Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2018

Company Registration No. 04418776

Alpha Plus Holdings plc

Company No. 04418776

Officers and advisors

Directors

Sir John Ritblat
G G Able
M D Hanley-Browne
M J Sample
R D Jones
E M Francis
J E Stephen
P D Brereton
R Proscia
T H P Haynes
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 13 independent schools, 3 nurseries and 3 sixth form colleges in the UK. With the exception of 2 schools and 2 colleges, all of the Group's UK schools and colleges are based in Central London. In addition, the Group now also operates one school in New York City.

Review of business and financial performance

The Group continued to make good progress during the year under review with revenues and pupil numbers continuing to rise.

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. The new school 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 in New York also opened in September 2017. The school is located in leasehold premises on the Upper East Side on East 96th Street near Central Park. The school follows the English National Curriculum and educates children from Kindergarten through to 8th Grade.

Group revenue in the year ended 31 August 2018 was 9% higher than in the previous year at £104.5m (2017: £96.3m). The increase is attributable to higher pupil and student numbers, increased tuition fees and student accommodation income and to increased ancillary fees for educational visits and other extra-curricular activities. Pupil and student numbers increased by 79 over the year as detailed 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	(40)
Net increase in pupil numbers elsewhere	12
At 2017/18 academic year-end	**4,322**

The Group had expected 2017/18 pupil/student numbers to have increased more significantly during the year but believes that growth was curtailed as a result of the following factors.

Recruitment and retention of international students into the Group's sixth form colleges for the 2017/18 academic year, particularly from Far Eastern markets, was adversely affected by the terrorism attacks in London and Manchester in the Spring of 2017. Confidence has since returned and the number of international students accepted into the Group's colleges for the 2018-19 academic year has increased by 11% to 473 (2017: 425).

Strategic Report (continued)

For a variety of reasons, a number of new head teachers have taken up posts within the Group over the last year. 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. However, the Group has great confidence in its new head teacher appointees and considers that a short-term fall in pupil numbers in any of these schools will be short-lived.

Operating expenses rose by 12% to £101.8m (2017: £91.3m). The increase reflects the costs of the two new schools opened in the year referred to above, higher personnel costs due to both higher salaries and additional staff recruitment as well as higher premises costs.

Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") declined to £2.7m (2017: £5.0m) as a consequence.

As previously reported, the Group has been through a period of significant expansion involving the creation of additional pupil and student capacity by opening new schools and by relocating existing schools or acquiring new premises in the vicinity of existing schools. The Group views operating losses incurred in the initial years of a new school and the costs of unutilised new capacity within existing schools and colleges as an investment for the future. In addition, this year the Group also incurred one-off internal re-organisation costs as referred to below.

Since this investment for the future and the one-off costs reduce reported EBITDA, the Group considers it appropriate to quantify their impact by separately disclosing underlying EBITDA as follows:

	2018	2017
	£m	£m
Reported EBITDA	2.7	5.0
Costs associated with increasing pupil and student capacity:		
Establishment of Wetherby Senior School	1.4	2.3
Expansion costs at Abbey College Cambridge	1.2	1.5
Establishment of Wetherby-Pembridge, New York	1.6	1.2
Expansion costs at Chepstow House School	0.3	0.6
Expansion costs at DLD College	0.5	0.5
Establishment of Wetherby Kensington School	-	0.5
Establishment of St Anthony's School for Girls	0.1	0.4
Relocation of Falcons School for Girls	0.2	0.3
Non-recurring items		
Staff termination costs	-	0.7
Internal restructuring costs	0.3	-
Underlying EBITDA	8.3	13.0

Strategic Report (continued)

Review of business and financial performance *continued*

The Group has reported a loss before tax of £9.2m. The tax charge of £3.4m, which is a non-cash deferred tax item, has arisen primarily as a result of a change in tax legislation introduced in the Finance Act 2017 whereby the ability to utilise tax losses surrendered from other group companies is now restricted to 50% of taxable profits above £5m (as further described in note 10 to the accounts).

Internal re-organisation

In January 2018, the Group's principal operating subsidiaries transferred the ownership of the Group's operational freehold premises to thirteen newly incorporated single-purpose property companies, each of which is, indirectly, wholly owned by the Company. This internal re-organisation was primarily carried out for operational reasons. However, a by-product has been to increase the value of these properties which, although not reflected in the Group's balance sheet because properties are carried at cost less accumulated depreciation, is reflected in the retail bond security portfolio valuations (as evidenced in note 17 to the accounts) which are determined by an external professional valuer.

Valuation of property, plant and equipment

The Group's policy is to carry property, plant and equipment at cost less accumulated depreciation. Many of the Group's freehold and leasehold properties form part of the security portfolios in respect of the Group's retail bonds. As such, they are subject to an annual professional valuation, the most recent of which was carried out in March 2018. Had the valuations included therein been reflected in the Group's financial statements, the net asset value would have increased by £120m less any attributable deferred tax liability.

Future developments

A major refurbishment programme has been carried out at Hannah House, London W1 to form an additional campus for Wetherby Senior School, supplementing the existing campus in nearby Marylebone Lane.

In June 2018, the Group signed an agreement to lease additional premises at 47 Bryanston Square, London W1 adjacent to Wetherby Prep School. This building is currently undergoing refurbishment to allow Wetherby Prep to expand by adding one additional form to each year group.

As a consequence of the significant expansion programme undertaken by the Group in recent years, the Board now anticipates EBITDA growth in the forthcoming years. The Group continues to look for opportunities to further 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.

Board changes

Anthony Kay resigned his position as Director of College Operations in November 2017. Rossella Proscia was appointed Director of Sales and Marketing in January 2018. Tim Haynes was appointed Director of Senior Schools in October 2018.

Strategic Report (continued)

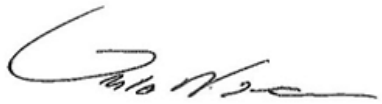
Principal risks and financial risk management objectives and policies

The Group's activities expose it to a number of risks, both business and financial.

Financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are described further in note 22 to the financial statements.

Business risks include the Group's ability to attract pupils and students which 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 developed a "Gold Standard" as the benchmark of the quality of education it aims to deliver in its schools and colleges. The Group also 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.

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



J C Norton

Secretary

11 December 2018

Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2018.

