Alpha Plus group

the **Gold Standard** in education

# Alpha Plus Holdings plc

# Interim Group Financial Statements

# For the six months ended 28 February 2018

# Officers and registered office

**Directors**

| | |
|---|---|
| Sir John Ritblat | Chairman |
| G G Able | Non-Executive Deputy Chairman |
| M D Hanley-Browne | Chief Executive Officer |
| M J Sample | Director of Finance |
| R D Jones | Director of Property |
| E M Francis | Director of Education |
| J E Stephen | Director of Schools |
| P D Brereton | Director of HR |
| R Proscia | Director of Marketing |
| 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 2018.

**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. Across the UK, the Group operates 13 independent schools, 3 stand-alone nursery schools and 3 sixth form colleges all of which, with the exception of 1 school, 2 colleges and one nursery school, are based in Central London. In addition to this, in September 2017, the Group opened its first school outside the UK, in New York City.

**Review of business**

A new boys-only pre-prep school, Wetherby Kensington, opened in September 2017 in leasehold premises in Wetherby Gardens, London SW5, Wetherby Kensington is a two form, non-selective, pre-preparatory school for boys from Reception to Year 3 and follows the same curriculum and shares the same values and ethos as Wetherby School in Notting Hill. The new school has started with pupils in Reception and Year 1 only and the remaining year groups are expected to fill over the next two academic years.

Wetherby-Pembridge School, a co-educational school for pupils aged 3-14, opened in New York City in September 2017. The school is located in leasehold premises on the Upper East Side on East 96th Street near Central Park and has a capacity of approximately 230 students.

Group revenues continued to grow strongly and, in the six months ended 28 February 2018, were 8% higher than in the equivalent period last year at £51.2m (2017: £47.4m) with the increase resulting from greater pupil/student numbers and from increased fee levels. Total pupil/student numbers increased by 84 during the period to 4,327 (31 August 2017: 4,243) and the underlying changes are summarised below:

| | number |
|---|---|
| **At 2016/17 academic year-end** | 4,243 |
| New schools opened September 2017 (Wetherby Kensington and Wetherby-Pembridge) | 107 |
| Reduction in student numbers at sixth form colleges | (19) |
| Net decrease in pupil numbers elsewhere | (4) |
| **At 2017/18 half year-end** | **4,327** |

The Group believes that the recruitment and retention of international students into the Group's sixth form colleges for the current academic year, particularly from Far Eastern markets, was adversely affected by the terrorism attacks in London and Manchester in the Spring of 2017. Early indications are that confidence has since returned and the number of international students applying and being accepted into the Group's colleges for September 2018 entry is significantly higher than at the same time last year.

# Interim Management Report (continued)

**Review of business (continued)**

For a variety of reasons, a number of new head teachers have taken up posts within the Group over the last year and two more are due to start in September. In any school, a change of head teacher can lead to a period of uncertainty which can adversely impact pupil numbers and hence short term financial performance. The Group has great confidence in its new head teacher appointees, however, and considers that a short term fall in pupil numbers in any of these schools will be short-lived.

Overall operating expenses rose by 14% to £51.2m (2017: £45.0m) reflecting operating costs in New York and at Wetherby Kensington as well as higher personnel and other direct costs elsewhere in the Group, including costs associated with the provision of sports activities.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased to a break-even position (2017: £2.3m). Reported EBITDA has again been impacted by additional operating costs incurred as the Group expands and creates additional capacity. Adjusting for the short term impact of these items results in underlying EBITDA as follows:

| | 6 Months to | | Year to |
|---|---|---|---|
| | 28/02/18 | 28/02/17 | 31/08/17 |
| | £m | £m | £m |
| **Reported EBITDA** | - | 2.3 | 5.0 |
| Establishment of Wetherby Senior School | 0.7 | 0.4 | 2.3 |
| Relocation of Abbey College Cambridge | 0.6 | 0.7 | 1.5 |
| Relocation of DLD College | 0.2 | - | 0.5 |
| Expansion costs at Chepstow House School | 0.2 | 0.2 | 0.6 |
| Relocation of Falcons School for Girls | 0.2 | 0.2 | 0.3 |
| Establishment of St Anthony's School for Girls | 0.1 | 0.3 | 0.4 |
| Establishment of Wetherby Kensington School | - | - | 0.5 |
| Establishment of Wetherby-Pembridge School, New York | 0.9 | 0.4 | 1.2 |
| ***Non-recurring items*** | | | |
| Staff termination costs | - | - | 0.7 |
| **Underlying EBITDA** | **2.9** | **4.5** | **13.0** |

