Alpha Plus
the gold standard in education

Alpha Plus Holdings plc

Interim Group Financial Statements

For the six months ended 28 February 2014

Officers and registered office

Directors

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

Secretary
J C Norton

Registered office
50 Queen Anne Street
London
W1G 8HJ

Interim Management Report

The Directors present their Interim Management Report and the unaudited condensed Group financial statements for the six months ended 28 February 2014.

Activities

The principal activity of the Group in the period 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 all of which, with the exception of 2 schools and 3 colleges, are based in Central London.

Review of business

Group revenues in the six months ended 28 February 2014 were 13% higher than in the six months ended 28 February 2013 at £34.8m (2013: £30.7m) 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 3,800 (28 February 2013: 3,665) at the end of the period. Overseas student numbers have recovered following the adverse publicity abroad following the Government action against London Metropolitan University in 2012.

Operating expenses rose by 11% to £30.1m (2013: £27.0m) including a £1.0m increase in the cost of student accommodation together with other general cost increases.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 24% to £4.7m (2013: £3.8m). At a pre-tax level, the Group generated a profit of £0.4m in the period (2013: £0.2m). The Directors do not recommend the payment of a dividend.

Since the Group's sixth form colleges offer a variety of courses including 18-month A-Level programmes which commence in January of each year, the Group would expect to generate higher operating profits in the second half of the year than in the first half.

Future developments

The Group is in the process of refurbishing premises in Woodborough Road, Putney, London SW15, which were acquired in August 2013, in readiness for the relocation of Falcons School for Girls in September 2014. Total capital expenditure in the six months ended 28 February 2014 of £1.8m (2013: £2.7m) included £1.0m in respect of this refurbishment project. In March 2014, contracts were exchanged for the sale, for £2.2m, of the freehold premises currently occupied by Falcons School for Girls in Gunnersbury Avenue, London W5. Completion is scheduled for July 2014 after the end of the summer term. This sale is expected to realise a book profit of approximately £1.1m.

The Group unconditionally exchanged contracts in July 2013 to acquire premises adjacent to St Anthony's School in Hampstead, London NW3. Completion of this £4.1m acquisition subsequently took place on 29 November 2013.

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

In February 2014, planning consent was granted for the development, by Homerton College, of a new purpose-built college at Homerton Business Centre, Cambridge. The Group had signed a conditional agreement for lease in August of last year. The new premises will enable Abbey College Cambridge to consolidate into one location for 450 students, 120 of whom will live on site. The move to the new college is expected to take place in September 2016.

Interim Management Report (continued)

Future developments (continued)

In March 2014, the Group signed a new 25 year lease agreement on premises in Lancaster Road, London W11. Chepstow House School will move from its current home at 19 Pembridge Villas, London W11 to the new site in September 2014. Following the move, Chepstow House will be able to accommodate a 3 form entry school to Year 6 with a further option available to continue at the school for years 7 and 8. The school will also offer a co-educational nursery provision. Subsequent to this new lease agreement, the Group chose not to take the opportunity to complete the acquisition of 49 Bassett Road, London W10 which had previously been the preferred site for the relocation of Chepstow House. An impairment charge of £0.6m has been made in the period ended 28 February 2014 in respect of costs incurred in connection with this aborted acquisition.

The premises to be vacated by Chepstow House at 19 Pembridge Villas will be used to facilitate the expansion of Wetherby School. For the first time in its history, Wetherby will have its own nursery (boys only), which will feed directly into the school. The extra space available to the school will also allow it to add an additional reception class. The school plans to start this extra class, and the nursery, in September this year and, as a consequence, the Wetherby group of schools will soon offer education to boys from nursery through to senior school.

As previously advised, the Group intends to continue to look for opportunities to acquire existing schools as well as identifying sites to which the Group's existing schools could move to increase capacity or sites where new schools could be established.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's performance remain those identified on page 4 and further described on pages 29-30 of the Company's consolidated financial statements for the year ended 31 August 2013, a copy of which is available on the Group's website www.alphaplusgroup.co.uk.

Board Changes

Towards the end of 2013, it was announced that Graham Able will relinquish his post as CEO before the end of the current academic year. Graham will continue with the Group as Deputy Chairman thereafter. Graham's successor as CEO will be Julian Drinkall who joins the Group on 1 July 2014. Julian is currently President and CEO of Cengage Learning, EMEA and India. Cengage Learning is a leading educational content, software and services company for the academic, schools, professional and library markets.

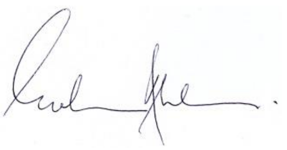
David Doran resigned as Director of Learning & Development on 13 November 2013 although he continues to play an active role in the Group's principal operating subsidiary, Alpha Plus Group Limited.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

1. The condensed Group interim results for the six months ended 28 February 2014 have been prepared in accordance with IAS34 "Interim Financial Reporting".
2. The Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year.