Directors

The Directors who served during the year were:

Sir John Ritblat	Non-Executive Chairman
G G Able	Deputy Chairman
M D Hanley-Browne	Chief Executive Officer
M J Sample	Director of Finance
R D Jones	Director of Property
J E Stephen	Director of Schools and Colleges
E M Francis	Director of Education
P D Brereton	Director of HR
R Proscia	Director of Sales and Marketing (appointed 18 January 2018)
A D Kay	Director of College Operations (resigned 17 November 2017)
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Mr T H P Haynes was appointed as a Director on 3 October 2018.

Directors' interests

As at 31 August 2018, the Directors, and their connected parties, collectively held £32,000 (2017: £32,000) nominal value of the Company's 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 Mr 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 held £9.9m of cash at 31 August 2018. Although the Group had net current liabilities of £1.8m, current liabilities included £35.9m of deferred income that will not be settled in cash.
- The Group has loaned £40.8m to the ultimate parent company. Although repayment is not due until March 2024, early repayment may be received upon the written request of the borrower (see note 14 to the financial statements).
- The Group is principally financed by £128.5m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB"). These bonds mature in December 2019 and March 2024. No repayments of capital fall due before the maturity date. The Directors have various options regarding the £48.5m bond redemption in December 2019 including selling all or part of the £50m of March 2024 bonds which are held on the Company's behalf by Deutsche Bank acting as Security Custodian or arranging alternative financing given the unsecured underlying assets held by the Group and available to provide security.

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.

Directors Report (continued)

Anti-slavery and human trafficking statement

Alpha Plus is a values-led organisation that maintains high expectations of its own conduct and of those with whom it works. The Group's code of ethical and professional conduct is an integral part of the Alpha Plus Gold Standard of educational excellence. The Group takes pride in its reputation and recognises that its values are just as important as the services it provides. The Group is rigorous in the recruitment and development of people and in the selection and management of suppliers. The Group expects Directors and all other employees within the Group, along with its suppliers, to act with the highest levels of professionalism and integrity, and within the law. The principles of the Group's code apply to all dealings with those who interact with, or may be affected by, the activities of the Group. This includes pupils, parents, employees, customers, suppliers, inspectors and regulators, shareholders, local communities and the environment in which the Group operates.

Consistent with its commitment to act ethically in all relationships and a zero tolerance of unethical or exploitative employment practices, the Group is committed to doing whatever it can to combat slavery and human trafficking. The Group will not engage in business with any party whom it deems to present a risk of participating in slavery or human trafficking.

Charitable donations

The Group made charitable donations of £7,000 (2017: £7,000) during the year.

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:

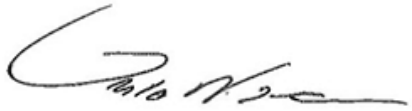
- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Directors Report (continued)

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

11 December 2018

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

Opinion

In our opinion:

- Alpha Plus Holdings plc's group financial statements and parent company financial statements (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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Alpha Plus Holdings plc which comprise:

Group	**Parent company**
Group balance sheet as at 31 August 2018	Company Balance sheet as at 31 August 2018
Group statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	
Group statement of cash flows for the year then ended	
Related notes 1 to 25 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies

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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Revenue recognition • Assessment of carrying value of property, plant and equipment
Audit scope	• We performed an audit of the complete financial information of Alpha Plus Holdings plc and its components. • The components where we performed full or specific scope audit procedures accounted for 100% of earnings before interest, taxation, depreciation and amortisation (EBITDA), 100% of revenue, 100% of loss before tax and 100% of total assets (2017: 100% of EBITDA, 100% of revenue, 100% of loss before tax and 100% of total assets)
Materiality	• Overall group materiality of £383,000 which represents 2% of Net assets (2017: £139,000 which represents 2% of EBITDA)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition 2018: £104.5m (2017: £96.3mil) Refer to Accounting policies (page 24 to 29); and Note 6 of the Consolidated Financial Statements (page 29) Stakeholder expectations and profit based targets may place pressure on management to misstate revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets and expectations. We consider that the aforementioned risks of fraudulent activity could arise through management override of controls.	Our procedures over revenue recognition included: We performed detailed testing for a sample of revenue transactions by agreeing to enrolment forms or other supporting documents to check that the revenue is being recognised in the appropriate period and at the correct amount. Analytical procedures were performed, which included setting expectations of revenue to be recognised and comparing it with actual revenue recognised. These procedures were performed in relation to revenue from school fee and accommodation. We investigated material variances in revenue recognised to our expectations. We assessed whether the revenue recognition policies adopted complied with IFRS as adopted by the European Union. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included particular focus on journal entries which impact revenue.	We audited the revenue recognition and assessed the risk of management override. Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year.

Assessment of carrying value of property, plant and equipment 2018: £142.4m (2017: £137.2m) Refer to the Accounting policies (page 24 to 29); and Note 11 of the Consolidated Financial Statements (page 34) The carrying value and useful life of property, plant and equipment is assessed on an annual basis for indicators of impairment. There is a risk that management inflate CGU forecasts and impairment provisions are not identified hence their carrying values are overstated. There is a risk that judgements are made by management in order to meet stakeholder expectations or to meet current or future targets.	Our audit procedures for testing the assessment of the carrying value of property, plant and equipment included: We performed testing on individual CGU's, taking into account key assumptions used in management's model, such as fee increases and increases in the number of students. We obtain and review management's forecasts for reasonableness and compared these with our expectations. We also corroborated the assumptions used by management with market evidence where available. We perform a retrospective assessment to determine the accuracy of management's prior forecasts We challenged management's assessment to consider whether the assumptions used and judgments made are appropriate and consistent with evidence obtained during the audit. We used EY Chartered Surveyors to support the audit team in assessing managements estimate of fair value when this was used to support the net realisable value of a property	We have assessed the inputs, assumptions and methodology used by the management in the assessment of the carrying value of property, plant and equipment and assessment of fair value when used to support the net realisable value We conclude that the assumptions used are appropriate and the carrying value at 31 August 2018 is fairly stated.

An overview of the scope of our audit

Tailoring the scope

The Group primarily operates in the United Kingdom with limited operations in the United States both of which were subject to the same audit scope. We consider each legal entity within the Group as a separate component. We determined scope of all components to be full scope due to materiality of each component in relation to the Group. The Group audit team performed direct audit procedures on all balances included within the Group financial statements.