At a pre-tax level, the Group generated a loss of £6.1m in the period (2017: loss of £1.0m). Notwithstanding this, the Group was still able to generate £3.9m of cash from its operations in the period, helped by a non-recurring £1.7m rent deposit recovery from one of its landlords.

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, and lower overheads in July and August, the Group again expects to generate improved results in the second half of the year.

The Directors do not recommend the payment of a dividend.

# Interim Management Report (continued)

### Future developments

The major refurbishment programme continues at Hannah House, Manchester Street, London W1 to facilitate the creation of an additional campus for Wetherby Senior School, supplementing the existing campus in nearby Marylebone Lane.

As previously reported, the Group has agreed, subject to contract, to lease additional premises at 47 Bryanston Square, London W1 adjacent to Wetherby Prep School. This building will require refurbishment but will then allow Wetherby Prep to expand by adding one additional form to each year group.

The Board continues to expect short term future reported EBITDA to continue to be negatively impacted by costs associated with the current expansion program but anticipates significant medium / longer term growth as a consequence.

Whilst the Group is currently focussed on improving the performance of its existing portfolio of schools and colleges, opportunities to expand the portfolio will continue to be assessed. 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.

### Board changes

Anthony Kay resigned his position as Director of College Operations in November 2017. Rossella Proscia joined the Board as Director of Marketing in January 2018.

### Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's performance remain those identified on page 6 and further described on page 42 of the Company's consolidated financial statements for the year ended 31 August 2017, 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 2018 have been prepared in accordance with IAS34 "Interim Financial Reporting".
2. The Interim Management Report includes a true and 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 18 May 2018.

| | |
|---|---|
| Mark Hanley-Browne | Mark Sample |
| Chief Executive Officer | Director of Finance |

# Condensed Group statement of comprehensive income

## for the six months ended 28 February 2018

| | | 6 Months to | | Year to |
|---|---|---|---|---|
| | | 28/02/18 | 28/02/17 | 31/08/17 |
| | **Notes** | **£000** | **£000** | **£000** |
| **Revenue** | | 51,207 | 47,367 | 96,269 |
| Operating expenses | 6 | (51,187) | (45,040) | (91,277) |
| **Earnings before interest, tax, depreciation and amortisation ("EBITDA")** | | 20 | 2,327 | 4,992 |
| Depreciation | 10 | (3,802) | (2,902) | (5,901) |
| **Operating loss** | | (3,782) | (575) | (909) |
| Profit on disposal of asset held for sale | | - | 543 | 543 |
| Profit on sale of investment property | | - | 852 | 852 |
| College closure costs | | - | (115) | (4) |
| **(Loss)/profit before interest and tax** | | **(3,782)** | **705** | **482** |
| Finance costs | 7 | (4,020) | (3,616) | (7,259) |
| Finance income | 8 | 1,668 | 1,865 | 3,732 |
| **Loss before tax** | | **(6,134)** | **(1,046)** | **(3,045)** |
| Tax credit | 9 | - | - | (642) |
| **Loss for the period** | | **(6,134)** | **(1,046)** | **(3,687)** |
| Exchange differences on translation of foreign operations | | 81 | (5) | 15 |
| **Total comprehensive deficit for the period** | | **(6,053)** | **(1,051)** | **(3,672)** |

