Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2015

Company Registration No. 04418776

Alpha Plus Holdings plc

Company No. 04418776

Officers and advisors

Directors

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

Secretary

J C Norton

Registered office

50 Queen Anne Street
London
W1G 8HJ

Bankers

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

Auditors

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

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

Alpha Plus Holdings plc

Company No. 04418776

Strategic Report

Principal activities

The principal activity of the Group in the year under review continued to be the ownership and management of schools and colleges in the United Kingdom and the supply of educational services. The Group operates 12 independent schools, 2 nurseries and 4 sixth form colleges. With the exception of 2 schools and 3 colleges, all of the Group's schools and colleges are based in Central London.

Review of business and financial performance

The Group completed three significant expansion projects during the year under review.

A new 25 year lease agreement was signed on premises in Lancaster Road, London W11 in March 2014 and, following an extensive building refurbishment costing approximately £3.7m (£1.1m of which was incurred in the current year), Chepstow House School moved from its previous home at 19 Pembridge Villas, London W11 to this new location in September 2014. Chepstow House is now a three-form entry school in its Reception year and will, over the next few years, expand up to Year 6 with a further option available for pupils to continue at the school into Years 7 and 8. The school also now offers a co-educational nursery provision "Little Chepstow". Pupil numbers at Chepstow House rose from 115 in the final year in Pembridge Villas to 165 in the first year at the new location. The total numbers of pupils has increased since the year-end to more than 260 in the current term, well in excess of original expectations, and the school ultimately has the capacity to accommodate around 500.

The premises vacated by Chepstow House at 19 Pembridge Villas facilitated the expansion of Wetherby School to four-form entry, as well as the opening of a Wetherby nursery, in September 2014. This has also been very successful and Wetherby pupil numbers have increased from 250 in the summer of 2014 to over 320 in the current term.

Falcons School for Girls also relocated to new premises in Woodborough Road, Putney, London SW15 following the completion of a £2.7m refurbishment project in the summer of 2014. The school opened in the new premises in September 2014 and now has 100 pupils and is expected to grow substantially in the next few years.

Group revenue in the year ended 31 August 2015 was 12% higher than in the previous year at £79.4m (2014: £71.0m) with the increase being attributable to increased tuition fees, increased ancillary fees for educational visits and other extra-curricular activities, higher student accommodation income and increased pupil/student numbers which exceeded four thousand for the first time and reached 4,042 (2014: 3,839) at the end of the year.

Operating expenses rose by 15% to £69.9m (2014: £60.6m). This reflects additional personnel costs, increased costs of providing educational visits and other extra-curricular activities, increased student accommodation costs and other more general cost increases as well as a £0.6m (2014: £0.1m) provision in respect of the Group's long term incentive plan which was introduced in 2014.

Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") declined by 8% to £9.5m (2014: £10.3m) as a consequence.

Strategic Report (continued)

Reported EBITDA was adversely impacted this year by additional premises costs totalling £2.8m associated with Chepstow House School's relocation, £1.8m of which can be attributed to classrooms and facilities that are ready for future year groups. Reported EBITDA has also been impacted by £0.8m as a consequence of the relocation of Falcons School for Girls through both reduced revenues and additional costs. The Group announced the proposed relocation of Falcons School for Girls in September 2013 and a number of pupils withdrew from the school shortly thereafter. The Group however chose to give all members of staff the opportunity to transfer to the new location even though this has resulted in some small class sizes in the short term.

Adjusting for the short term impact of these items results in underlying EBITDA as follows:

	2015	2014	2013
	£m	£m	£m
Reported EBITDA	9.5	10.3	8.7
Expansion costs at Chepstow House School	1.8	-	-
Relocation of Falcons School for Girls	0.8	0.3	-
Underlying EBITDA	12.1	10.6	8.7

The depreciation charge increased to £4.8m (2014: £4.1m) as the Group continues to invest capital in expansion projects. The depreciation charge this year was also increased by £0.2m as a result of the re-assessment of the useful economic lives of fixed assets in Cambridge in advance of the forthcoming relocation referred to below.

Net financing costs were the same as in the previous year at £2.8m leaving a profit before tax of £1.7m (2014: £3.9m).

Future developments

In September 2015, DLD College successfully relocated from its previous campuses, in Marylebone and Belgravia, to a new purpose-built facility in Westminster Bridge Road, London SE1. Accommodating over 700 students, with more than 200 able to live on site, DLD is the only genuine sixth form college in the heart of London and already has around 500 students on roll.