Changes from the prior year

There have been no scoping changes from the prior year and all entities have been audited as full scope entities.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied in our audit:

Basis	Materiality	Performance Materiality	Audit differences
2% Net Assets (2017: 3% EBITDA)	£383,000 (2017: £139,000)	£192,000 (2017: £69,000)	£19,000 (2017: £7,500)

We have used net assets (2017: EBITDA) as our basis for materiality to reflect the considerations of the main users of the financial statements. The basis for materiality has been changed in the current year to better reflect what the principal users of the accounts now consider is material to the Group. We reassessed that the primary focus of the investor and bondholder is the capital value of their investment, with the investor seeking growth in the value of its investment and the bondholders ensuring that the security they hold over the assets of the business is in compliance with their debt covenants.

During the course of our audit, we reassessed initial materiality and no change was deemed necessary.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely £192,000 (2017: £69,000). We have set performance materiality at this percentage to reflect our past experience of the audit that indicates a higher risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £19,000 (2017: £7,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 11, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and

- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 and the part of the directors' remuneration report to be audited 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are Companies Act 2006, Regulations of Department for Education and Tax Legislation.
- We understood how Alpha Plus Holdings plc is complying with those frameworks by understanding the group's control environment including the processes designed by management to ensure compliance with relevant laws and regulations
- We obtained this understanding through inquiry and observation of the Group's management.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by identifying fraud risks and related controls designed by the Group's management to mitigate such risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the management, review of minutes of Board meetings and review of any legal correspondence.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 19 October 2018 to audit the financial statements for the year ending 31 August 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 11 years, covering the years ending 31 August 2008 to 31 August 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

Use of our report

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.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 December 2018

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 2018

	Notes	2018 £000	2017 £000
Revenue	6	104,470	96,269
Operating expenses	6	(101,784)	(91,277)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		2,686	4,992
Depreciation	11	(7,911)	(5,901)
Operating loss		**(5,225)**	**(909)**
Profit on disposal of asset held for sale		-	543
Profit on sale of investment property	12	-	852
Loss on disposal of fixed assets		-	(4)
(Loss)/profit before interest and tax		(5,225)	482
Finance costs	8	(7,292)	(7,259)
Finance income	9	3,285	3,732
Loss before tax		**(9,232)**	**(3,045)**
Tax charge	10	(3,394)	(642)
Loss for the year		**(12,626)**	**(3,687)**
Other comprehensive (deficit)/income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		(113)	15
Total comprehensive deficit for the year		**(12,739)**	**(3,672)**

Group balance sheet

as at 31 August 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	11	142,416	137,166
Investment property	12	4,292	4,292
Intangible assets	13	2,238	2,238
Financial assets	14	4,357	4,378
Deferred tax assets	10	-	1,986
		153,303	150,060
Current assets			
Trade and other receivables	15	4,314	4,542
Financial assets	14	42,067	50,261
Cash	16	9,923	6,258
		56,304	61,061
Total assets		**209,607**	**211,121**
Current liabilities			
Trade and other payables	18	55,688	46,753
Loans and borrowings	17	2,388	2,380
		58,076	49,133
Non-current liabilities			
Trade and other payables	18	7,511	6,876
Loans and borrowings	17	126,839	126,599
Deferred tax liabilities	10	1,407	-
		135,757	133,475
Total liabilities		**193,833**	**182,608**
Net assets		**15,774**	**28,513**
Equity attributable to equity shareholders			
Share capital	19	16	16
Foreign currency translation reserve		(101)	12
Retained earnings		15,859	28,485
Total equity		**15,774**	**28,513**

The financial statements were approved by the Board and authorised for issue on 11 December 2018.

M J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2018

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
As 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	-	-	15	-	15
At 31 August 2017	16	-	12	28,485	28,513
Loss for the year	-	-	-	(12,626)	(12,626)
Other comprehensive deficit	-	-	(113)	-	(113)
At 31 August 2018	**16**	**-**	**(101)**	**15,859**	**15,774**

Group statement of cash flows

for the year ended 31 August 2018

	Notes	2018 £000	2017 £000
Cash generated from operations	25	12,532	9,515
Deposits received/ (paid) on operating leases		1,749	(428)
Net cash inflow from operating activities		**14,281**	**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		(13,161)	(15,236)
Net cash outflow from investing activities		**(13,161)**	**(5,536)**
Financing activities			
Interest received		3,447	3,429
Interest paid		(6,915)	(6,884)
Income tax paid		(1)	-
Loan granted to parent undertaking		-	(12,000)
Loan repaid by parent undertaking		6,200	10,000
Payment of finance lease liabilities		(129)	(155)
Net cash inflow/(outflow) from financing activities		**2,602**	**(5,610)**
Net increase/(decrease) in cash and cash equivalents		**3,722**	**(2,059)**
Exchange differences		(57)	(3)
Cash and cash equivalents at 1 September		6,258	8,320
Cash and cash equivalents at 31 August	16	**9,923**	**6,258**

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 2018 were authorised for issue in accordance with a resolution of the Directors on 11 December 2018. The Company is a public company limited by shares and is incorporated and domiciled 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.

Consistent accounting policies and presentation have been used in both years presented in the financial statements.

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 2018.

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%

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

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

e) Assets held for sale

The Group classifies non-current assets as assets held for sale if their carrying amounts will be recovered through a sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less anticipated disposal costs.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

f) Investment property

Investment properties are initially recognised at cost including transaction costs. Transfers are made to or from investment property at carrying value if there is a change in use.

Investment properties are subsequently stated at fair value. Gains or losses arising from changes in fair values resulting from a change of use are included in other comprehensive income. Other revaluation gains or losses are included in profit or loss. Fair values are determined by the Directors' taking into account information received from external independent experts.

g) 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.

h) Receivables

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

i) 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.

j) 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 rate (EIR) method.

k) Pensions

A significant number of the Group's employees are members of the Teachers' Pension Scheme, an unfunded defined benefit scheme (note 23). 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 23).

l) Deferred income

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

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

m) Share-based payments

The Group previously operated a long term incentive plan for certain employees. Awards made under this plan were accounted for as cash-settled share-based payments. A liability has been recognised for any outstanding Awards under this plan at fair value and these have been subsequently re-measured at fair value at each reporting date.