This interim report was approved by the Board of Directors on 29 April 2014.



Graham Able
Chief Executive Officer

Mark Sample
Director of Finance

Condensed Group statement of comprehensive income

for the six months ended 28 February 2014

	Notes	6 Months to 28/02/14 £000	6 Months to 28/02/13 £000	Year to 31/08/13 £000
Revenue		34,799	30,733	62,950
Operating expenses	6	(30,118)	(26,974)	(54,204)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		4,681	3,759	8,746
Depreciation and amortisation		(2,213)	(2,421)	(5,973)
Loss on sale of property, plant and equipment		-	-	(2)
Impairment of fixed assets	9	(567)	-	-
Operating profit		**1,901**	**1,338**	**2,771**
Finance costs	7	(1,498)	(1,166)	(2,692)
Finance income		44	-	1
Profit before tax		**447**	**172**	**80**
Tax charge	8	(228)	-	(43)
Profit and total comprehensive income for the period		**219**	**172**	**37**

Condensed Group balance sheet

as at 28 February 2014

	Notes	28/02/14 £000	28/02/13 £000	31/08/13 £000
Assets				
Non-current assets				
Property, plant and equipment	9	113,141	102,659	114,108
Intangible assets		2,238	2,238	2,238
Deferred tax assets		2,396	2,637	2,594
		117,775	107,534	118,940
Current assets				
Trade and other receivables	10	7,440	4,577	4,168
Cash		11,703	7,883	5,554
		19,143	12,460	9,722
Total assets		**136,918**	**119,994**	**128,662**
Current liabilities				
Trade and other payables	11	34,229	29,473	30,225
Loans and borrowings	12	618	659	646
		34,847	30,132	30,871
Non-current liabilities				
Loans and borrowings	12	75,168	63,054	71,107
Total liabilities		**110,015**	**93,186**	**101,978**
Net assets		**26,903**	**26,808**	**26,684**
Equity attributable to equity shareholders				
Share capital		16	5	16
Retained earnings		26,887	26,803	26,668
Total equity		**26,903**	**26,808**	**26,684**

Condensed Group statement of changes in equity

for the six months ended 28 February 2014

	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 period	-	219	219
At 28 February 2014	**16**	**26,887**	**26,903**
As at 1 September 2012	5	26,631	26,636
Profit and total comprehensive income for the period	-	172	172
At 29 February 2013	**5**	**26,803**	**26,808**
At 1 September 2012	**5**	**26,631**	**26,636**
Proceeds from issue of shares	11	-	11
Profit and total comprehensive income for the year	-	37	37
At 31 August 2013	**16**	**26,668**	**26,684**

Condensed Group statement of cash flows

for the six months ended 28 February 2014

		Six months to		Year to
		28/02/14	28/02/13	31/08/13
	Notes	£000	£000	£000
Operating activities				
Profit before tax		447	172	80
Adjustments to reconcile profit before tax to net cash flow from operating activities:				
Depreciation of property, plant and equipment		2,213	2,421	5,973
Impairment of fixed assets		567	-	-
Loss on disposal of property, plant and equipment		-	2	2
Finance income		(44)	-	(1)
Finance costs		1,498	1,166	2,692
Working capital adjustments:				
Increase in trade and other receivables		(3,144)	(2,108)	(1,699)
Increase in trade and other payables		8,054	4,033	705
Cash generated from operations		9,591	5,686	7,752
Interest received		44	-	1
Interest paid		(1,405)	(1,137)	(2,572)
Net cash inflow from operating activities		**8,230**	**4,549**	**5,181**
Net cash outflow from investing activities				
Additions of property, plant and equipment		(6,021)	(2,731)	(13,652)
Financing activities				
Proceeds from issue of ordinary shares		-	-	11
Net proceeds from issue of 5.75% secured sterling bonds		-	48,500	48,500
Cost of issuing 5.75% secured sterling bonds		-	(1,274)	(1,277)
Other proceeds from new loans and borrowings		4,100	-	8,000
Repayment of loans and borrowings		(112)	(42,737)	(42,737)
Payment of finance lease liabilities		(48)	(56)	(104)
Net cash inflow from financing activities		**3,940**	**4,433**	**12,393**
Net increase in cash and cash equivalents		**6,149**	**6,251**	**3,922**
Opening cash and cash equivalents		5,554	1,632	1,632
Closing cash and cash equivalents		**11,703**	**7,883**	**5,554**

Notes to the condensed Group financial statements

1. Corporate information

The condensed interim financial statements of Alpha Plus Holdings plc and its subsidiaries ("the Group") for the six months ended 28 February 2014 do not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary results for the year ended 31 August 2013 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 2 December 2013, reported on by the Group's auditor and subsequently delivered to the Registrar of Companies. The audit report was unqualified and did not contain any statement required under s498 of the Companies Act 2006.