# Condensed Group balance sheet

## as at 28 February 2018

| | Notes | 28/02/18 £000 | 28/02/17 £000 | 31/08/17 £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 10 | 139,877 | 125,211 | 137,166 |
| Investment property | 11 | 4,292 | 4,292 | 4,292 |
| Intangible assets | | 2,238 | 2,238 | 2,238 |
| Financial assets | 12 | 4,085 | 4,072 | 4,378 |
| Deferred tax assets | | 1,986 | 2,628 | 1,986 |
| | | 152,478 | 138,441 | 150,060 |
| **Current assets** | | | | |
| Trade and other receivables | 13 | 9,220 | 8,627 | 4,542 |
| Other financial assets | 12 | 45,133 | 60,057 | 50,261 |
| Cash | | 5,134 | 3,021 | 6,258 |
| | | 59,487 | 71,705 | 61,061 |
| **Total assets** | | **211,965** | **210,146** | **211,121** |
| **Current liabilities** | | | | |
| Trade and other payables | 14 | 53,175 | 47,072 | 46,753 |
| Loans and borrowings | 15 | 2,407 | 2,407 | 2,380 |
| | | 55,582 | 49,479 | 49,133 |
| **Non-current liabilities** | | | | |
| Trade and other payables | | 7,197 | 3,063 | 6,876 |
| Loans and borrowings | 15 | 126,726 | 126,470 | 126,599 |
| | | 133,923 | 129,533 | 133,475 |
| **Total liabilities** | | **189,505** | **179,012** | **182,608** |
| **Net assets** | | **22,460** | **31,134** | **28,513** |
| **Equity attributable to equity shareholders** | | | | |
| Share capital | | 16 | 16 | 16 |
| Foreign currency translation reserve | | 93 | (8) | 12 |
| Retained earnings | | 22,351 | 31,126 | 28,485 |
| **Total equity** | | **22,460** | **31,134** | **28,513** |

# Condensed Group statement of changes in equity

## for the six months ended 28 February 2018

| | Issued capital | Revaluation reserve | Foreign currency translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| As at 1 September 2017 | 16 | - | 12 | 28,485 | 28,513 |
| Loss for the period | - | - | - | (6,134) | (6,134) |
| Other comprehensive deficit for the period | - | - | 81 | - | 81 |
| **At 28 February 2018** | **16** | **-** | **93** | **22,351** | **22,460** |
| As at 1 September 2016 | **16** | **2,165** | **(3)** | **30,007** | 32,185 |
| Loss for the period | - | - | - | (1,046) | (1,046) |
| Transfer to retained earnings | | (2,165) | | 2,165 | - |
| Other comprehensive deficit for the period | | | (5) | | (5) |
| **At 28 February 2017** | **16** | **-** | **(8)** | **31,126** | **31,134** |
| At 1 September 2016 | 16 | 2,165 | (3) | 30,007 | 32,185 |
| Loss for the year | **-** | **-** | **-** | (3,687) | (3,687) |
| Realised on disposal of asset | **-** | **(2,165)** | **-** | 2,165 | - |
| Other comprehensive income for the year | - | - | 15 | - | 15 |
| **At 31 August 2017** | **16** | **-** | **12** | **28,485** | **28,513** |

# Condensed Group statement of cash flows

## for the six months ended 28 February 2018

| | | Six months to | | Year to |
|---|---|---|---|---|
| | | 28/02/18 | 28/02/17 | 31/08/17 |
| | Notes | £000 | £000 | £000 |
| **Cash generated from operations** | 18 | 3,858 | 2,830 | 9,515 |
| Deposits paid on new operating leases | | - | - | (428) |
| **Net cash inflow from operating activities** | | **3,858** | **2,830** | **9,087** |
| **Investing activities** | | | | |
| Proceeds from sale of investment property | | - | - | 7,452 |
| Proceeds from sale of assets held for sale | | - | - | 1,496 |
| Proceeds from sale of property, plant and equipment | | - | - | 752 |
| Additions of property, plant and equipment | | (6,513) | (3,960) | (15,236) |
| Net cash proceeds from sales | | - | 9,697 | - |
| **Net cash (outflow)/inflow from investing activities** | | (6,513) | 5,737 | (5,536) |
| **Financing activities** | | | | |
| Interest received | | 1,817 | 1,626 | 3,429 |
| Interest paid | | (3,467) | (3,429) | (6,884) |
| Loan granted to parent undertaking | | - | (12,000) | (12,000) |
| Loan repaid by parent undertaking | | 3,200 | - | 10,000 |
| Repayment of finance lease liabilities | | (35) | (69) | (155) |
| **Net cash inflow/(outflow) from financing activities** | | **1,515** | **(13,872)** | **(5,610)** |
| **Net decrease in cash and cash equivalents** | | **(1,140)** | **(5,305)** | **(2,059)** |
| Exchange rate differences | | 16 | 6 | (3) |
| Opening cash and cash equivalents | | 6,258 | 8,320 | 8,320 |
| **Closing cash and cash equivalents** | | **5,134** | **3,021** | **6,258** |

