each year.

### 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 19 to the financial statements.

# Alpha Plus Holdings plc

Company No. 04418776

## Directors Report (continued)

### Directors

The Directors who served during the year were:

Sir John Ritblat	Non-Executive Chairman (appointed 1 October 2012)
G G Able	Chief Executive Officer
M J Sample	Director of Finance (appointed 1 September 2012)
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 (appointed 1 September 2012)
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director (appointed 18 October 2012)
S M Lancaster	Non-Executive Director (appointed 1 October 2012)

Graham Able will relinquish his post as CEO and become non-executive Deputy Chairman of the Group at some stage during the 2013-14 financial year. The exact timing of this change will depend on the availability of his successor.

### Directors' interests

As at 31 August 2013, the Directors, and their connected parties, collectively held £50,000 nominal value of the Company's 5.75% secured sterling bonds.

### 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. 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 8 to the financial statements.

### Charitable and political donations

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

# Alpha Plus Holdings plc

Company No. 04418776

## Directors Report (continued)

### **Creditor payment policy**

The Group's policy is to pay all suppliers in accordance with its contractual commitments and to make other payments in accordance with its legal obligations. As at 31 August 2013, trade payables represented 18 days of trade supplies (2012: 43 days).

### **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.

### ***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.

### **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 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.

# Alpha Plus Holdings plc

Company No. 04418776

## 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 Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

### 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. Current liabilities include £15.6m 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 mature in December 2019. No repayments of capital fall due before the maturity date.
- The Group has drawn loans totalling £27.8m (including £4.1m advanced since the year-end) 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.

### 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

2 December 2013

# Alpha Plus Holdings plc

Company No. 04418776

## 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. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards (IFRS's) as adopted by the European Union.

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 and Article 4 of the IAS Regulation. 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 plc

We have audited the Group financial statements of Alpha Plus Holdings plc for the year ended 31 August 2013, 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 20. 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 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 2013 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.

## Independent Auditors Report to the Members of Alpha Plus Holdings plc (continued)

### **Other matter**

We have reported separately on the parent company financial statements of Alpha Plus Holdings plc for the year ended 31 August 2013.



Eamonn McGrath (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
2 December 2013

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.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Group statement of comprehensive income

for the year ended 31 August 2013

		<b>2013</b>	<b>2012</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Revenue</b>	6	62,950	57,875
Operating expenses	6	(54,204)	(49,698)
<b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>		<b>8,746</b>	<b>8,177</b>
Depreciation and amortisation	10	(5,973)	(4,095)
<b>Operating profit</b>		<b>2,773</b>	<b>4,082</b>
Loss on sale of property, plant and equipment		(2)	-
Finance costs	7	(2,692)	(1,444)
Finance income		1	5
<b>Profit before tax</b>		<b>80</b>	<b>2,643</b>
Tax (charge)/credit	9	(43)	2,637
<b>Profit and total comprehensive income for the year</b>		<b>37</b>	<b>5,280</b>

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Group balance sheet

as at 31 August 2013

	Notes	2013 £000	2012 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	114,108	102,351
Intangible assets	11	2,238	2,238
Deferred tax assets	9	2,594	2,637
		<u>118,940</u>	<u>107,226</u>
<b>Current assets</b>			
Trade and other receivables	12	4,168	2,469
Cash	13	5,554	1,632
		<u>9,722</u>	<u>4,101</u>
<b>Total assets</b>		<b><u>128,662</u></b>	<b><u>111,327</u></b>
<b>Current liabilities</b>			
Trade and other payables	16	30,225	26,005
Loans and borrowings	14	646	95
		<u>30,871</u>	<u>26,100</u>
<b>Non-current liabilities</b>			
Loans and borrowings	14	71,107	58,591
<b>Total liabilities</b>		<b><u>101,978</u></b>	<b><u>84,691</u></b>
<b>Net assets</b>		<b><u>26,684</u></b>	<b><u>26,636</u></b>
<b>Equity attributable to equity shareholders</b>			
Share capital	15	16	5
Retained earnings		26,668	26,631
<b>Total equity</b>		<b><u>26,684</u></b>	<b><u>26,636</u></b>