Wetherby Senior School, a new boys' senior school, opened in Marylebone, London W1 in September 2015 in the premises which previously formed the Marylebone campus for DLD College. There has been overwhelming interest in the new school and around 1,250 people attended an open day at the school in early October. In the first year of operation it was decided to only admit pupils in years 7 and 9 but this has been so successful that the Group is very confident that pupil numbers will now grow very rapidly during the next few years.

In 2013, the Group signed a conditional agreement to lease new purpose-built college premises to be developed by Homerton College, Cambridge. Heads of terms have subsequently been agreed to lease a further block within the same development. Construction is now well-advanced on both blocks with completion expected in the first half of 2016. Abbey College Cambridge will consolidate into this new development, which will accommodate around 570 students, 120 of whom will live on site, in September 2016.

Strategic Report (continued)

In July 2015, the Group acquired a long leasehold interest in Ivy House, North End Road, Hampstead for £7.6m which is now undergoing refurbishment. The Group has announced its intention to open a new Catholic girls school, to be called St Anthony's School for Girls, in these premises in September 2016. The new school will be two-form entry and will educate girls from age 4-11. It will share the same ethos and values at St Anthony's School for Boys. The previously referred to planning application for change of use at 3 Arkwright Road, Hampstead, London NW3 remains unresolved. If successful, the Group proposes to expand St Anthony's School for Boys into these premises which are adjacent to the existing school.

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

Principal risks and financial risk management objectives and policies

The Group's activities expose it to a number of risks, both business and financial. Business risks include the impact of the general economic environment on the Group's revenues as well as reputational and regulatory risks. The Group has developed a "Gold Standard" as the benchmark of the quality of education it aims to deliver in its schools and colleges. The Group has rigorous internal policies and review procedures to ensure maintenance of this standard and to ensure compliance with all relevant regulations. In addition, the Group's schools and colleges are subject to regular inspection by Ofsted and the Independent Schools Inspectorate and all have been rated excellent, outstanding or good in the most recent inspections.

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

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

J C Norton

Secretary

23 November 2015

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 2015.

Directors

The Directors who served during the year were:

Sir John Ritblat	Non-Executive Chairman
G G Able	Deputy Chairman
C J J Drinkall	Chief Executive Officer
M J Sample	Director of Finance
J J Aviss	Director of Schools
R J Purchase	Director of Colleges (resigned 31 August 2015)
R D Jones	Director of Property
D Elliott	Director of ICT
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Directors' interests

As at 31 August 2015, the Directors, and their connected parties, collectively held £50,000 nominal value of the Company's 5.75% secured sterling bonds.

Corporate Governance

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

Audit Committee

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

Directors Report (continued)

Corporate Governance *continued*

Preparation of financial information

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

Going concern

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

- The Group has substantial net assets and held £13.6m of cash at 31 August 2015. Current liabilities include £21.7m of deferred income that will not be settled in cash.

- The Group is principally financed by £48.5m of 5.75% secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB"). These bonds mature in December 2019. No repayments of capital fall due before the maturity date.

- The Group has drawn loans totalling £34.1m 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 have referred to cash flow forecasts for the coming year in order to understand the capital requirements of the Group. As a result, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

Staff policies

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

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

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

Charitable and political donations

The Group made charitable donations of £32,000 (2014: £6,000) during the year.

Directors Report (continued)

Responsibility statements under the Disclosure and Transparency Rules

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

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

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

Directors' statement as to disclosure of information to auditors

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

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and

- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors

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

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

J C Norton

Secretary

23 November 2015

Alpha Plus Holdings plc

Company No. 04418776

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

We have audited the financial statements of Alpha Plus Holdings plc for the year ended 31 August 2015 which comprise Group Statement of Comprehensive Income, the Group and parent company Balance Sheet, the Group and parent company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

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

1. 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 2015

	Notes	2015 £000	2014 £000
Revenue	6	79,400	70,973
Operating expenses	6	(69,877)	(60,640)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		9,523	10,333
Depreciation	11	(4,823)	(4,140)
Impairment of property, plant and equipment		-	(567)
Operating profit		**4,700**	**5,626**
(Loss)/profit on sale of property, plant and equipment		(133)	1,143
Finance costs	8	(2,976)	(2,988)
Finance income	9	141	114
Profit before tax		**1,732**	**3,895**
Tax expense	10	(500)	(337)
Profit and total comprehensive income for the year		**1,232**	**3,558**