The condensed interim financial statements for the Group for the six months ended 28 February 2014 were authorised for issue in accordance with a resolution of the Directors on 29 April 2014.

2. Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with the Group Financial Statements for the year ended 31 August 2013 which were prepared in accordance with IFRS's as adopted by the European Union. The comparative figures for the year ended 31 August 2013 are consistent with the Group Financial Statements for the year then ended.

3. Accounting policies

The results for the six months ended 28 February 2014 have not been audited. They have been prepared on the basis of the accounting policies set out in the Group Financial Statements for the year ended 31 August 2013. There are no new standards which are mandatory for the financial year ending 31 August 2014 that will have a material impact on the Group's results or net assets.

4. Going concern

The Directors continue to have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future and, therefore, consider it appropriate to continue to prepare the accounts on a going concern basis.

5. Segmental information

The Group's chief operating decision maker, as defined in IFRS 8, is the Board of Directors. The Board views the Group's portfolio of schools and colleges as a single operational business and, consequently, no further detailed segmental analysis has been included in these interim financial statements.

Notes to the condensed Group 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:	Six months to		Year to
	28/02/14	**28/02/13**	**31/08/13**
	£000	**£000**	**£000**
Staff and other direct costs	22,042	19,971	39,381
Administrative expenses	8,076	7,003	14,823
	30,118	**26,974**	**54,204**
Depreciation	2,213	2,421	5,973
	32,331	**29,395**	**60,177**

7. Finance costs

	Six months to		Year to
	28/02/14	**28/02/13**	**31/08/13**
	£000	**£000**	**£000**
Interest on 5.75% secured sterling bonds	1,395	563	1,957
Amortisation of 5.75% secured sterling bonds issue costs	91	31	122
Bank interest	2	-	-
Interest on parent company loan	-	504	510
Finance charges payable under finance leases	7	13	22
Other interest payable	3	55	81
	1,498	1,166	2,692

8. Tax

	Six months to		Year to
Consolidated income statement	**28/02/14**	**28/02/13**	**31/08/13**
	£000	**£000**	**£000**
Current tax:			
Current tax charge	30	-	-
Deferred tax:			
Relating to origination and reversal of temporary differences	129	-	(1,169)
Utilisation of tax losses	69	-	1,212
Tax charge for the period	**228**	**-**	**43**

Notes to the condensed Group financial statements

9. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 September 2013	98,958	3,226	13,515	21,675	137,374
Additions	1,329	-	43	569	1,941
Reclassified as current assets	-	-	(128)	-	(128)
At 28 February 2014	**100,287**	**3,226**	**13,430**	**22,244**	**139,187**
Depreciation					
At 1 September 2013	2,447	192	5,044	15,583	23,266
Depreciation charge for the period	500	32	340	1,341	2,213
Impairment - aborted costs	567	-	-	-	567
At 28 February 2014	**3,514**	**224**	**5,384**	**16,924**	**26,046**
Net book value					
At 28 February 2014	**96,773**	**3,002**	**8,046**	**5,320**	**113,141**
At 31 August 2013	96,511	3,034	8,471	6,092	114,108
At 28 February 2013	83,837	3,066	8,605	7,151	102,659

The impairment charge relates to aborted costs incurred in connection with a planning application for change of use and subsequent development of premises in Bassett Road, London W10.

10. Trade and other receivables

	28/02/14	28/02/13	31/08/13
	£000	**£000**	**£000**
Trade receivables	2,638	1,632	384
Other receivables	1,871	378	1,733
Prepayments	2,931	2,567	2,051
	7,440	4,577	4,168

Notes to the condensed Group financial statements

11. Trade and other payables

	28/02/14	28/02/13	31/08/13
	£000	**£000**	**£000**
Trade payables	550	515	1,173
Other payables	8,067	7,119	7,249
Corporation tax	30	-	-
Social security and other taxes	998	676	849
Accruals	1,161	1,774	5,321
Deferred income	23,423	19,389	15,633
	34,229	29,473	30,225

12. Loans and borrowings

	28/02/14	28/02/13	31/08/13
	£000	**£000**	**£000**
Current loans and borrowings			
5.75% secured sterling bonds	565	563	563
Amounts due to immediate parent company	-	-	-
Obligations under finance leases	53	96	83
	618	**659**	**646**
Non-current loans and borrowings			
5.75% secured sterling bonds	47,436	47,257	47,345
Amounts due to immediate parent company	27,698	15,710	23,710
Obligations under finance leases	34	87	52
	75,168	**63,054**	**71,107**

The 5.75% secured sterling bonds are secured by way of a first legal mortgage over a portfolio of assets held by certain of the Company's subsidiaries. Interest is payable twice a year, on 18 June and 18 December and the bonds mature on 18 December 2019. The amounts shown above under "Current loans and borrowings – 5.75% secured sterling bonds" represent accrued interest.

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 do secure the 5.75% sterling bonds.

No interest is payable on the immediate parent company loan.