The financial statements were approved by the Board and authorised for issue on 2 December 2013



M.J Sample  
Director of Finance

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Group statement of changes in equity

for the year ended 31 August 2013

	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>As at 1 September 2011</b>	<b>5</b>	<b>21,351</b>	<b>21,356</b>
Profit and total comprehensive income for the year	-	5,280	5,280
<b>At 31 August 2012</b>	<b>5</b>	<b>26,631</b>	<b>26,636</b>
Profit and total comprehensive income for the year	-	37	37
Proceeds from issue of shares	11	-	11
<b>At 31 August 2013</b>	<b>16</b>	<b>26,668</b>	<b>26,684</b>

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Group statement of cash flows

for the year ended 31 August 2013

	2013	2012
Notes	£000	£000
<b>Operating activities</b>		
Profit before tax	80	2,643
<i>Adjustments to reconcile profit before tax to net cash flow from operating activities:</i>		
Depreciation of property, plant and equipment	5,973	4,095
Loss on disposal of property, plant and equipment	2	-
Finance income	(1)	(5)
Finance costs	2,692	1,444
Working capital adjustments:		
(Increase) in trade and other receivables	(1,699)	(252)
Increase in trade and other payables	705	5,822
<b>Cash generated from operations</b>	<b>7,752</b>	<b>13,747</b>
Interest received	1	5
Interest paid	(2,572)	(1,444)
<b>Net cash inflow from operating activities</b>	<b>5,181</b>	<b>12,308</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	-	-
Additions of property, plant and equipment	(13,652)	(12,384)
<b>Net cash outflow from investing activities</b>	<b>(13,652)</b>	<b>(12,384)</b>
<b>Financing activities</b>		
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	8,000	714
Repayment of other loans and borrowings	(42,737)	(1,500)
Payment of finance lease liabilities	(104)	(185)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>12,393</b>	<b>(971)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,922</b>	<b>(1,047)</b>
Cash and cash equivalents at 1 September	1,632	2,679
<b>Cash and cash equivalents at 31 August</b>	<b>5,554</b>	<b>1,632</b>

13

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## 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 2013 were authorised for issue in accordance with a resolution of the Directors on 2 December 2013. 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 2013.

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) is recognised in the period that the educational services are provided.

#### *Interest income*

Interest income is recognised using the effective interest rate approach.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 2.3 Summary of significant accounting policies *continued*

#### 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.



# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 2.3 Summary of significant accounting policies *continued*

#### 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 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 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 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.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## 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 positive cash balances. Current liabilities include £15.6m 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 mature in December 2019. No repayments of capital fall due before the maturity date. In addition, the Group has drawn loans totalling £27.8m (including £4.1m advanced since the year-end) 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 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 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.

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

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## 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 13 Fair Value Measurement**

This amendment, which is effective for the Group for accounting periods commencing on 1 September 2013, provides a single framework for the measurement of fair value in financial statements but does not effect when fair value is used. The impact on the financial statements will primarily be the provision of information about the judgements and estimates underlying fair value disclosures.

### 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:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Staff and other direct costs	39,381	36,103
Administrative expenses	14,823	13,595
	<b>54,204</b>	<b>49,698</b>
Depreciation and amortisation	5,973	4,095
	<b>60,177</b>	<b>53,793</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Operating expenses include:</b>		
Auditors remuneration – audit of the financial statements	25	25
Auditors remuneration – statutory audits of subsidiaries	37	43
Other fees paid to the auditors	9	68
Depreciation - owned assets	5,882	3,857
Depreciation - leased assets	91	238
Operating lease expense - land and buildings	2,808	2,480

Other fees payable to the auditors relate to interim review work. In addition, fees totalling £60,000 paid to the auditors in connection with the issue of 5.75% secured sterling bonds have been treated as bond issue costs and deducted from the carrying value of the bonds (see note 14).