Group balance sheet

as at 31 August 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	11	129,719	116,539
Intangible assets	12	2,238	2,238
Deferred tax assets	10	1,757	2,257
		133,714	121,034
Current assets			
Trade and other receivables	13	5,037	5,123
Cash	14	13,649	12,976
		18,686	18,099
Total assets		**152,400**	**139,133**
Current liabilities			
Trade and other payables	17	37,534	33,764
Loans and borrowings	15	565	598
		38,099	34,362
Non-current liabilities			
Trade and other payables		1,033	100
Loans and borrowings	15	81,794	74,429
		82,827	74,529
Total liabilities		**120,926**	**108,891**
Net assets		**31,474**	**30,242**
Equity attributable to equity shareholders			
Share capital	16	16	16
Retained earnings		31,458	30,226
Total equity		**31,474**	**30,242**

The financial statements were approved by the Board and authorised for issue on 23 November 2015

M J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2015

	Issued capital	Retained earnings	Total equity
	£000	**£000**	**£000**
As at 1 September 2013	16	26,668	26,684
Profit and total comprehensive income for the year	-	3,558	3,558
At 31 August 2014	16	30,226	30,242
Profit and total comprehensive income for the year	-	1,232	1,232
At 31 August 2015	**16**	**31,458**	**31,474**

Group statement of cash flows

for the year ended 31 August 2015

	Notes	2015 £000	2014 £000
Cash generated from operations	23	14,312	17,097
Income tax paid		-	-
Net cash inflow from operating activities		**14,312**	**17,097**
Investing activities			
(Cost of disposal)/proceeds from sale of property, plant and equipment		(31)	2,193
Additions of property, plant and equipment		(18,105)	(12,268)
Net cash outflow from investing activities		**(18,136)**	**(10,075)**
Financing activities			
Interest received		141	114
Interest paid		(2,793)	(2,806)
Proceeds from other loans and borrowings		8,000	4,100
Repayment of other loans and borrowings		(800)	(925)
Payment of finance lease liabilities		(51)	(83)
Net cash inflow from financing activities		**4,497**	**400**
Net increase in cash and cash equivalents		**673**	**7,422**
Cash and cash equivalents at 1 September		12,976	5,554
Cash and cash equivalents at 31 August	14	**13,649**	**12,976**

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 2015 were authorised for issue in accordance with a resolution of the Directors on 23 November 2015. 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 2015.

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

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

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

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

b) Revenue recognition

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

Rendering of education and related services

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

Interest income

Interest income is recognised using the effective interest rate approach.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

c) Taxes

Current tax

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

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

Deferred tax

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

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

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

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

d) Property, plant and equipment

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

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

- Freehold buildings 1-2%
- Freehold land is not depreciated.
- Leasehold land & buildings Shorter of the length of the lease and the useful life of the property
- Fixtures, fittings and equipment 25% - 33%
- Major improvement works expenditure on freehold buildings and long leaseholds is depreciated over seven years.

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

Properties that are held for rental income are accounted for as investment properties. Investment properties are stated at fair value and are not depreciated.

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

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

e) Leases

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

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

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

f) Receivables

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

g) Cash and short-term deposits

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

h) Interest bearing loans and borrowings

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

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

i) Pensions

A significant number of the Group's employees are members of the Teachers' Pension Scheme, an unfunded defined benefit scheme (note 21). The Group is unable to identify its share of the underlying assets and liabilities of this scheme and so has treated this scheme as a multi-employer defined contribution scheme. The Group also operates a group personal pension plan which is a defined contribution pension scheme. Contributions payable for the year are charged in the income statement.

In addition, a small number of the Group's employees are members of the Independent Schools' Pension Scheme. This scheme is also accounted for as a multi-employer defined contribution scheme (see note 21).

j) Deferred revenue

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

k) Share-based payments

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

Notes forming part of the accounts (continued)

2.4 Going concern

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

- The Group has substantial net assets and held £13.6m of cash at 31 August 2015. Current liabilities include £21.7m of deferred income that will not be settled in cash.
- The Group is principally financed by £48.5m of 5.75% secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB"). These bonds mature in December 2019. No repayments of capital fall due before the maturity date.
- In addition, the Group has drawn loans totalling £34.1m 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 have referred to cash flow forecasts for the coming year in order to understand the capital requirements of the Group. As a result, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

3. Significant accounting judgements, estimates and assumptions

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

Key estimates and assumptions

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

Recognition of deferred tax assets – the Group has significant unutilised tax losses (see note 10). IAS 12 provides that deferred tax assets should be recognised in respect of unutilised losses where it is probable that taxable profits will subsequently arise against which the losses can be utilised. The Directors have prepared and reviewed future financial projections for the Group and have concluded that it is appropriate to recognise a £1.8m deferred tax asset in this regard.