# 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 2018 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 2017 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 11 December 2017, 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 2018 were authorised for issue in accordance with a resolution of the Directors on 18 May 2018.

## 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 2017 which were prepared in accordance with IFRS's as adopted by the European Union. The comparative figures for the year ended 31 August 2017 are consistent with the Group Financial Statements for the year then ended.

Consistent accounting policies and presentation have been used for each period.

## 3. Accounting policies

The results for the six months ended 28 February 2018 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 2017. There are no new standards which are mandatory for the financial year ending 31 August 2018 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 |
|---|---|---|---|
| | 28/02/18 | 28/02/17 | 31/08/17 |
| | £000 | £000 | £000 |
| Staff and other direct costs | 34,512 | 30,816 | 61,277 |
| Administrative expenses | 16,675 | 14,224 | 30,000 |
| | **51,187** | **45,040** | **91,277** |

## 7. Finance costs

| | Six months to | | Year to |
|---|---|---|---|
| | 28/02/18 | 28/02/17 | 31/08/17 |
| | £000 | £000 | £000 |
| Interest on 5.75% secured sterling bonds | 1,394 | 1,394 | 2,789 |
| Interest on 5% secured sterling bonds | 2,000 | 2,000 | 4,000 |
| Amortisation of secured sterling bonds issue costs | 189 | 187 | 375 |
| Bank interest | 46 | 16 | 60 |
| Finance charges payable under finance leases | 16 | 19 | 35 |
| Other interest payable | 11 | - | - |
| Foreign exchange translation differences | 364 | - | - |
| | **4,020** | **3,616** | **7,259** |

## 8. Finance income

| | Six months to | | Year to |
|---|---|---|---|
| | 28/02/18 | 28/02/17 | 31/08/17 |
| | £000 | £000 | £000 |
| Interest received from parent undertaking | 1,612 | 1,600 | 3,557 |
| Bank interest | 26 | 50 | 71 |
| Other interest receivable | 30 | - | 59 |
| Foreign exchange translation differences | - | 215 | 45 |
| | **1,668** | **1,865** | **3,732** |

Other interest receivable predominantly relates to interest on a loan to the ultimate parent undertaking which attracts interest at 7% per annum.

# Notes to the condensed Group financial statements

## 9. Tax

| Consolidated income statement | Six months to 28/02/18 | Six months to 28/02/17 | Year to 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| ***Current tax:*** | | | |
| Current tax charge | - | - | - |
| ***Deferred tax:*** | | | |
| Relating to origination and reversal of temporary differences | - | - | 642 |
| Tax losses | - | - | - |
| **Tax charge for the period** | **-** | **-** | **642** |

## 10. 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 2017 | 91,751 | 13,122 | 25,232 | 32,753 | 12,646 | 175,504 |
| Additions | 649 | 26 | 3,020 | 2,818 | - | 6,513 |
| Transfer | - | - | 12,309 | - | (12,309) | - |
| **At 28 February 2018** | **92,400** | **13,148** | **40,561** | **35,571** | **337** | **182,017** |
| **Depreciation** | | | | | | |
| At 1 September 2017 | 5,277 | 645 | 8,647 | 23,769 | - | 38,338 |
| Depreciation charge | 454 | 131 | 1,115 | 2,102 | - | 3,802 |
| **At 28 February 2018** | **5,731** | **776** | **9,762** | **25,871** | **-** | **42,140** |
| **Net book value** | | | | | | |
| **At 28 February 2018** | **86,669** | **12,372** | **30,799** | **9,700** | **337** | **139,877** |
| At 31 August 2017 | 86,474 | 12,477 | 16,585 | 8,984 | 12,646 | 137,166 |
| At 28 February 2017 | 85,702 | 12,571 | 16,641 | 8,653 | 1,644 | 125,211 |