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 6. Revenue and operating expenses *continued*

Other fees of £68,000 paid to the auditors in the year ended 31 August 2012 related to corporate finance services with respect to the development of financial forecasting models.

### 7. Finance costs

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Interest on parent company loan	510	1,368
Interest on 5.75% secured sterling bonds	1,957	-
Amortisation of 5.75% secured sterling bonds issue costs	122	-
Finance charges payable under finance leases	22	38
Other interest payable	81	38
	<u>2,692</u>	<u>1,444</u>

### 8. Information regarding directors and employees

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	25,766	24,358
Social security costs	2,464	2,336
Other pension costs	1,501	1,446
	<u>29,731</u>	<u>28,140</u>

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

	<b>Number</b>	<b>Number</b>
Directors	6	6
Head teachers	17	18
Teachers and tutors	576	551
Office administration	95	87
Others	52	32
	<u>746</u>	<u>694</u>

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	796	668
Directors' pension contributions to money purchase schemes	35	14
	<u>831</u>	<u>682</u>

Information regarding the highest paid Director is as follows:

Emoluments	<u>157</u>	<u>149</u>
------------	------------	------------

Two Directors accrued pension benefits under defined contribution schemes in 2013 (2012: 1).

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 9. Taxation

The major components of the tax charge/(credit) for the year ended 31 August 2013 were:

<b>Consolidated income statement</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
Current tax charge	-	-
Adjustments in respect of current tax of previous year	-	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(1,169)	(863)
Tax losses	1,212	(1,774)
<b>Tax charge/(credit) reported in the statement of comprehensive income</b>	<b>43</b>	<b>(2,637)</b>

A reconciliation between tax charge/(credit) and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Accounting profit before tax</b>	<b>80</b>	<b>2,643</b>
At UK corporation tax rate of 23.58% (2012: 25.16%)	19	665
Other temporary differences	1,440	(523)
Utilisation of tax losses	(226)	(2,357)
Group relief	(1,205)	(416)
Other tax adjustments	15	(6)
<b>Tax charge/(credit)</b>	<b>43</b>	<b>(2,637)</b>

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 9. Taxation *continued*

The Group has tax losses of £6,719,000 (2012: £7,712,000) 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 £30.448m 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.

The Group had unrecognised deferred tax assets at 31 August 2013 of £999,000 (2012: £nil) in respect of tax losses carried forward and other timing differences. These have not been recognised because 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 (2012: 23%).

	Consolidated balance sheet		Consolidated income statement	
	2013	2012	2013	2012
	£000	£000	£000	£000
Accelerated depreciation for tax purposes	1,526	863	(663)	(863)
Unutilised tax losses	7,766	8,979	1,212	(1,774)
Difference between carrying value of property and tax base cost	(6,749)	(7,205)	(455)	-
Other timing differences	51	-	(51)	
	<u>2,594</u>	<u>2,637</u>		
<b>Deferred tax charge/(credit)</b>			<u><b>43</b></u>	<u><b>(2,637)</b></u>
Reflected in the balance sheet as follows:				
Deferred tax assets	2,594	2,637		
Deferred tax liabilities	-	-		
<b>Net deferred tax assets</b>	<u><b>2,594</b></u>	<u><b>2,637</b></u>		
<b>Reconciliation of net deferred tax assets</b>	<u><b>2013</b></u>	<u><b>2012</b></u>		
	<u><b>£000</b></u>	<u><b>£000</b></u>		
Opening balance	2,637	-		
Tax (charge)/credit recognised during the period	(43)	2,637		
<b>Closing balance</b>	<u><b>2,594</b></u>	<u><b>2,637</b></u>		

