Alpha Plus Holdings plc

Interim Group Financial Statements

For the six months ended 28 February 2015

Officers and registered office

Directors

Sir John Ritblat	Chairman
G G Able	Non-Executive Deputy Chairman
C J J Drinkall	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 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 2015.

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 stand-alone nursery schools 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 2015 were 11% higher than in the six months ended 28 February 2014 at £38.7m (2014: £34.8m) with the increase being resulting from increased fee levels and increased pupil/student numbers which passed four thousand for the first time during the period and totalled 4,029 (28 February 2014: 3,800) at the end of the period.

Operating expenses rose by 16% to £34.8m (2014: £30.1m) reflecting a combination of higher personnel costs due to both higher salaries and additional staff recruitment as well as higher premises costs largely attributable to new leasehold premises in Lancaster Road, London W11 (see further comment below).

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 15% to £4.0m (2014: £4.7m). At a pre-tax level, the Group generated a profit of £0.2m in the period (2014: £0.4m).

As a consequence of the usual January intake of international students into the Group's sixth form colleges to commence 18-month A-Level programmes, the Group again expects to generate higher operating profits in the second half of the year.

The Directors do not recommend the payment of a dividend.

The Group signed a new 25 year lease agreement on premises in Lancaster Road, London W11 in March 2014. Following an extensive building refurbishment costing approximately £3.7m (£1.1m of which was incurred in the current period), Chepstow House School moved, from its previous home at 19 Pembridge Villas, London W11, to the 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 already significantly exceed the Group's original expectations.

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.

Falcons School for Girls also relocated to new premises in September 2014. The new freehold premises in Woodborough Road, Putney, London SW15 were originally acquired in August 2013.

Future developments

The relocation of DLD College from its two current campuses, in Marylebone and Belgravia, to a new purpose-built facility in Westminster Bridge Road, London SE1 in September 2015, remains on schedule. Accommodating over 700 students, with more than 200 able to live on site, DLD will become the only genuine sixth form college in the heart of London.

As previously announced, Wetherby Senior School, a new boys' senior school, will open in Marylebone, London W1 in September 2015. In the first year of operation, pupils will only be admitted in years 7 and 9. There has been overwhelming interest in the new school and initial pupil numbers are expected to exceed original expectations.

Interim Management Report (continued)

Future developments (continued)

In 2013, the Group signed a conditional agreement to lease new purpose-built college premises to be developed by Homerton College, Cambridge. Construction has now commenced on this development which 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.

As previously reported, the Group acquired residential freehold premises adjacent to St Anthony's School in Arkwright Road, Hampstead, London NW3 in November 2013. A planning application for change of use has now been lodged with the local authority and a formal response is awaited, the intention being to create a girls-only Reception to Year 6 section of St Anthony's School together with a new co-educational nursery.

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 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 2014, a copy of which is available on the Group's website www.alphaplusgroup.co.uk.

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 2015 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 28 April 2015.

Julian Drinkall

Chief Executive Officer

Mark Sample

Director of Finance

Condensed Group statement of comprehensive income

for the six months ended 28 February 2015

		6 Months to		Year to
		28/02/15	**28/02/14**	**31/08/14**
	Notes	**£000**	**£000**	**£000**
Revenue		38,718	34,799	70,973
Operating expenses	6	(34,761)	(30,118)	(60,640)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		3,957	4,681	10,333
Depreciation and amortisation	9	(2,367)	(2,213)	(4,140)
Impairment of fixed assets		-	(567)	(567)
Profit/(loss) on sale of property, plant and equipment		-	-	1,143
Operating profit		**1,590**	**1,901**	**6,769**
Finance costs	7	(1,485)	(1,498)	(2,988)
Finance income		71	44	114
Profit before tax		**176**	**447**	**3,895**
Tax charge	8	(155)	(228)	(337)
Profit and total comprehensive income for the period		**21**	**219**	**3,558**

Condensed Group balance sheet

as at 28 February 2015

	Notes	28/02/15 £000	28/02/14 £000	31/08/14 £000
Assets				
Non-current assets				
Property, plant and equipment	9	117,842	113,141	116,539
Intangible assets		2,238	2,238	2,238
Deferred tax assets		2,102	2,396	2,257
		122,182	117,775	121,034
Current assets				
Trade and other receivables	10	8,144	7,440	5,123
Cash		14,614	11,703	12,976
		22,758	19,143	18,099
Total assets		**144,940**	**136,918**	**139,133**
Current liabilities				
Trade and other payables	11	39,257	34,229	33,764
Loans and borrowings	12	597	618	598
		39,854	34,847	34,362
Non-current liabilities				
Trade and other payables		520	-	100
Loans and borrowings	12	74,303	75,168	74,429
		74,823	75,168	74,529
Total liabilities		**114,677**	**110,015**	**108,891**
Net assets		**30,263**	**26,903**	**30,242**
Equity attributable to equity shareholders				
Share capital		16	16	16
Retained earnings		30,247	26,887	30,226
Total equity		**30,263**	**26,903**	**30,242**

Condensed Group statement of changes in equity

for the six months ended 28 February 2015

	Issued capital	Retained earnings	Total equity
	£000	**£000**	**£000**
As at 1 September 2014	16	30,226	30,242
Profit and total comprehensive income for the period	-	21	21
At 28 February 2015	**16**	**30,247**	**30,263**
As at 1 September 2013	**16**	**26,668**	26,684
Profit and total comprehensive income for the period	-	219	219
At 29 February 2014	**16**	**26,887**	**26,903**
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**