# Notes to the condensed Group financial statements

## 11. Investment property

| | 28/02/18 | 28/02/17 | 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| At beginning of period | 4,292 | 10,892 | 10,892 |
| Transfer from property, plant and equipment | - | - | - |
| Disposal | - | (6,600) | (6,600) |
| At end of period | **4,292** | **4,292** | **4,292** |

Investment property at 28 February 2018 represented a residential property in Hampstead, London NW3. The Directors consider its cost to be a reasonable assessment of fair value with no significant unobservable inputs included in their assessment. An investment property in Rossmore Road, London NW1 was sold in December 2016 for £7.5m.

## 12. Financial assets

| | 28/02/18 | 28/02/17 | 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Loan to parent company | 45,133 | 58,308 | 48,512 |
| Deposits receivable | 3,215 | 4,868 | 5,174 |
| Deferred lease expense | 870 | 953 | 953 |
| | **49,218** | **64,129** | **54,639** |
| Current | 45,133 | 60,057 | 50,261 |
| Non-current | 4,085 | 4,072 | 4,378 |
| | **49,218** | **64,129** | **54,639** |

As at 1 September 2017, the Company had advanced a loan of £47,000,000 to the ultimate parent company. The parent company repaid £3,200,000 of this loan in December 2017. The remaining loan has a long-stop repayment date of 31 March 2024 but may be repaid at any earlier date by agreement between the parties and is consequently treated as a current asset. Interest of 7% per annum is receivable by the Company in respect of this loan and the figure above includes £1,333,000 (31 August 2017: £1,308,000) of accrued interest.

Deposits receivable at 28 February 2018 include £3,065,000 representing the fair value of US$5,000,000 deposited with the Group's bankers as security for the issuance of a standby letter of credit to the landlord of premises the Group has agreed to lease in New York.

## 13. Trade and other receivables

| | 28/02/18 | 28/02/17 | 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Trade receivables | 1,743 | 1,536 | 415 |
| Other receivables | 317 | 806 | 606 |
| Prepayments | 7,160 | 6,285 | 3,521 |
| | **9,220** | **8,627** | **4,542** |

# Notes to the condensed Group financial statements

## 14. Trade and other payables

| | 28/02/18 | 28/02/17 | 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Current** | | | |
| Trade payables | 3,144 | 1,408 | 530 |
| Other payables | 13,166 | 11,989 | 12,356 |
| Social security and other taxes | 1,312 | 930 | 1,005 |
| Cash-settled share-based payments | 159 | - | 137 |
| Accruals | 2,818 | 2,621 | 3,330 |
| Deferred income | 32,576 | 30,124 | 29,395 |
| | **53,175** | **47,072** | **46,753** |
| **Non-current** | | | |
| Cash-settled share-based payments | - | 307 | 159 |
| Other payables | 7,197 | 2,756 | 6,717 |
| | **7,197** | **3,063** | **6,876** |

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.

## 15. Loans and borrowings

| | 28/02/18 | 28/02/17 | 31/08/17 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Current loans and borrowings** | | | |
| 5.75% secured sterling bonds | 564 | 564 | 564 |
| 5% secured sterling bonds | 1,666 | 1,666 | 1,666 |
| Obligations under finance leases | 177 | 177 | 150 |
| | **2,407** | **2,407** | **2,380** |
| **Non-current loans and borrowings** | | | |
| 5.75% secured sterling bonds | 48,100 | 47,915 | 48,008 |
| 5% secured sterling bonds | 78,527 | 78,335 | 78,430 |
| Obligations under finance leases | 99 | 220 | 161 |
| | **126,726** | **126,470** | **126,599** |

# Notes to the condensed Group financial statements

### 15. Loans and borrowings *continued*

The 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 and other related companies. 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. The properties currently constituting this security portfolio are detailed on the Group's website at www.alphaplusgroup.co.uk/investors. At the most recent valuation date, 1 March 2018, the security portfolio was valued at 2.14 times (1 March 2017: 1.83 times) the principal amount of the bonds in issue.

