Alpha Plus Holdings plc

Interim Group Financial Statements

For the six months ended 29 February 2016

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 and 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 29 February 2016.

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

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

Wetherby Senior School, a new boys' school, opened in the former DLD premises in Marylebone in September 2015. In the first year of operation pupils have only been admitted in years 7 and 9. There has been overwhelming interest in the new school and pupil numbers, which currently stand at 67, seem certain to grow rapidly over the next few years.

Pupil numbers and international student numbers have continued to grow strongly this year helped by the new DLD facility referred to above. Current domestic student numbers, however, are lower than anticipated. Nevertheless, Group revenues in the six months ended 29 February 2016 were still 14% higher than in the six months ended 28 February 2015 at £44.3m (2015: £38.7m) with the increase resulting from increased fee levels as well as increased pupil/student numbers which totalled 4,263 at the end of the period (28 February 2015: 4,049).

Operating expenses rose by 20% to £41.8m (2015: £34.8m) driven primarily as a consequence of the Group's "build and expand" strategy to create additional pupil/student capacity. The increase reflects a combination of higher personnel costs due to both higher salaries and additional staff recruitment as well as higher premises costs largely attributable to the new leasehold premises in Westminster Bridge Road, London SE1 and the additional student accommodation on that site.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased to £2.5m (2015: £4.0m). 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
	29/02/16	**28/02/15**	**31/08/15**
	£m	**£m**	**£m**
Reported EBITDA	2.5	4.0	9.5
Establishment of Wetherby Senior School	0.8	-	-
Relocation of DLD College	0.6	-	-
Expansion costs at Chepstow House School	0.4	0.9	1.8
Relocation of Falcons School for Girls	0.4	0.4	0.8
Underlying EBITDA	4.7	5.3	12.1

Interim Management Report (continued)

Review of business (continued)

At a pre-tax level, the Group generated a loss of £1.7m in the period (2015: profit £0.2m).

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 expects to generate an operating profit in the second half of the year.

The Directors do not recommend the payment of a dividend.

Future developments

The new purpose-built college premises being developed by Homerton College, Cambridge, which the Group has agreed to lease, are now substantially complete. The Group recently agreed to lease a second adjacent building on the Homerton development, which is also due to complete shortly. Following the move to the new premises in September 2015, Abbey College Cambridge will be able to accommodate around 570 students, 120 of whom will live on site.

The refurbishment of the long leasehold premises at Ivy House, North End Road, Hampstead, which the Group acquired in July 2015, is also now largely completed. St Anthony's School for Girls, a new Catholic girls school, will open 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.

Since the end of the period, the Group has announced that it will open a new school in New York City in September 2017. The school, which will be called Wetherby-Pembridge School New York, will be located in leasehold premises on the Upper East Side on East 96th Street near Central Park and will have a capacity of approximately 280 students. The school will follow the English National Curriculum. Students will enter the school for up to two years in preschool in a co-educational setting, which will be called 'The Minors' and will then progress to Kindergarten/Year 1 and be entered into a separate form of boys and girls, which will run initially to Grade 5/Year 6. The boys' form will be called Wetherby and the girls' form will be called Pembridge Hall.

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.

Financing

On 31 March 2016, the Company issued £80m 5% secured sterling bonds maturing in March 2024. The proceeds, after deducting issue expenses of £1.9m, amounted to £78.1m. As is the case with the Company's existing £48.5m 5.75% sterling bonds, the new 5% secured sterling bonds, are listed on the London Stock Exchange's Electronic Order Book for Retail Bonds ("ORB"), and are secured by way of a first legal mortgage over a portfolio of schools and properties owned by certain of the Company's subsidiaries [SPV'S] or, in the case of two of the properties, owned by wholly owned subsidiaries of DV4 Limited, the Company's ultimate holding company. Interest on the new bonds is payable in arrears on 30 September and 31 March in each year.

Following the issue, £34.1m was paid to the Company's immediate shareholder to fully redeem an existing shareholder loan. A further £45m has been loaned to the Company's shareholder. This £45m loan, which attracts an interest rate of 7%, is repayable in full on 31 March 2024 but may be repaid early, in full or in part, by agreement between the parties.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's performance remain those identified on page 5 and further described on pages 30-31 of the Company's consolidated financial statements for the year ended 31 August 2015, 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 29 February 2016 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 20 May 2016.