Condensed Group statement of cash flows

for the six months ended 28 February 2015

		Six months to		Year to
		28/02/15	28/02/14	31/08/14
	Notes	£000	£000	£000
Operating activities				
Profit before tax		176	447	3,895
Adjustments to reconcile profit before tax to net cash flow from operating activities:				
Depreciation of property, plant and equipment		2,367	2,213	4,140
Impairment of fixed assets		-	567	567
(Profit)/loss on disposal of property, plant and equipment		-	-	(1,143)
Cash-settled share-based payment provision		257	-	100
Finance income		(71)	(44)	(114)
Finance costs		1,485	1,498	2,988
Working capital adjustments:				
Increase in trade and other receivables		(3,021)	(3,144)	(955)
Increase in trade and other payables		5,656	8,054	7,619
Cash generated from operations		6,849	9,591	17,097
Interest received		71	44	114
Interest paid		(1,394)	(1,405)	(2,806)
Net cash inflow from operating activities		**5,526**	**8,230**	**14,405**
Investing activities				
Proceeds from sale of property, plant and equipment		-	-	2,193
Additions of property, plant and equipment		(3,670)	(6,021)	(12,268)
Net cash outflow from investing activities		(3,670)	(6,021)	(10,075)
Financing activities				
Other proceeds from new loans and borrowings		-	4,100	4,100
Repayment of loans and borrowings		(200)	(112)	(925)
Repayment of finance lease liabilities		(18)	(48)	(83)
Net cash (outflow)/inflow from financing activities		**(218)**	**3,940**	**3,092**
Net increase in cash and cash equivalents		**1,638**	**6,149**	**7,422**
Opening cash and cash equivalents		12,976	5,554	5,554
Closing cash and cash equivalents		**14,614**	**11,703**	**12,976**

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 2015 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 2014 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 1 December 2014, 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 2015 were authorised for issue in accordance with a resolution of the Directors on 28 April 2015.

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 2014 which were prepared in accordance with IFRS’s as adopted by the European Union. The comparative figures for the year ended 31 August 2014 are consistent with the Group Financial Statements for the year then ended.

3. Accounting policies

The results for the six months ended 28 February 2015 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 2014. There are no new standards which are mandatory for the financial year ending 31 August 2015 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
	28/02/15	**28/02/14**	**31/08/14**
	£000	**£000**	**£000**
Staff and other direct costs	24,267	22,042	44,012
Administrative expenses	10,494	8,076	16,628
	34,761	**30,118**	**60,640**
Depreciation	2,367	2,213	4,140
Impairment of fixed assets	-	567	567
	37,128	**32,898**	**65,347**

7. Finance costs

	Six months to		Year to
	28/02/15	**28/02/14**	**31/08/14**
	£000	**£000**	**£000**
Interest on 5.75% secured sterling bonds	1,394	1,395	2,789
Amortisation of 5.75% secured sterling bonds issue costs	91	91	182
Other interest payable	-	12	17
	1,485	1,498	2,988

8. Tax

	Six months to		Year to
Consolidated income statement	**28/02/15**	**28/02/14**	**31/08/14**
	£000	**£000**	**£000**
Current tax:			
Current tax charge	-	30	-
Deferred tax:			
Relating to origination and reversal of temporary differences	101	129	(577)
Tax losses	54	69	914
Tax charge for the period	**155**	**228**	**337**

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 2014	100,091	3,226	17,649	23,279	144,245
Additions	439	-	1,687	1,544	3,670
At 28 February 2015	**100,530**	**3,226**	**19,336**	**24,823**	**147,915**
Depreciation					
At 1 September 2014	3,676	256	5,727	18,047	27,706
Depreciation charge for the period	464	32	516	1,355	2,367
At 28 February 2015	**4,140**	**288**	**6,243**	**19,402**	**30,073**
Net book value					
At 28 February 2015	**96,390**	**2,938**	**13,093**	**5,421**	**117,842**
At 31 August 2014	96,415	2,970	11,922	5,232	116,539
At 28 February 2014	96,773	3,002	8,046	5,320	113,141

10. Trade and other receivables

	28/02/15	28/02/14	31/08/14
	£000	**£000**	**£000**
Trade receivables	2,145	2,638	572
Other receivables	1,864	1,871	2,215
Prepayments	4,135	2,931	2,336
	8,144	7,440	5,123

Notes to the condensed Group financial statements

11. Trade and other payables

	28/02/15	28/02/14	31/08/14
	£000	£000	£000
Current			
Trade payables	294	550	448
Other payables	9,491	8,067	8,330
Corporation tax	-	30	-
Social security and other taxes	778	998	999
Accruals	2,316	1,161	3,626
Deferred income	26,378	23,423	20,361
	39,257	34,229	33,764
Non-current			
Other payables	520	-	100

12. Loans and borrowings

	28/02/15	28/02/14	31/08/14
	£000	£000	£000
Current loans and borrowings			
5.75% secured sterling bonds	563	565	563
Obligations under finance leases	34	53	35
	597	**618**	**598**
Non-current loans and borrowings			
5.75% secured sterling bonds	47,618	47,436	47,527
Amounts due to immediate parent company	26,685	27,698	26,885
Obligations under finance leases	-	34	17
	74,303	**75,168**	**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. 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. 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 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.