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

4. Standards issued but not yet effective

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

IFRS 9 *Financial Instruments: Classification and Measurement*

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

Notes forming part of the accounts (continued)

4. Standards issued but not yet effective *continued*

IFRS 15 *Revenue from Contracts with Customers*

Establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, which will be effective for accounting periods commencing on or after 1 January 2018, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

5. Segmental information

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

6. Revenue and operating expenses

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

	2015	2014
	£000	£000
Staff and other direct costs	48,288	44,012
Administrative expenses	21,589	16,628
	69,877	**60,640**
Depreciation	4,823	4,140
Impairment of fixed assets	-	567
	74,700	**65,347**

	2015	2014
	£000	£000
Operating expenses include:		
Auditors remuneration – audit of the financial statements	30	26
Auditors remuneration – statutory audits of subsidiaries	50	43
Other fees paid to the auditors	10	10
Cash-settled share-based payment expense	564	100
Depreciation - owned assets	4,802	4,084
Depreciation - leased assets	21	56
Operating lease expense - land and buildings	5,123	3,300

Other fees payable to the auditors relate to certain agreed upon procedures.

Notes forming part of the accounts (continued)

7. Information regarding directors and employees

	2015	2014
	£000	**£000**
Wages and salaries	30,435	27,775
Social security costs	2,866	2,626
Other pension costs	1,924	1,638
	35,225	32,039

The average monthly full time equivalent number of employees during the year was:	**Number**	**Number**
Directors	8	7
Head teachers	18	17
Teachers and tutors	652	629
Office administration	109	103
Others	71	63
	858	819

	2015	2014
	£000	**£000**
Directors' emoluments	926	820
Directors' pension contributions to money purchase schemes	79	48
Share-based payment expense	564	100
	1,569	968
Information regarding the highest paid Director is as follows:		
Emoluments	193	157

Five Directors accrued pension benefits under defined contribution schemes in 2015 (2014: 5). Five Directors received Awards during the year under the Group's new Long Term Incentive Plan as further described in note 22.

8. Finance costs

	2015	2014
	£000	**£000**
Interest on 5.75% secured sterling bonds	2,789	2,789
Amortisation of 5.75% secured sterling bonds issue costs	182	182
Bank interest	-	2
Finance charges payable under finance leases	3	11
Other interest payable	2	4
	2,976	2,988

Notes forming part of the accounts (continued)

9. Finance income

	2015	2014
	£000	£000
Bank interest	141	113
Other interest receivable	-	1
	141	114

10. Taxation

The major components of the tax expense for the year ended 31 August 2015 were:

	2015	2014
	£000	£000
Current tax:		
Current tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	335	(577)
Tax losses	165	914
Tax expense reported in the statement of comprehensive income	**500**	**337**

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2015 and 2014 is as follows:

	2015	2014
	£000	£000
Profit before tax	**1,732**	**3,895**
At UK corporation tax rate of 20.58% (2014: 22.17%)	356	864
Excess reliefs on capital disposal	-	(253)
Utilisation of tax losses	(284)	(207)
Group relief	(366)	(576)
Other temporary differences	574	474
Other tax adjustments	220	35
Tax expense	**500**	**337**

Notes forming part of the accounts (continued)

10. Taxation *continued*

The Group has tax losses of £4.398m (2014: £5.779m) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The tax value of these losses is £880,000 (2014: £1.157m) of which £772,000 (2014: £850,000) has been recognised at 31 August 2015.

The carrying value of properties owned by the Group is £29.6m (2014: £30.0m) higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability of £5.915m (2014: £6.002m) is recognised. However, this liability may be offset against losses arising in the Company's immediate parent company which has undertaken to make those losses available to the Company as necessary sufficient to cover the reversal of the temporary timing differences.

At 31 August 2015, the Group had unrecognised deferred tax assets in respect of tax losses carried forward of £108,000 (2014: £307,000) and depreciation in excess of capital allowances of £357,000 (2014: £340,000) which have not been recognised because, in the opinion of the Directors, it is not sufficiently certain that taxable profits will arise against which to offset them.

Change in corporation tax rate

The headline rate of corporation tax was reduced from 1 April 2015 to 20%. Deferred tax has therefore been calculated at that rate. On 8 July 2015, the UK Chancellor proposed a reduction in UK corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. The legislation introducing these rates would have the effect of reducing the Group's deferred tax assets to £352,000 in 2017 and £334,000 in 2020.