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 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
<b>Cost</b>					
At 1 September 2011	76,964	3,219	12,103	14,976	107,262
Additions	7,156	7	1,165	4,056	12,384
At 31 August 2012	84,120	3,226	13,268	19,032	119,646
Additions	14,838	-	247	2,647	17,732
Disposals	-	-	-	(4)	(4)
<b>At 31 August 2013</b>	<b>98,958</b>	<b>3,226</b>	<b>13,515</b>	<b>21,675</b>	<b>137,374</b>
<b>Depreciation and impairment</b>					
At 1 September 2011	701	64	3,756	8,679	13,200
Depreciation charge for the year	766	64	610	2,655	4,095
At 31 August 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)
<b>At 31 August 2013</b>	<b>2,447</b>	<b>192</b>	<b>5,044</b>	<b>15,583</b>	<b>23,266</b>
<b>Net book value</b>					
At 31 August 2013	<b>96,511</b>	<b>3,034</b>	<b>8,471</b>	<b>6,092</b>	<b>114,108</b>
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

Freehold land and buildings with a carrying value of £56.572m are subject to a first charge to secure the Company's 5.75% secured sterling bonds. Land and buildings with a carrying amount of £108.016m (2012: £94.653m) are subject to a first or second charge to secure certain loans from the immediate parent company (note 14).

#### *Finance leases*

The carrying value of plant and equipment held under finance leases at 31 August 2013 was £96,000 (2012: £189,000). Additions during the year include £nil (2012: £30,000) under finance leases

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 11. Intangible assets

	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 September 2011 and at 31 August 2012 and 2013	<b>7,923</b>	<b>32</b>	<b>7,955</b>
<b>Provision for impairment</b>			
At 1 September 2011 and at 31 August 2012 and 2013	<b>5,717</b>	<b>-</b>	<b>5,717</b>
<b>Net book value</b>			
At 1 September 2011 and at 31 August 2012 and 2013	<b>2,206</b>	<b>32</b>	<b>2,238</b>

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 2013, £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 post-tax rate of 6.7% (2012: 7.2%) 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*.

### 12. Trade and other receivables

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade receivables	384	496
Other receivables	1,733	487
Prepayments and accrued income	2,051	1,486
	<b>4,168</b>	<b>2,469</b>

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.



# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 12. Trade and other receivables *continued*

As at 31 August 2013, trade receivables with an initial value of £445,000 (2012: £482,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	<b>£000</b>
<b>At 1 September 2011</b>	858
Charge for the year	4
Utilised	(25)
Unused amounts reversed	(355)
	<hr/>
<b>At 31 August 2012</b>	482
Charge for the year	105
Utilised	(115)
Unused amounts reversed	(27)
	<hr/>
<b>At 31 August 2013</b>	<u>445</u>

### Ageing analysis of receivables past due not impaired

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<30 days	291	877
30-60 days	109	11
60-90 days	73	8
> 90 days	144	87
	<hr/>	<hr/>
	<u>617</u>	<u>983</u>

The £1.5m paid into escrow regarding Westminster Bridge Road (see above) has been excluded from this analysis as it is not past due. 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.

### 13. Cash and short term deposits

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<u>5,554</u>	<u>1,632</u>

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

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 14. Loans and borrowings

	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>
<b>Current loans and borrowings</b>		
5.75% secured sterling bonds	563	-
Obligations under finance leases	83	95
	<u>646</u>	<u>95</u>
<b>Non-current loans and borrowings</b>		
5.75% secured sterling bonds	47,345	-
Amounts due to immediate parent company	23,710	58,447
Obligations under finance leases	52	144
	<u>71,107</u>	<u>58,591</u>

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 2013, the security portfolio was valued at 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 £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.

At 31 August 2013, the Group had £5 million (2012: £4 million) of undrawn committed borrowing facilities.

### 15. Share capital

	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>
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	-
1 Preference Share of £1	-	-
	<u>16</u>	<u>5</u>

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.



# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 17. Related party disclosures *continued*

#### 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:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Short-term employment benefits (including employers national insurance)	885	740
Post-employment benefits (including pension contributions)	35	14
	<u>920</u>	<u>754</u>

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

### 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:

	<b>Land and buildings</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	2,732	2,418
After one year but not more than five years	8,349	7,891
After five years	5,762	6,407
	<u>16,843</u>	<u>16,716</u>

#### 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:

	<b>2013</b>		<b>2012</b>	
	<b>Minimum payments</b>	<b>Present value of payments</b>	<b>Minimum payments</b>	<b>Present value of payments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	95	83	126	95
After one year but not more than five years	56	52	152	144
Total minimum lease payments	<u>151</u>	<u>135</u>	<u>278</u>	<u>239</u>
Less amounts representing finance charges	(16)		(39)	
<b>Present value of minimum lease payments</b>	<u>135</u>		<u>239</u>	

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 18. Commitments and contingencies *continued*

The Group 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 £1.5m. The Group has no other contingent leasing commitments.

#### **Capital commitments**

At 31 August 2013, the Group was committed to capital expenditure totalling £4.08m (2012: £1.04m). The commitment this year represents the balance of the purchase price of premises in Arkwright Road, London NW3 which is included in accruals at 31 August 2013 (see also note 16).

In addition, a sum of £355,000 is also included in accruals as at 31 August 2013 (2012: £nil) in respect of capital expenditure incurred for which invoices had yet to be received.

#### **Contingent liabilities**

Nine (2012: 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 £218,000 would be payable into this scheme as at 31 December 2012 (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 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, the Group is not exposed to any significant interest rate risk. The Group also has a loan from the immediate parent company which is currently non-interest bearing.

#### **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 2013 and 2012 is the carrying amounts indicated in this note 19.

#### **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 14.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 19. Financial risk management objectives and policies *continued*

#### 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.

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
<b>At 31 August 2013</b>					
5.75% secured sterling bonds	-	2,789	11,155	52,683	<b>66,627</b>
Amount due to parent company	-	-	23,710	-	<b>23,710</b>
Obligations under finance leases	24	71	56	-	<b>151</b>
Trade and other payables	1,173	7,249	-	-	<b>8,422</b>
Total	<b>1,197</b>	<b>10,109</b>	<b>34,921</b>	<b>52,683</b>	<b>98,910</b>
<b>At 31 August 2012</b>					
Amount due to parent company	331	994	58,447	-	59,772
Obligations under finance leases	31	95	152	-	278
Trade and other payables	2,460	6,786	-	-	9,246
Total	<b>2,822</b>	<b>7,875</b>	<b>58,599</b>	<b>-</b>	<b>69,296</b>

#### 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 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.

On 18 December 2012, the Company issued £48.5m 5.75% secured sterling bonds maturing in December 2019 (see also note 14). The proceeds, after deducting issue expenses of £1.3m, amounted to £47.2m. Of this, £39.5m was paid to the Company's immediate shareholder to facilitate the full repayment of its bank debt facilities in respect of which the Company and certain of its subsidiaries were guarantors and obligors. A further £2.5m was repaid to the Company's immediate shareholder in January 2013. The remaining bond issue proceeds have been retained by the Group to supplement working capital resources.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 19. Financial risk management objectives and policies *continued*

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
5.75% secured sterling bonds	47,908	-
Amounts due to parent company	23,710	58,447
Obligations under finance leases	135	239
Less: cash and short-term deposits	(5,554)	(1,632)
Net debt	<u>66,199</u>	<u>57,054</u>
Equity	<u>26,684</u>	<u>26,636</u>
<b>Total capital</b>	<u>92,883</u>	<u>83,690</u>
<b>Net debt to equity ratio</b>	<u>248%</u>	<u>214%</u>

#### *Fair values*

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

	<b>Fair value</b>		<b>Carrying amount</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>				
Trade and other receivables	2,117	983	2,117	983
Cash	5,554	1,632	5,554	1,632
Total	<u>7,671</u>	<u>2,615</u>	<u>7,671</u>	<u>2,615</u>
<b>Financial liabilities</b>				
Trade and other payables	8,422	9,246	8,422	9,246
5.75% secured sterling bonds	45,163	-	47,908	-
Interest-bearing loans and borrowings:	22,421	56,657	23,710	58,447
Obligations under finance leases	135	239	135	239
Total	<u>76,141</u>	<u>66,142</u>	<u>80,175</u>	<u>67,932</u>

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.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### **20. Pensions and other post-employment benefit plans**

At 31 August 2013, the Group had 243 (2012: 226) 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 (2012: 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 31 December 2012 (the most recent date for which information is available), in the event of the Group withdrawing from the scheme, an amount of £218,000 (30 September 2011: £147,000) would be payable into this scheme.