The Group operates a cash incentive plan for certain employees. Awards made under this plan are also accounted for as cash-settled share-based payments. A liability is recognised for such Awards at fair value and these are subsequently re-measured at fair value at each reporting date.

n) Foreign currencies

Transactions in foreign currencies are initially recorded at the respective currency spot rate. Monetary assets and liabilities denominated in foreign currencies are translated at the currency spot rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Sterling at the prevailing exchange rate on the reporting date and the statements of profit or loss are translated at the average exchange rate applicable during the reporting period. Exchange differences arising are recognised in other comprehensive income.

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 held £9.9m of cash at 31 August 2018. Although the Group had net current liabilities of £1.8m, current liabilities included £35.9m of deferred income that will not be settled in cash.
- The Group has loaned £40.8m to the ultimate parent company. Although repayment is not due until March 2024, early repayment may be received upon the written request of the borrower (see note 14 to the financial statements).
- The Group is principally financed by £128.5m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds (“ORB”). These bonds mature in December 2019 and March 2024. No repayments of capital fall due before the maturity date. The Directors have various options regarding the £48.5m bond redemption in December 2019 including selling all or part of the £50m of March 2024 bonds which are held on the Company’s behalf by Deutsche Bank acting as Security Custodian or arranging alternative financing given the unsecured underlying assets held by the Group and available to provide security.

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.

Notes forming part of the accounts (continued)

3. Significant accounting judgements, estimates and assumptions *continued*

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 £3.2m 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.

Valuation of investment property – the Group has investment property with a fair value of £4.3m (2017: £4.3m) at the balance sheet date. The assumptions underlying the fair value assessment are described in note 12.

Impairment of fixed assets

Short-term operating losses in new schools and losses or reduced profits in recently relocated or otherwise expanded schools and colleges may negatively impact fair value. However, the Group takes a long-term view when making decisions to open new schools or to relocate or otherwise expand existing schools and colleges. A new school typically fills with an annual pupil or student intake at the beginning of each academic year starting with the youngest age group. A school educating pupils aged between 3 and 11, for example, will consequently take at least eight years to fill. The Group consequently prepares financial projections covering periods of up to ten years when considering the value in use of fixed assets which includes making long-term assumptions regarding future pupil and student numbers, annual fee increases and cost inflation. This is longer than the default period of five years detailed in IAS 36.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. A value in use assessment is carried out if it is considered that the fair value of an asset may not support its carrying cost. These value in use assessments are sensitive to three key inputs: discount rate, growth in pupil numbers and increases in school fees.

- Discount rate: the Group has used a post-tax discount rate of 7.3%. An increase of 1% to 8.3% would lead to impairment in one school of £0.3m.
- Growth in pupil numbers: the Group has made assumptions specific to each school on reasonably likely increases in pupil numbers over the forecast period. A decrease in this assumption of 5% would lead to impairment in one school of £0.95m.
- Increase in school fees: the Group has made assumptions specific to each school on reasonably likely annual increases in school fees. A decrease in this assumption of 1% would lead to impairment in one school of £0.85m.

Notes forming part of the accounts (continued)

4. Standards issued but not yet effective

A number of Standards have been issued but are not yet effective up to the date of issuance of the Group's financial statements.

IFRS 9 "Financial Instruments" is mandatory for accounting periods beginning on or after 1 January 2018. The Directors are still assessing the effect of all three aspects of IFRS 9 but do not expect any material impact on the Group's balance sheet and equity.

IFRS 15 "Revenue from Contracts with Customers" will supersede all current revenue recognition requirements for accounting periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group has performed a preliminary assessment of IFRS 15, based on currently available information. Based on this preliminary assessment, the Standard is not currently expected to have any significant impact on the Group's revenue recognition pattern due to the characteristics of the Group's revenue streams.

The Amendment to IAS 40 regarding transfers of investment property is effective for accounting periods beginning on or after 1 January 2018 and clarifies when an entity should transfer property, including property under construction or development, into or out of, investment property.

IFRS 16 "Leases" is effective from 1 January 2019 and specifies how leases should be recognised, presented and disclosed. This will require the recognition of operating lease commitments (see note 21) on balance sheet.

Management does not currently believe that any other new standards will have any significant impact on the financial statements.

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 as analysed below:

	2018	2017
	£000	£000
Tuition fees	86,763	81,066
Accommodation income	11,960	10,117
Other ancilliary fees	5,747	5,086
	104,470	**96,269**

Operating expenses may be analysed as follows:

	2018	2017
	£000	£000
Staff and other direct costs	68,778	61,277
Administrative expenses	33,006	30,000
	101,784	**91,277**

Notes forming part of the accounts (continued)

6. Revenue and operating expenses *continued*

	2018	2017
	£000	£000
Operating expenses include:		
Auditors remuneration – audit of the financial statements	50	35
Auditors remuneration – statutory audits of subsidiaries	70	60
Other fees paid to the auditors	11	69
Cash-settled share-based payment credit	-	(287)
Operating lease expense - land and buildings	16,277	10,466

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

7. Information regarding directors and employees

	2018	2017
	£000	£000
Wages and salaries	38,797	36,402
Social security costs	4,305	3,807
Other pension costs	3,281	2,953
	46,383	**43,162**

The average monthly full time equivalent number of employees during the year was:	Number	Number
Directors	7	7
Head teachers	22	21
Teachers and tutors	742	713
Office administration	130	118
Others	93	80
	994	**939**

	2018	2017
	£000	£000
Directors' emoluments	1,057	762
Directors' pension contributions to money purchase schemes	15	9
Termination benefits	-	333
Share-based payments - amounts paid	120	553
	1,192	**1,657**
Information regarding the highest paid Director is as follows:		
Emoluments	227	749

Four Directors, defined as key management personnel in accordance with IFRS, accrued pension benefits under defined contribution schemes in 2018 (2017: 3).

Notes forming part of the accounts (continued)

7. Information regarding directors and employees *continued*

Two Directors received deferred payments during the year in respect of Awards exercised under the Group's Long Term Incentive Plan in the previous financial year as further described in note 24.

8. Finance costs

	2018	2017
	£000	£000
Interest on 5% secured sterling bonds	4,000	4,000
Interest on 5.75% secured sterling bonds	2,789	2,789
Amortisation of secured sterling bonds issue costs	377	375
Bank interest	102	60
Finance charges payable under finance leases	23	35
Other interest payable	1	-
	7,292	**7,259**

9. Finance income

	2018	2017
	£000	£000
Interest receivable from parent company	3,145	3,557
Bank interest	50	71
Other interest receivable	67	59
Foreign exchange translation differences	23	45
	3,285	**3,732**

Interest receivable from parent company relates to a loan to the ultimate parent undertaking which attracts interest at 7% per annum (see also note 14).