	Consolidated balance sheet		Consolidated income statement	
	2015	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	929	1,348	419	178
Unutilised tax losses	6,687	6,852	165	914
Difference between carrying value of property and tax base cost	(5,915)	(6,002)	(87)	(747)
Other timing differences	56	59	3	(8)
	1,757	**2,257**		
Deferred tax expense			**500**	**337**
Reflected in the balance sheet as follows:				
Deferred tax assets	1,757	2,257		
Deferred tax liabilities	-	-		
Net deferred tax assets	**1,757**	**2,257**		

Reconciliation of net deferred tax assets	**2015**	**2014**
	£000	**£000**
Opening balance	2,257	2,594
Tax expense recognised during the period	(500)	(337)
Closing balance	**1,757**	**2,257**

Notes forming part of the accounts (continued)

11. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Assets under development	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At 1 September 2013	98,958	3,226	13,515	21,675	-	137,374
Additions	2,193	-	4,134	1,861	-	8,188
Disposals	(1,060)	-	-	(257)	-	(1,317)
At 31 August 2014	100,091	3,226	17,649	23,279	-	144,245
Additions	972	-	3,904	5,026	8,203	18,105
Reclassification	-	(5)	-	5	-	-
Disposals	(567)	-	-	(980)	-	(1,547)
At 31 August 2015	**100,496**	**3,221**	**21,553**	**27,330**	**8,203**	**160,803**
Depreciation and impairment						
At 1 September 2013	2,447	192	5,044	15,583	-	23,266
Depreciation charge for the year	769	64	684	2,623	-	4,140
Impairment	567	-	-	-	-	567
Disposals	(107)	-	-	(160)	-	(267)
At 31 August 2014	3,676	256	5,728	18,046	-	27,706
Depreciation charge for the year	1,075	64	928	2,756	-	4,823
Impairment	-	-	-	-	-	-
Disposals	(567)	-	-	(878)	-	(1,445)
At 31 August 2015	**4,184**	**320**	**6,656**	**19,924**	**-**	**31,084**
Net book value						
At 31 August 2015	**96,312**	**2,901**	**14,897**	**7,406**	**8,203**	**129,719**
At 31 August 2014	96,415	2,970	11,921	5,233	-	116,539
At 31 August 2013	96,511	3,034	8,471	6,092	-	114,108

Freehold land and buildings with a carrying value of £68.4m (2014: £68.6m) are subject to a first charge to secure the Company's 5.75% secured sterling bonds. Land and buildings with a carrying amount of £122.3m (2014: £111.3m) are subject to a first or second charge to secure loans from the immediate parent company (note 15).

Freehold land and buildings include £4.3m in respect of a residential property in Hampstead, London NW3 which is accounted for as an investment property. The Directors consider its cost to be a reasonable assessment of fair value as at 31 August 2015. This property has not been depreciated.

Finance leases
The carrying value of plant and equipment held under finance leases at 31 August 2015 was £nil (2014: £40,000). No new finance leased assets were acquired during the year (2014: £nil).

Notes forming part of the accounts (continued)

12. Intangible assets

	Goodwill	Other	Total
	£000	**£000**	**£000**
Cost			
At 1 September 2013 and at 31 August 2014 and 2015	**7,923**	**32**	**7,955**
Provision for impairment			
At 1 September 2013 and at 31 August 2014 and 2015	**5,717**	**-**	**5,717**
Net book value			
At 1 September 2013 and at 31 August 2014 and 2015	**2,206**	**32**	**2,238**

Goodwill has been allocated, for impairment testing, to cash generating units (schools or colleges or groups of schools and colleges) that benefit from the synergies of the combination. Of the net book value of £2.206m at 31 August 2015, £1.808m relates to a portfolio of 11 schools and colleges acquired in 2002. The recoverable value of goodwill is subject to annual impairment review based on a value in use estimate.

Key assumptions used in value in use calculations

The key assumptions for the value in use calculations are projected pupil/student numbers and annual fees per pupil/student. The Group prepares discounted cash flow forecasts covering a five year period. Cash flows beyond this period are extrapolated using a long term growth rate of 2% per annum. These cash flows have then been discounted at a pre-tax rate of 7.7% (2014: 7.8%) per annum.

Sensitivity to changes in assumptions

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

13. Trade and other receivables

	2015	2014
	£000	**£000**
Trade receivables	175	572
Other receivables	1,857	2,215
Prepayments	3,005	2,336
	5,037	5,123

Trade and other receivables are non-interest bearing. Other receivables include £1.5m held in escrow in respect of new leasehold premises in Westminster Bridge Road, London. The lease was formally signed on 4 September 2015 on which date the escrow was transferred, and a further £249,000 payment made, to form a £1.749m rent deposit held by the landlord.