Alpha Plus Holdings plc

Company Financial Statements

31 August 2013

Company Registration No. 04418776

# Alpha Plus Holdings plc

Company 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 plc

We have audited the parent company financial statements of Alpha Plus Holdings plc for the year ended 31 August 2013 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 2013;
- 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 plc for the year ended 31 August 2013.



Eamonn McGrath (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
2 December 2013

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.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Company balance sheet

as at 31 August 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Investments	3	24,058	20,015
<b>Current assets</b>			
Debtors	4	55,897	40,784
Cash		30	21
		<u>55,927</u>	<u>40,805</u>
<b>Creditors: amounts falling due within one year</b>	5	(563)	(6)
<b>Net current assets</b>		<u>55,364</u>	<u>40,799</u>
<b>Total assets less current liabilities</b>		79,422	60,814
<b>Creditors: amounts falling due after more than one year</b>	6	(71,055)	(58,447)
<b>Net assets</b>		<u><u>8,367</u></u>	<u><u>2,367</u></u>
<b>Capital and reserves</b>			
Share capital	7	16	5
Retained earnings	8	8,351	2,362
<b>Shareholders' funds</b>		<u><u>8,367</u></u>	<u><u>2,367</u></u>

The financial statements were approved by the Board and authorised for issue on 2 December 2013



M.J Sample  
Director of Finance

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## 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 2 December 2013. 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 net proceeds received.

### 3. Investments

	<b>Subsidiary undertakings</b>
	<b>£000</b>
<b>Cost and net book value</b>	
At 1 September 2011 and 31 August 2012	20,015
Additions	4,043
	<hr/>
At 31 August 2013	<u>24,058</u>

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 2013, the Company held directly ordinary share capital of the following:

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

As at 31 August 2013, the Company held indirectly ordinary share capital of the following:

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

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### 4. Debtors

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by Group undertakings	55,505	40,135
Other debtors	11	32
Deferred tax	381	617
	<u>55,897</u>	<u>40,784</u>

### 5. Creditors: amounts falling due within one year

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
5.75% secured sterling bonds	563	-
Other creditors	-	6
	<u>563</u>	<u>6</u>

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
5.75% secured sterling bonds	47,345	-
Amounts owed to immediate parent undertaking	23,710	58,447
	<u>71,055</u>	<u>58,447</u>

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 2013, the security portfolio was valued at 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 £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.

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

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

Prior to 18 December 2012, the Company and its subsidiaries were obligors and guarantors of the immediate parent company's bank loan facilities. As at 18 December, the principal sum outstanding under these facilities amounted to £39.237m (31 August 2012: £40.237m). This principal sum, together with accrued interest, was repaid in full on that date.

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. Otherwise, no interest is payable on the immediate parent company loan.

### 7. Issued share capital

	<u>2013</u>	<u>2012</u>
	£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	-
1 Preference Share of £1	-	-
	<u>16</u>	<u>5</u>

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.

### 8. Reconciliation of shareholders' funds and movement on reserves

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	£000	£000	£000
<b>As at 1 September 2011</b>	5	1,745	1,750
Profit for the year	-	617	617
<b>As at 31 August 2012</b>	5	2,362	2,367
Profit for the year	-	5,989	5,989
<b>At 31 August 2013</b>	<u>5</u>	<u>8,351</u>	<u>8,356</u>

# Alpha Plus Holdings plc

Group Financial Statements - No. 04418776

## Notes forming part of the accounts (continued)

### **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 (see note 17 to the Group financial statements).

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

### **10. Auditor's remuneration**

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £2,500 (2012: £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.