Julian Drinkall	Mark Sample
Chief Executive Officer	Director of Finance

Condensed Group statement of comprehensive income

for the six months ended 29 February 2016

		6 Months to		Year to
		29/02/16	28/02/15	31/08/15
	Notes	£000	£000	£000
Revenue		44,277	38,718	79,400
Operating expenses	6	(41,766)	(34,761)	(69,877)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		2,511	3,957	9,523
Depreciation and amortisation	9	(2,807)	(2,367)	(4,823)
(Loss) on sale of property, plant and equipment		-	-	(133)
Operating (loss)/profit		**(296)**	**1,590**	**4,567**
Finance costs	7	(1,485)	(1,485)	(2,976)
Finance income		36	71	141
(Loss)/profit before tax		**(1,745)**	**176**	**1,732**
Tax charge	8	-	(155)	(500)
(Loss)/profit and total comprehensive income for the period		**(1,745)**	**21**	**1,232**

Condensed Group balance sheet

as at 29 February 2016

	Notes	29/02/16 £000	28/02/15 £000	31/08/15 £000
Assets				
Non-current assets				
Property, plant and equipment	9	131,188	117,842	129,719
Intangible assets		2,238	2,238	2,238
Deferred tax assets		1,757	2,102	1,757
		135,183	122,182	133,714
Current assets				
Trade and other receivables	10	7,215	8,144	5,037
Cash		15,331	14,614	13,649
		22,546	22,758	18,686
Total assets		**157,729**	**144,940**	**152,400**
Current liabilities				
Trade and other payables	11	43,510	39,257	37,534
Loans and borrowings	12	564	597	565
		44,074	39,854	38,099
Non-current liabilities				
Trade and other payables		2,041	520	1,033
Loans and borrowings	12	81,885	74,303	81,794
		83,926	74,823	82,827
Total liabilities		**128,000**	**114,677**	**120,926**
Net assets		**29,729**	**30,263**	**31,474**
Equity attributable to equity shareholders				
Share capital		16	16	16
Retained earnings		29,713	30,247	31,458
Total equity		**29,729**	**30,263**	**31,474**

Condensed Group statement of changes in equity

for the six months ended 29 February 2016

	Issued capital	Retained earnings	Total equity
	£000	**£000**	**£000**
As at 1 September 2015	16	31,458	31,474
Profit and total comprehensive income for the period	-	(1,745)	(1,745)
At 29 February 2016	**16**	**29,713**	**29,729**
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**
At 1 September 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**

Condensed Group statement of cash flows

for the six months ended 29 February 2016

	Six months to		Year to
	29/02/16	**28/02/15**	**31/08/15**
	£000	**£000**	**£000**
Operating activities			
(Loss)/profit before tax	(1,745)	176	1,732
Adjustments to reconcile profit before tax to net cash flow from operating activities:			
Depreciation of property, plant and equipment	2,807	2,367	4,823
(Profit)/loss on disposal of property, plant and equipment	-	-	133
Cash-settled share-based payment provision	288	257	564
Finance income	(36)	(71)	(141)
Finance costs	1,485	1,485	2,976
Working capital adjustments:			
Increase in trade and other receivables	(2,178)	(3,021)	86
Increase in trade and other payables	6,696	5,656	4,139
Cash generated from operations	7,317	6,849	14,312
Interest received	36	71	141
Interest paid	(1,394)	(1,394)	(2,793)
Net cash inflow from operating activities	**5,959**	**5,526**	**11,660**
Investing activities			
Proceeds from sale of property, plant and equipment	-	-	(31)
Additions of property, plant and equipment	(4,276)	(3,670)	(18,105)
Net cash outflow from investing activities	(4,276)	(3,670)	(18,136)
Financing activities			
Other proceeds from new loans and borrowings	-	-	8,000
Repayment of loans and borrowings	-	(200)	(800)
Repayment of finance lease liabilities	(1)	(18)	(51)
Net cash (outflow)/inflow from financing activities	**(1)**	**(218)**	**7,149**
Net increase in cash and cash equivalents	**1,682**	**1,638**	**673**
Opening cash and cash equivalents	13,649	12,976	12,976
Closing cash and cash equivalents	**15,331**	**14,614**	**13,649**

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 29 February 2016 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 2015 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 23 November 2015, 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 29 February 2016 were authorised for issue in accordance with a resolution of the Directors on 20 May 2016.