10. Taxation

The major components of the tax expense for the year ended 31 August 2018 were:

	2018	2017
	£000	£000
Current tax:		
Current tax charge	(1)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(3,393)	(642)
Tax expense reported in the statement of comprehensive income	**(3,394)**	**(642)**

Notes forming part of the accounts (continued)

10. Taxation *continued*

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2018 and 2017 is as follows:

	2018	2017
	£000	£000
Loss before tax	**(9,232)**	**(3,045)**
At UK corporation tax rate of 19% (2017: 19.58%)	1,753	596
Movements in recognition of deferred tax assets	(4,356)	(509)
Expenses not deductible	(140)	(104)
Group relief	-	5
Chargeable gain	-	(7)
Derecognition of non-trade loan relationship losses	(232)	(646)
Adjustment in respect of prior year	(323)	-
Other tax adjustments	(96)	23
Tax expense	**(3,394)**	**(642)**

Deferred tax

	Consolidated balance sheet		Consolidated income statement	
	2018	2017	2018	2017
	£000	£000	£000	£000
Accelerated depreciation for tax purposes	1,595	1,527	(68)	444
Unutilised tax losses	3,235	5,291	2,056	2,207
Difference between carrying value of property and tax base cost	(6,005)	(4,968)	1,037	(2,109)
Other timing differences	(232)	136	368	100
	(1,407)	**1,986**		
Deferred tax expense			**3,393**	**642**

Reconciliation of net deferred tax (liabilities)/assets	2018	2017
	£000	£000
Opening balance	1,986	2,628
Tax expense recognised during the period	(3,393)	(642)
Closing balance	**(1,407)**	**1,986**
Reflected in the balance sheet as follows:		
Deferred tax assets	-	1,986
Deferred tax liabilities	(1,407)	-
Net deferred tax (liabilities)/assets	**(1,407)**	**1,986**

Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax *continued*

The Group has tax losses of £1.968m (2017: £4.462m) 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 £335,000 (2017: £848,000) of which £nil (2017: £323,000) has been recognised at 31 August 2018.

The carrying value of properties owned by the Group is £35.3m (2017: £39.7m) higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability of £6.005m (2017: £4.968m) is recognised. This liability may be partly 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. The Finance Act 2017 introduced a restriction whereby the amount of losses that may be offset in this way is now restricted to 50% of available profits in excess of £5m. As a consequence, there has been a significant reduction in the Group's unutilised tax losses deferred tax asset in the current year.

At 31 August 2018, the Group had unrecognised deferred tax assets in respect of tax losses carried forward of £335,000 (2017: £525,000) and depreciation in excess of capital allowances of £1,651,000 (2017: £213,000) 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 Finance Act 2016 reduced the headline rate of corporation tax to 17% from 1 April 2020. The Group's deferred tax assets and liabilities have been recognised at that tax rate.

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 2016	90,272	3,221	22,001	28,894	12,229	156,617
Additions	1,479	180	739	3,894	12,630	18,922
Reclassification	-	9,721	2,492	-	(12,213)	-
Disposals	-	-	-	(35)	-	(35)
At 31 August 2017	91,751	13,122	25,232	32,753	12,646	175,504
Reclassification	-	-	11,224	-	(11,224)	-
Additions	649	26	6,173	6,313	-	13,161
At 31 August 2018	**92,400**	**13,148**	**42,629**	**39,066**	**1,422**	**188,665**
Depreciation and impairment						
At 1 September 2016	4,418	384	7,442	20,220	-	32,464
Depreciation charge for the year	859	261	1,205	3,576	-	5,901
Disposals	-	-	-	(27)	-	(27)
At 31 August 2017	5,277	645	8,647	23,769	-	38,338
Depreciation charge for the year	954	263	2,309	4,385	-	7,911
At 31 August 2018	**6,231**	**908**	**10,956**	**28,154**	**-**	**46,249**
Net book value						
At 31 August 2018	**86,169**	**12,240**	**31,673**	**10,912**	**1,422**	**142,416**
At 31 August 2017	86,474	12,477	16,585	8,984	12,646	137,166

Additions to assets under development in the year ended 31 August 2017 included £3.604m in respect of refurbishment works carried out on the Group's behalf by the landlord of 7 East 96th Street in New York.

Freehold and leasehold land and buildings and assets under development with a carrying value of £107.2m (2017: £107.5m) are subject to a first charge to secure the Company's secured sterling bonds.

Finance leases

The carrying value of plant and equipment held under finance leases at 31 August 2018 was £291,000 (2017: £359,000). The cost of finance leased assets included in additions to fixtures and equipment capitalised during the year was £63,000 (2017: £21,000). The depreciation charge for the year includes £130,000 in respect of leased assets (2017: £128,000).

Notes forming part of the accounts (continued)

12. Investment property

	2018	2017
	£000	£000
Opening balance as at 1 September 2017	4,292	10,892
Transfer from property, plant and equipment	-	-
Sale of investment property	-	(6,600)
Closing balance as at 31 August 2018	**4,292**	**4,292**

Investment property at 31 August 2018 represented a residential property in Hampstead, London NW3. The Directors consider its cost to be a reasonable assessment of fair value, on a vacant possession basis, as at 31 August 2018, with no significant unobservable inputs included in their assessment. During the previous year, the Group sold its investment property in Rossmore Road, London NW1 for £7.45m net of sale costs realising a book profit of £0.85m.

	2018	2017
	£000	£000
Rental income derived from investment properties	32	151
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	-	-
	32	**151**

There are no restrictions in respect of the Group's ability to sell its investment property and the Group has no contractual obligations to develop or maintain its investment property.

13. Intangible assets

	Goodwill	Other	Total
	£000	£000	£000
Cost			
At 1 September 2016 and at 31 August 2017 and 2018	**7,923**	**32**	**7,955**
Provision for impairment			
At 1 September 2016 and at 31 August 2017 and 2018	**5,717**	**-**	**5,717**
Net book value			
At 1 September 2016 and at 31 August 2017 and 2018	**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 2018, £1.808m relates to a portfolio of schools and colleges acquired in 2002. The recoverable value of goodwill is subject to annual impairment review based on the fair value of the Group's business as determined by an external valuer.