Notes forming part of the accounts (continued)

13. Trade and other receivables *continued*

As at 31 August 2015, trade receivables with an initial value of £596,000 (2014: £453,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2013	445
Charge for the year	174
Utilised	(87)
Unused amounts released	(79)
At 31 August 2014	453
Charge for the year	246
Utilised	(77)
Unused amounts released	(26)
At 31 August 2015	596

Ageing analysis of trade receivables past due not impaired

	2015	2014
	£000	£000
<30 days	87	358
30-60 days	31	75
60-90 days	27	94
> 90 days	30	45
	175	572

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

14. Cash and short term deposits

	2015	2014
	£000	£000
Cash at bank and in hand	**13,649**	**12,976**

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

Notes forming part of the accounts (continued)

15. Loans and borrowings

	2015	2014
	£000	**£000**
Current loans and borrowings		
5.75% secured sterling bonds	564	563
Obligations under finance leases	1	35
	565	**598**
Non-current loans and borrowings		
5.75% secured sterling bonds	47,709	47,527
Amounts due to immediate parent company	34,085	26,885
Obligations under finance leases	-	17
	81,794	**74,429**

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 2015, the security portfolio was valued at 2.42 times (2014: 1.98 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 £564,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.791m (2014: £0.973m) which are being amortised over the seven year life of the bonds.

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

At 31 August 2015, the Group had £5 million (2014: £5 million) of undrawn committed borrowing facilities.

16. Share capital

	2015	2014
	£000	**£000**
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	16

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

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

Notes forming part of the accounts (continued)

17. Trade and other payables

	2015	2014
	£000	**£000**
Current		
Trade payables	1,634	448
Other payables	10,153	8,330
Social security and other taxes	833	999
Accruals	3,228	3,626
Deferred income	21,686	20,361
	37,534	33,764
Non-current		
Cash-settled share-based payments	664	100
Other payables	369	-
	1,033	100

Terms and conditions of the above financial liabilities:

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

18. Related party disclosures

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

Alpha Plus Group Limited

Alpha Plus Schools Limited

Alpha Plus Education Limited

A.W. & P. Patton Limited

The Directors consider DV4 Limited, a company registered in the British Virgin Islands, to be the ultimate parent company and controlling party of the Group. The immediate parent company is DV4 Holdings Alpha Plus Co. Limited, a company registered in the British Virgin Islands. As disclosed in note 15, at 31 August 2015 the Group owed £34,085,000 (2014: £26,885,000) to its immediate parent company. No interest payable to the immediate parent company arose in the year (2014: £nil).

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

Notes forming part of the accounts (continued)

18. 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:

	2015	2014
	£000	£000
Short-term employment benefits	926	820
Employer's national insurance	125	86
Post-employment benefits (including pension contributions)	79	48
Share-based payment expense	564	100
	1,694	1,054

As at 31 August 2015, the Directors and their connected parties collectively held £50,000 (2014: £50,000) nominal value of the Company's 5.75% secured sterling bonds and interest of £3,000 (2014: £3,000) was receivable by them thereon.

19. Commitments and contingencies

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

	Land and buildings	
	2015	2014
	£000	£000
Not later than one year	5,477	5,198
After one year but not more than five years	15,255	15,363
After five years	56,347	42,742
	77,079	63,303

During the year, the Group agreed to extend the lease expiry date for two properties in Marylebone, London W1, which are now occupied by Wetherby Senior School, by 10 years so that they now expire in 2038. As consideration for this lease extension, the Group agreed to the removal of tenant break options in 2018. This largely explains the £13.8million increase in total operating lease commitments shown above.

In September 2015, the Group leased a new, purpose-built, educational facility with on-site student accommodation in Westminster Bridge Road, London SE1. The annual rent commitment for this facility, which is not included above, is £1.75 million for the educational facility and £3.2m for the student accommodation. The Group has also signed an agreement to lease a new, purpose-built, educational facility with on-site student accommodation which is currently being developed in Cambridge and will be completed in 2016. The total annual rent commitment for this facility, including the student accommodation, is estimated at £2.3 million.

Notes forming part of the accounts (continued)

19. Commitments and contingencies *continued*

Finance lease commitments

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

	2015		2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	1	1	39	35
After one year but not more than five years	-	-	17	17
Total minimum lease payments	1	1	56	52
Less amounts representing finance charges	-		(4)	
Present value of minimum lease payments	1		52	

Capital commitments

At 31 August 2015, the Group was committed to capital expenditure totalling £340,000 (2014: £163,000).

Contingent liabilities

Eight (2014: 8) employees were members of the Independent Schools' Pension Scheme, a multi-employer defined benefit scheme. The Group has been notified by the trustee of this scheme that, in the event of the Group withdrawing from the scheme, an amount of £215,000 would be payable into this scheme as at 30 September 2013 (the most recent date for which information is available).