Interest on the 5.75% secured sterling bonds 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 £0.564m represents accrued interest. The non-current amount at 28 February 2018 is net of unamortised issue costs of £0.400m (29 February 2017: £0.585m).

The Company issued £80m 5% secured sterling bonds on 31st March 2016. The current amount shown above of £1.666m represents accrued interest. The non-current amount at 28 February 2018 is net of unamortised issue costs of £1.473m which are being amortised over the eight year life of the bonds. Interest on the 5% secured sterling bonds is payable twice a year, on 30 September and 31 March and the bonds mature on 31 March 2024.

In addition to the £80m nominal value bonds issued on 31st March 2016, a further £50m of 5% secured sterling bonds were also issued on that date but are held on behalf of the Company by Deutsche Bank AG who were appointed as Retained Bond Custodian. The Company has waived its rights to receive payments of interest for as long as the Retained Bond Custodian continues to hold these bonds.

At 28 February 2018, the Group had £5 million (2017: £5 million) of undrawn committed borrowing facilities.

### 16. Financial instruments

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** | | |
|---|---|---|---|---|---|---|
| | **28/02/18** | **28/02/17** | **31/08/17** | **28/02/18** | **28/02/17** | **31/08/17** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial assets** | | | | | | |
| Trade and other receivables | 2,060 | 2,342 | 1,021 | 2,060 | 2,342 | 1,021 |
| Loan to parent company | 45,133 | 58,308 | 48,512 | 45,133 | 58,308 | 48,512 |
| Other financial assets | 4,085 | 5,821 | 6,127 | 4,085 | 5,821 | 6,127 |
| Cash | 5,134 | 3,021 | 6,258 | 5,134 | 3,021 | 6,258 |
| Total | **56,412** | **69,492** | **61,918** | **56,412** | **69,492** | **61,918** |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 16,310 | 13,397 | 12,886 | 16,310 | 13,397 | 12,886 |
| 5.75% secured sterling bonds | 50,725 | 52,144 | 51,761 | 48,664 | 48,479 | 48,572 |
| 5% secured sterling bonds | 85,113 | 84,761 | 86,216 | 80,193 | 80,001 | 80,096 |
| Obligations under finance leases | 276 | 397 | 311 | 276 | 397 | 311 |
| Total | **152,424** | **150,699** | **151,174** | **145,443** | **142,274** | **141,865** |

# Notes to the condensed Group financial statements

## 16. Financial instruments *continued*

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.

## 17. Operating cash flow

| | Six months to | | Year to |
|---|---|---|---|
| | 28/02/18 | 28/02/17 | 31/08/17 |
| | £000 | £000 | £000 |
| Loss before tax | (6,134) | (1,046) | (3,045) |
| *Adjustments to reconcile loss before tax to cash generated from operations:* | | | |
| Depreciation of property, plant and equipment | 3,802 | 2,902 | 5,901 |
| Amortisation of deferred rent expense | (148) | - | (80) |
| Loss on disposal of fixed assets | - | - | 4 |
| Profit on disposal of asset held for sale | - | (543) | (543) |
| Profit on sale of investment property | - | (852) | (852) |
| Rent deposit recovered | 1,749 | - | - |
| Impact of cash-settled share-based payments | - | (436) | (287) |
| Cash-settled share-based payments made | (137) | (393) | (553) |
| Finance income | (1,668) | (1,865) | (3,732) |
| Finance costs | 4,020 | 3,616 | 7,259 |
| Working capital adjustments: | | | |
| Increase in trade and other receivables | (4,678) | (4,871) | (786) |
| Increase in trade and other payables | 7,052 | 6,318 | 6,229 |
| **Cash generated from operations** | **3,858** | **2,830** | **9,515** |