Notes forming part of the accounts (continued)

13. Intangible assets *continued*

Key assumptions used in fair value calculations
The key assumptions for the fair value calculations are projected pupil/student numbers and annual fees per pupil/student. The Group prepares financial projections for periods of up to ten years. Earnings beyond this period are extrapolated using a long term growth rate of 2% per annum. These cash flows are discounted at a post-tax rate of 7.3% (2017: 7.3%) per annum.

Sensitivity to changes in assumptions
There are no reasonably possible changes in the assumptions in the fair value calculations that would result in the impairment of goodwill as stated above.

14. Financial assets

	2018	2017
	£000	£000
Loan to parent company	42,067	48,512
Deposits receivable	3,462	5,174
Deferred lease expense	895	953
	46,424	**54,639**
Current	42,067	50,261
Non-current	4,357	4,378
	46,424	**54,639**

As at 31 August 2017, the Company had advanced loans totalling £47,000,000 to the ultimate parent company. The ultimate parent company repaid £6,200,000 of these loans during the year ended 31 August 2018. The outstanding loans of £40,800,000 have a long-stop repayment date of 31 March 2024 but may be repaid at any earlier date by agreement between the parties and consequently they are treated as current assets. The Group continues to evaluate investment projects the financing of which could lead to the repayment of some or all of this loan at short notice although no further repayments had been made as at the date the accounts were approved for issue. Interest of 7% per annum is receivable by the Company in respect of this loan and the figures in the table above include £1,267,000 (2017: £1,512,000) of accrued interest.

Deposits receivable at 31 August 2018 also include £3,074,000 (2017: £3,041,000) representing the fair value of US$5 million 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 leased in New York. Of this $5 million, $2.5 million is repayable to the Group in five annual instalments of $0.5m commencing 1 June 2022 with the balance of $2.5m being repayable at the end of the 20-year lease term.

Deposits receivable also include £388,000 (2017: £384,000) in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in December 2026. A rent deposit of £1,749,000 in respect of premises in Westminster Bridge Road, London SE1 was repaid to the Group in September 2017.

Notes forming part of the accounts (continued)

15. Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	281	415
Other receivables	743	606
Prepayments	3,290	3,521
	4,314	**4,542**

As at 31 August 2018, trade receivables with an initial value of £796,000 (2017: £616,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2016	575
Charge for the year	424
Unused amounts released	(108)
Utilised	(275)
At 31 August 2017	616
Charge for the year	461
Unused amounts released	(256)
Utilised	(25)
At 31 August 2018	**796**

Ageing analysis of trade receivables past due not impaired

	2018	2017
	£000	£000
<30 days	89	215
30-60 days	44	22
60-90 days	65	46
> 90 days	83	132
	281	**415**

All of the amounts disclosed above are considered collectable.

There are no significant concentrations of credit risk in trade and other receivables. Trade and other receivables are non-interest bearing.

Notes forming part of the accounts (continued)

16. Cash and short term deposits

	2018	2017
	£000	£000
Cash at bank and in hand	9,923	6,258

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

17. Loans and borrowings

	2018	2017
	£000	£000
Current loans and borrowings		
5.75% secured sterling bonds	564	564
5% secured sterling bonds	1,666	1,666
Obligations under finance leases	158	150
	2,388	2,380
Non-current loans and borrowings		
5.75% secured sterling bonds	48,192	48,008
5% secured sterling bonds	78,623	78,430
Obligations under finance leases	24	161
	126,839	126,599

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. At the most recent valuation date, 1 March 2018, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £274.5m (1 March 2017: £234.9m) which is 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 is net of unamortised issue costs of £0.308m (2017: £0.492m) which are being amortised over the seven year life of the bonds.

The Company issued £80m 5% secured sterling bonds on 31 March 2016. The current amount shown above of £1.666m represents accrued interest. The non-current amount is net of unamortised issue costs of £1.377m (2017: £1.570m) 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.

Notes forming part of the accounts (continued)

17. Loans and borrowings *continued*

Changes in loans and borrowings are summarised below:

	2017	Cash flows	Non-cash changes: Amortisation of issue costs	Non-cash changes: Other	2018
	£000	£000	£000	£000	£000
Current loans and borrowings					
5.75% secured sterling bonds	564	-	-	-	564
5% secured sterling bonds	1,666	-	-	-	1,666
Obligations under finance leases	150	-	-	8	158
	2,380	**-**	**-**	**8**	**2,388**
Non-current loans and borrowings					
5.75% secured sterling bonds	48,008	-	184	-	48,192
5% secured sterling bonds	78,430	-	193	-	78,623
Obligations under finance leases	161	(129)	-	(8)	24
	126,599	**(129)**	**377**	**(8)**	**126,839**

In addition to the £80m nominal value of issued 5% secured sterling bonds, a further £50m of 5% secured sterling bonds are held on behalf of the Company by Deutsche Bank AG who were appointed as Retained Bond Custodian. Since these bonds have not been issued outside the Group, these are not recognised as a liability as at the year-end.

At 31 August 2018, the Group had £5 million (2017: £5 million) of undrawn committed borrowing facilities.

18. Trade and other payables

	2018	2017
	£000	£000
Current		
Trade payables	889	530
Other payables	13,924	12,356
Social security and other taxes	1,041	1,005
Cash-settled share-based payments	159	137
Accruals	3,755	3,330
Deferred income	35,920	29,395
	55,688	**46,753**
Non-current		
Cash-settled share-based payments	-	159
Other payables	7,511	6,717
	7,511	**6,876**

Notes forming part of the accounts (continued)

18. Trade and other payables *continued*

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.

19. Share capital

	2018	2017
	£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.

20. Related party disclosures

Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated on consolidation and so are not disclosed in this note:

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 at 31 August 2018, the Company had advanced loans totalling £40,800,000 (2017: £47,000,000) to the ultimate parent company. These loans have a nominal repayment date of 31 March 2024 but may be repaid at an earlier date by agreement between the parties. Interest of 7% per annum is receivable by the Company in respect of these loans.

The security portfolio relating to the Group's 5% secured sterling bonds includes two freehold properties that are owned by subsidiary companies of the Group's ultimate parent company.