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 2015 which were prepared in accordance with IFRS’s as adopted by the European Union. The comparative figures for the year ended 31 August 2015 are consistent with the Group Financial Statements for the year then ended.

3. Accounting policies

The results for the six months ended 29 February 2016 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 2015. There are no new standards which are mandatory for the financial year ending 31 August 2016 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
	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Staff and other direct costs	28,522	24,267	48,288
Administrative expenses	13,244	10,494	21,589
	41,766	**34,761**	**69,877**
Depreciation	2,807	2,367	4,823
	44,573	**37,128**	**74,700**

7. Finance costs

	Six months to		Year to
	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Interest on 5.75% secured sterling bonds	1,394	1,394	2,789
Amortisation of 5.75% secured sterling bonds issue costs	91	91	182
Other interest payable	-	-	5
	1,485	**1,485**	**2,976**

8. Tax

	Six months to		Year to
Consolidated income statement	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Current tax:			
Current tax charge	-	-	-
Deferred tax:			
Relating to origination and reversal of temporary differences	-	101	335
Tax losses	-	54	165
Tax charge for the period	**-**	**155**	**500**

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	Assets under development	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 September 2015	100,496	3,221	21,553	27,330	8,203	160,803
Additions	95	-	759	1,818	1,604	4,276
At 29 February 2016	**100,591**	**3,221**	**22,312**	**29,148**	**9,807**	**165,079**
Depreciation						
At 1 September 2015	4,184	320	6,656	19,924	-	31,084
Depreciation charge for the period	458	32	595	1,722	-	2,807
At 29 February 2016	**4,642**	**352**	**7,251**	**21,646**	**-**	**33,891**
Net book value						
At 29 February 2016	**95,949**	**2,869**	**15,061**	**7,502**	**9,807**	**131,188**
At 31 August 2015	96,312	2,901	14,897	7,406	8,203	129,719
At 28 February 2015	96,390	2,938	13,093	5,421	-	117,842

10. Trade and other receivables

	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Trade receivables	1,243	2,145	175
Other receivables	2,119	1,864	1,857
Prepayments	3,853	4,135	3,005
	7,215	**8,144**	**5,037**

Notes to the condensed Group financial statements

11. Trade and other payables

	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Current			
Trade payables	1,960	294	1,634
Other payables	11,232	9,491	10,153
Social security and other taxes	903	778	833
Accruals	2,909	2,316	3,228
Deferred income	26,506	26,378	21,686
	43,510	**39,257**	**37,534**
Non-current			
Other payables	**2,041**	**520**	**1,033**

12. Loans and borrowings

	29/02/16	28/02/15	31/08/15
	£000	£000	£000
Current loans and borrowings			
5.75% secured sterling bonds	564	563	564
Obligations under finance leases	-	34	1
	564	**597**	**565**
Non-current loans and borrowings			
5.75% secured sterling bonds	47,800	47,618	47,709
Amounts due to immediate parent company	34,085	26,685	34,085
	81,885	**74,303**	**81,794**

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.

Notes to the condensed Group financial statements

13. 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		
	29/02/16	28/02/15	31/08/15	29/02/16	28/02/15	31/08/15
	£000	£000	£000	£000	£000	£000
Financial assets						
Trade and other receivables	3,362	4,009	2,032	3,362	4,009	2,032
Cash	15,331	14,614	13,649	15,331	14,614	13,649
Total	18,693	18,623	15,681	18,693	18,623	15,681
Financial liabilities						
Trade and other payables	13,192	9,785	11,787	13,192	9,785	11,787
5.75% secured sterling bonds	52,217	53,428	51,732	48,364	48,181	48,273
Amounts due to parent company	34,085	26,685	34,085	34,085	26,685	34,085
Obligations under finance leases	-	34	1	-	34	1
Total	99,494	89,932	97,605	95,641	84,685	94,146

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.

The fair value of the 5.75% secured sterling bonds as at 31 August 2015 has been restated from £45,745,000 to £51,732,000 to correct a calculation error.