20. Financial risk management objectives and policies

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

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's principal financial liability comprises 5.75% secured sterling bonds issued in December 2012 and which mature in December 2019. Since the interest rate on these secured bonds is fixed and the Group also has a loan from the immediate parent company which is currently non-interest bearing, the Group is not exposed to any significant interest rate risk.

Credit risk

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

Trade receivables

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

Financial instruments and cash deposits

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

20. Financial risk management objectives and policies continued

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 2015 and 2014 is the carrying amounts indicated in notes 13 and 14 respectively.

Liquidity risk

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

Details of undrawn committed borrowing facilities are set out in note 15.

Other business risks

The Group's ability to attract pupils and students can be adversely impacted by the general economic environment. Consideration is given to this when establishing tuition fee levels. The Group could also be negatively impacted by matters affecting the reputation of the Group's educational operations. The Group has internal review procedures to maintain educational standards and to comply with all relevant regulations. In addition, the Group's schools and colleges are subject to regular inspection by Ofsted and the Independent Schools Inspectorate and all have been rated excellent, outstanding or good in the most recent inspections.

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

	< 3 mths	3-12 mths	1-5 years	>5 years	Total
	£000	£000	£000	£000	£000
At 31 August 2015					
5.75% secured sterling bonds	-	2,789	58,262	-	**61,051**
Amount due to parent company	-	-	34,085	-	**34,085**
Obligations under finance leases	1	-	-	-	**1**
Trade and other payables	1,634	10,153	-	-	**11,787**
Total	**1,635**	**12,942**	**92,347**	**-**	**106,924**
At 31 August 2014					
5.75% secured sterling bonds	-	2,789	11,155	49,894	63,838
Amount due to parent company	-	-	26,885	-	26,885
Obligations under finance leases	10	29	17	-	56
Trade and other payables	448	8,330	-	-	8,778
Total	458	11,148	38,057	49,894	99,557

Capital management

Capital includes net debt and equity attributable to the equity holders of the parent. The Group includes within net debt, interest and non-interest bearing loans and borrowings less cash and cash equivalents. The primary objective of the Group's capital management is to ensure that it maintains a net debt/equity ratio below 300% to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Notes forming part of the accounts (continued)

20. Financial risk management objectives and policies *continued*

Capital management *continued*

	2015	2014
	£000	**£000**
5.75% secured sterling bonds	48,273	48,090
Amounts due to parent company	34,085	26,885
Obligations under finance leases	1	52
Less: cash and short-term deposits	(13,649)	(12,976)
Net debt	68,710	62,051
Equity	31,474	30,242
Total capital	100,184	92,293
Net debt to equity ratio	218%	205%

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	
	2015	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**
Financial assets				
Trade and other receivables	2,032	2,787	2,032	2,787
Cash	13,649	12,976	13,649	12,976
Total	15,681	15,763	15,681	15,763
Financial liabilities				
Trade and other payables	11,787	8,778	11,787	8,778
5.75% secured sterling bonds	45,745	45,780	48,273	48,090
Amounts due to parent company	34,085	26,885	34,085	26,885
Obligations under finance leases	1	52	1	52
Total	91,618	81,495	94,146	83,805

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

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

Notes forming part of the accounts (continued)

21. Pensions and other post-employment benefit plans

At 31 August 2015, the Group had 276 (2014: 260) staff who were members of the Teachers' Pension Scheme, an unfunded defined benefit pension scheme. The last formal actuarial valuation undertaken for this scheme was in 2004. Actuarial valuations for unfunded public service pension schemes were subsequently suspended by HM Treasury. The Group is, consequently, unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis. This scheme has, therefore, been treated as a multi-employer defined contribution scheme in these financial statements.

In addition, 8 (2014: 8) employees were members of the Independent Schools' Pension Scheme which is also a multi-employer defined benefit scheme. Detailed analysis of the Group's share of the assets and liabilities of the scheme is unavailable but the Group has been notified by the trustee of this scheme that, as at 30 September 2013 (the most recent date for which information has been provided by the scheme's trustees), in the event of the Group withdrawing from the scheme, an amount of £215,000 would be payable into this scheme.

22. Long term incentive plan – share-based payments

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

Four participants received Awards with an award commencement date of 1 September 2013. These represent an aggregate 0.4% of the Group's enterprise value. There are no vesting conditions attaching to these awards.

Five participants received further Awards, representing 2.4% of the Group's enterprise value, with an award commencement date of 1 September 2014. Performance conditions attach to these Awards such that the aggregate 2.4% may be varied, upward or downward by an aggregate of 0.24% per annum during the vesting period and the two years thereafter, assuming the Awards have not be exercised, dependent on the achievement of the performance conditions by the Award holders. One of the Award holders left the Group's employment on 31 August 2015 and consequently that holder's Awards have lapsed. The expense recognised in the previous year of £25,000 in respect of these lapsed Awards has been credited to operating expenses in the current year.