In April 2018, the Group signed an agreement for lease with DV4 Eadon Co. Limited, a subsidiary of DV4 Limited in respect of premises at Elephant 1, 7 Castle Square, London SE17. On the same date, the Group signed a sub-lease with a third party to operate a crèche in those premises. The rent receivable from the sub-tenant will be the same amount as that payable to DV4 Eadon Co. Limited.

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)

20. Related party disclosures

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:

	2018	2017
	£000	£000
Short-term employment benefits	1,057	762
Employer's national insurance	160	222
Post-employment benefits (including pension contributions)	15	9
Termination benefits	-	333
Share-based payment credit	-	(287)
Share-based payments - amounts paid	120	553
	1,352	**1,592**

As at 31 August 2018, the Directors and their connected parties collectively held £32,000 (2017: £32,000) nominal value of the Company's secured sterling bonds and interest of £2,000 (2017: £2,000) was receivable by them thereon.

21. Commitments and contingencies

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:

	2018		2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	166	158	192	150
After one year but not more than five years	25	24	143	161
Total minimum lease payments	191	182	335	311
Less amounts representing finance charges	(9)		(24)	
Present value of minimum lease payments	182		311	

Notes forming part of the accounts (continued)

21. 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	
	2018	2017
	£000	£000
Not later than one year	16,358	16,262
After one year but not more than five years	65,418	64,705
After five years	250,127	243,384
	331,903	**324,351**

Capital commitments

At 31 August 2018, the Group had committed capital expenditure of £3,420,000 (2017: £933,000) largely relating to the refurbishment of 47 Bryanston Square, London W1.

Contingent liabilities

Six (2017: 7) 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, as at 30 September 2017 (the most recent date for which information is available) in the event of the Group withdrawing from the scheme, an amount of £583,000 (30 September 2016: £802,000) would be payable into this scheme.

22. 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 secured sterling bonds which mature in December 2019 and March 2024. Since the interest rate on these secured bonds is fixed, the Group is not exposed to any significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign current risk primarily relates to the Group's proposed new school in New York. The Group has not hedged its exposure to movement in the US Dollar to Sterling exchange rate.

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 and from the loan advanced to the ultimate parent company.

Notes forming part of the accounts (continued)

22. Financial risk management objectives and policies *continued*

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.

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 2018 and 2017 is the carrying amounts indicated in notes 14,15 and 16 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 17.

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 2018					
5.75% secured sterling bonds	-	2,789	49,895	-	**52,684**
5% secured sterling bonds	2,000	2,000	16,000	84,000	**104,000**
Obligations under finance leases	42	125	25	-	**191**
Trade and other payables	889	13,924	-	-	**14,813**
Total	**2,931**	**18,838**	**65,920**	**84,000**	**171,688**
At 31 August 2017					
5.75% secured sterling bonds	-	2,789	52,684	-	55,473
5% secured sterling bonds	2,000	2,000	16,000	88,000	108,000
Obligations under finance leases	48	144	143	-	335
Trade and other payables	530	12,356	-	-	12,886
Total	2,578	17,289	68,827	88,000	176,694

Notes forming part of the accounts (continued)

22. Financial risk management objectives and policies *continued*

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.

	2018	2017
	£000	£000
5.75% secured sterling bonds	48,756	48,572
5% secured sterling bonds	80,289	80,096
Obligations under finance leases	182	311
Less: cash and short-term deposits	(9,923)	(6,258)
Net debt	119,304	122,721
Equity	15,774	28,513
Total capital	**135,078**	**151,234**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As stated in note 2.3 d), the carrying value of property, plant and equipment is at cost less accumulated depreciation. Total equity as stated above, therefore, excludes any increase in the Group's stated equity were the Group's property assets to be revalued. Note 17 gives details of a valuation performed on 1 March 2018 for testing compliance with terms of the Group's secured sterling bonds. Of this valuation, £231.6m is attributed to assets held by the Group with a carrying value of £107.5 million (note 11). Adjusting for this potential increase in equity would significantly reduce the Group's reported net debt to equity ratio.

Notes forming part of the accounts (continued)

22. Financial risk management objectives and policies *continued*

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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	1,024	1,021	1,024	1,021
Loan to parent company	42,067	48,512	42,067	48,512
Other financial assets	4,357	6,127	4,357	6,127
Cash	9,923	6,258	9,923	6,258
Total	**57,371**	**61,918**	**57,371**	**61,918**
Financial liabilities				
Trade and other payables	14,813	12,886	14,813	12,886
5.75% secured sterling bonds	50,308	51,761	48,756	48,572
5% secured sterling bonds	85,749	86,216	80,289	80,096
Obligations under finance leases	182	311	182	311
Total	**151,052**	**151,174**	**144,040**	**141,865**

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 assets and 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.

23. Pensions and other post-employment benefit plans

At 31 August 2018, the Group had 364 (2017: 337) 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 as at 31 March 2012. This actuarial valuation, however, does not provide sufficient information to enable the Group 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. Estimated employer contributions to this scheme in the year ending 31 August 2019 total £2.75m.

In addition, 6 (2017: 7) 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 2017 (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 £583,000 (30 September 2016: £802,000) would be payable into this scheme. Estimated employer contributions to this scheme in the year ending 31 August 2019 total £30,000.

Notes forming part of the accounts (continued)

24. 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.

As at 1 September 2016, three participants held existing LTIP Awards. One of the Award holders left the Group's employment in October 2016 and received an LTIP cash settlement payment of £393,000 at that time. That holder's remaining Awards consequently lapsed. In May 2017, the Company reached an agreement whereby the two remaining Award holders agreed to waive their existing Awards in exchange for a series of cash payments, the first of which, totalling £160,000, were made in the year to 31 August 2017. Further cash payments totalling £137,000 were made in year ended 31 August 2018 and final payments totalling £159,000 have subsequently been paid. No further LTIP Awards will be made in the future.

The resultant net accounting charge for all LTIP Awards for the current year of £nil (2017: credit of £287,000) has been included within operating expenses in the Group Statement of Comprehensive Income.

In May 2017, the Group established a new Cash Incentive Plan 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 the Group between the date the Award is granted and the date of an Exit event. Awards will automatically lapse if the Award Holder ceases to be employed by the Group.

As at 31 August 2018, seven Awards had been granted with an aggregate value equal to 2.1% of the increase in the enterprise value of the Group. Since the enterprise value of the Group had not increased between the date these Awards were granted and the year-end, no liability has been recognised as at 31 August 2018.

25. Operating cash flow

	2018	2017
	£000	£000
Loss before tax	(9,232)	(3,045)
Adjustments to reconcile loss before tax to cash generated from operations:		
Depreciation of property, plant and equipment	7,911	5,901
Amortisation of deferred rent expense	(305)	(80)
Loss on disposal of fixed assets	-	4
Profit on disposal of asset held for sale	-	(543)
Profit on sale of investment property	-	(852)
Impact of cash-settled share-based payments	-	(287)
Cash-settled share-based payments amounts paid	(137)	(553)
Finance income	(3,285)	(3,732)
Finance costs	7,292	7,259
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	228	(786)
Increase in trade and other payables	10,060	6,229
Cash generated from operations	**12,532**	**9,515**

Alpha Plus Holdings plc

Company Financial Statements

31 August 2018

Company Registration No. 04418776

Company balance sheet

as at 31 August 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Investments	3	24,058	24,058
Current assets			
Debtors	4	175,518	112,824
Cash at bank and in hand		2	-
		175,520	112,824
Creditors: amounts falling due within one year	5	(65,770)	(2,230)
Net current assets		109,750	110,594
Total assets less current liabilities		133,808	134,652
Creditors: amounts falling due after more than one year	6	(126,815)	(126,438)
Net assets		**6,993**	**8,214**
Equity attributable to equity shareholders			
Share capital	7	16	16
Retained reserves		6,977	8,198
Total equity		**6,993**	**8,214**

The financial statements were approved by the Board and authorised for issue on 11 December 2018

M J Sample
Director of Finance

Company statement of changes in equity

for the year ended 31 August 2018

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
As at 1 September 2016	16	8,550	8,566
Loss and total comprehensive deficit for the year	-	(352)	(352)
At 31 August 2017	16	8,198	8,214
Loss and total comprehensive deficit for the year	-	(1,221)	(1,221)
At 31 August 2018	**16**	**6,977**	**6,993**

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 11 December 2018. 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 loss 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 2016, 31 August 2017 and 31 August 2018	**24,058**

Notes forming part of the accounts (continued)

3. Investments *continued*

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%
Alpha Plus Developments Limited	England & Wales	Investment company	100%
Alpha Plus Group LLC	Delaware, USA	Investment company	100%
Alpha Plus (BVI) Limited	British Virgin Islands	Holding company	100%
Alpha Plus Properties Limited	England & Wales	Holding company	100%

Alpha Plus Developments Limited is the limited partner, and holds a 99.99% economic interest, in Alpha Plus US LP, a New York State registered limited partnership formed to own and operate Wetherby-Pembridge School, New York which opened in September 2017.

In addition, as at 31 August 2018, the Company also held indirectly ordinary share capital of the following active companies:

Name of company	Country of registration	Nature of business	Proportion held
10-11 Pembridge Square Limited	England & Wales	Property Investment	100%
18 Pembridge Square Limited	England & Wales	Property Investment	100%
19 Pembridge Villas Limited	England & Wales	Property Investment	100%
1 Arkwright Road Limited	England & Wales	Property Investment	100%
90 Fitzjohns Avenue Limited	England & Wales	Property Investment	100%
62 Dry Hill Road Tonbridge Limited	England & Wales	Property Investment	100%
21 Davenport Road Coventry Limited	England & Wales	Property Investment	100%
2 Burnaby Gardens Limited	England & Wales	Property Investment	100%
41 Kew Foot Road Limited	England & Wales	Property Investment	100%
7 Woodborough Road Limited	England & Wales	Property Investment	100%
11 Woodborough Road Limited	England & Wales	Property Investment	100%
22 Woodborough Road Limited	England & Wales	Property Investment	100%
24 Woodborough Road Limited	England & Wales	Property Investment	100%
Alpha Plus Holdings Asia Limited	Hong Kong	Education	100%

All of the direct and indirect subsidiary companies listed above which are registered in England & Wales have their registered office addresses at 50 Queen Anne Street, London W1G 8HJ.

The registered office address of Alpha Plus Group LLC is Suite 400, 2711 Centerville Road, Wilmington, Delaware 19808, United States of America.

The registered office address of Alpha Plus (BVI) Limited is Craigmuir Chambers, P.O. Box 71,Road Town, Tortola, VG 1110, British Virgin Islands

The registered office of Alpha Plus Holdings Asia Limited is 13/F Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.

Notes forming part of the accounts (continued)

4. Debtors

	2018	2017
	£000	£000
Amount owed by parent undertaking	42,067	48,512
Amounts owed by Group undertakings	133,451	64,312
	175,518	**112,824**

As at 31 August 2018, the Company had advanced loans totalling £40,800,000 (31 August 2017: £47,000,000) to the ultimate parent company. The outstanding loans have a nominal repayment date of 31 March 2024 but may be repaid at an earlier date by agreement between the parties. Interest of 7% per annum is receivable by the Company in respect of these loans. The Group continues to evaluate investment projects the financing of which could which could lead to the repayment of some or all of this loan at short notice although no further repayments had been made as at the date the accounts were approved for issue.

5. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
5.75% secured sterling bonds	564	564
5% secured sterling bonds	1,666	1,666
Amounts owed to other Group undertakings	63,540	-
	65,770	**2,230**

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

	2018	2017
	£000	£000
5.75% secured sterling bonds	48,192	48,008
5% secured sterling bonds	78,623	78,430
	126,815	**126,438**

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. At the most recent valuation date, 1 March 2018, the security portfolio was valued at £274.5m (1 March 2017: £234.9m) which is 2.14 times (1 March 2017: 1.83 times) the principal amount of the bonds in issue.

Notes forming part of the accounts (continued)

6. Creditors: amounts falling due after more than one year *continued*

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 £564,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.307m (2017: £0.492m) which are being amortised over the seven 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. The current amount shown above of £1,666,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £1.377m (2017: £1.570m) which are being amortised over the eight year life of the bonds.

7. Issued share capital

	2018	2017
	£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.

8. Related party disclosures

The Company has taken advantage of the exemption not to disclose transactions with its wholly-owned subsidiaries.

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 7 to the Group financial statements). As at 31 August 2018, the Directors and their connected parties collectively held £32,000 (2017: £32,000) nominal value of the Company's secured sterling bonds and interest was receivable by them thereon.

9. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £3,000 (2017: £3,000).

10. 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.