One participant received a further Award with a commencement date of 1 September 2014. The fair value of this Award has been determined to be £700,000 and this amount is being charged to operating expenses over the three year vesting period.

The resultant accounting charge for all of these Awards for the year of £564,000 (2014: £100,000) has been included within operating expenses in the Group Statement of Comprehensive Income.

Notes forming part of the accounts (continued)

23. Operating cash flow

	2015	2014
	£000	**£000**
Profit before tax	1,732	3,895
Adjustments to reconcile profit before tax to cash generated from operations:		
Depreciation of property, plant and equipment	4,823	4,140
Impairment of property, plant and equipment	-	567
Loss/(profit) on disposal of property, plant and equipment	133	(1,143)
Cash-settled share-based payments	564	100
Finance income	(141)	(114)
Finance costs	2,976	2,988
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	86	(955)
Increase in trade and other payables	4,139	7,619
Cash generated from operations	14,312	17,097

Alpha Plus Holdings plc

Company Financial Statements

31 August 2015

Company Registration No. 04418776

Company balance sheet

as at 31 August 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investments	3	24,058	24,058
Current assets			
Debtors	4	67,145	59,498
Cash at bank and in hand		151	67
		67,296	59,565
Creditors: amounts falling due within one year	6	(564)	(563)
Net current assets		66,732	59,002
Total assets less current liabilities		90,790	83,060
Creditors: amounts falling due after more than one year	7	(81,793)	(74,412)
Net assets		**8,997**	**8,648**
Equity attributable to equity shareholders			
Share capital	8	16	16
Retained reserves		8,981	8,632
Total equity		**8,997**	**8,648**

The financial statements were approved by the Board and authorised for issue on 23 November 2015

M J Sample
Director of Finance

Company statement of changes in equity

for the year ended 31 August 2015

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
As at 1 September 2013	16	8,351	8,367
Profit and total comprehensive income for the year	-	281	281
At 31 August 2014	16	8,632	8,648
Profit and total comprehensive income for the year	-	349	349
At 31 August 2015	**16**	**8,981**	**8,997**

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 23 November 2015. These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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

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

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

2. Summary of significant accounting policies

a) Investments

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

b) Interest bearing loans and borrowings

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

3. Investments

	Subsidiary undertakings
	£000
Cost and net book value	
At 1 September 2013, 31 August 2014 and 31 August 2015	**24,058**

Notes forming part of the accounts (continued)

3. Investments *continued*

As at 31 August 2015, the Company held directly ordinary share capital of the following:

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

As at 31 August 2014, the Company held indirectly ordinary share capital of the following:

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

4. Debtors

	2015	2014
	£000	£000
Amounts owed by Group undertakings	66,774	59,125
Deferred tax (note 5)	371	373
	67,145	**59,498**

5. Deferred tax

	2015	2014
	£000	£000
Unutilised tax losses	**371**	**373**
Reflected in the balance sheet as follows:		
Deferred tax assets	371	373
Deferred tax liabilities	-	-
Net deferred tax assets	**371**	**373**

Notes forming part of the accounts (continued)

5. Deferred tax *continued*

Reconciliation of net deferred tax assets	**2015**	**2014**
	£000	**£000**
Opening balance	373	381
Tax charge recognised during the year	(2)	(8)
Closing balance	**371**	**373**

6. Creditors: amounts falling due within one year

	2015	**2014**
	£000	**£000**
5.75% secured sterling bonds	**564**	**563**

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

	2015	**2014**
	£000	**£000**
5.75% secured sterling bonds	47,709	47,527
Amounts owed to immediate parent undertaking	34,084	26,885
	81,793	**74,412**

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 2015, the security portfolio was valued at 2.40 times (1 September 2014: 1.98 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 £564,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.791m (2014: £0.973m) which are being amortised over the 7 year life of the bonds.

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

No interest is payable on the immediate parent company loan outstanding at 31 August 2015 (2.04: £nil).

Notes forming part of the accounts (continued)

8. Issued share capital

	2015	2014
	£000	£000
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	16

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

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

9. Related party disclosures

The Company has taken advantage of the exemption not to disclose transactions with its wholly-owned subsidiaries. Details of a loan from the parent company are described in note 7.

The Company's key management personnel are its Board of Directors each of whom is remunerated by one of the Company's subsidiary undertakings (see note 18 to the Group financial statements). As at 31 August 2015, the Directors and their connected parties collectively held £50,000 (2014: £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 £3,000 (2014: £3,000).

11. Ultimate and immediate parent company and controlling party

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

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