

Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2019

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
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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

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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 one school, one nursery and 2 colleges, all of the Group's UK schools and colleges are based in Central London. In addition, the Group operates one school in New York.

Review of business and financial performance

As noted in the Group's half year results to 28 February 2019, the expansion programme over recent years is now starting to be reflected in the Group's trading performance.

Group revenue in the year ended 31 August 2019 was 6% higher than in the previous year at £111.0m (2018: £104.5m). 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.

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 refurbishment of 47 Bryanston Square, London W1, adjacent to Wetherby Prep School, has now been completed allowing Wetherby Prep to expand by adding one additional form to each year group.

The Group has also carried out works at Wetherby Senior School which operates over two campuses in Marylebone Lane, and in Manchester Street, London W1. Wetherby Senior School is now into its fifth academic year and has 337 boys on roll. The Group now expects Wetherby Senior School to generate positive EBITDA in 2020-21 as pupil numbers continue to grow.

However, the Group has also seen pupil numbers fall at four of its schools. The Group has responded by reducing fees in two of these schools for 2019-20 and is already seeing an increase in applications as a result. Numbers at Portland Place School have fallen largely due to the decision to phase out the sixth form over the next two years. The Group is now offering Portland Place pupils sixth form places at DLD College as an alternative and a small number chose to transfer to DLD in September 2019 as a result with more expected to do so in September 2020.

Excluding the impact of the first phase of the closure of the sixth form at Portland Place School, overall pupil and students numbers at the beginning of the new 2019-20 academic year were 97 higher than at the start of the 2018-19 academic year with pupil numbers increasing by 20 or more at five of the Group's UK schools as well as at Wetherby-Pembridge School in New York. Furthermore, the Group has seen a record intake of international students into its sixth form colleges this term with more than 500 new international students arriving.

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Strategic Report (continued)

Movement in pupil and student numbers are summarised below:

	number
At 2017/18 academic year-end	4,322
Net movement in student numbers in sixth form colleges	(17)
Net movement in pupil numbers elsewhere	(5)
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At 2018/19 academic year start	4,300
January 2019 student intake at sixth form colleges	33
Net movement during the year	(3)
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At 2018/19 academic year-end	4,330
	<hr/>
Net fall in student numbers in sixth form colleges	(6)
Impact of first phase of closure of 6th form at Portland Place School	(25)
Net increase in pupil numbers in the schools	73
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At 2019/20 academic year start	4,372
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Operating expenses rose by 3% to £104.9m (2018: £101.8m). The increase reflects higher salaries and additional staff recruitment as well as higher premises costs.

Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") increased to £6.1m (2018: £2.7m) as a consequence.

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Strategic Report (continued)

Review of business and financial performance *continued*

The Group views operating losses incurred in the initial years of a new school and the costs of recently created unutilised new capacity within existing schools and colleges as an investment for the future. Since this investment for the future reduces reported EBITDA, the Group considers it appropriate to quantify their impact by separately disclosing underlying EBITDA as follows:

	2019	2018
	£m	£m
Reported EBITDA	6.1	2.7
<i>Costs associated with increasing pupil and student capacity:</i>		
Establishment of Wetherby Senior School	1.4	1.4
Expansion costs at Abbey College Cambridge	0.6	1.2
Establishment of Wetherby-Pembridge, New York	1.2	1.6
Expansion costs at Chepstow House School	-	0.3
Expansion costs at DLD College	-	0.5
Establishment of St Anthony's School for Girls	-	0.1
Relocation of Falcons School for Girls	-	0.2
<i>Non-recurring items</i>		
Internal restructuring costs	-	0.3
Underlying EBITDA	9.3	8.3

The depreciation charge for the year rose to £8.6m (2018: £7.9m) as a consequence of the completion of capital investment projects both in the current year, as noted below, and in the previous year. The Group has also recognised provisions for impairment totalling £3.75m (2018: £nil). A reduction in school fees at Falcons School for Boys Pre-Prep in Chiswick and the phasing out of the sixth form at Portland Place School have reduced the carrying value of those schools and, consequently, impairment provisions of £1.6m have been recognised in each case. An impairment provision of £0.55m has been made in respect of Falcons School for Girls where pupil numbers remain below prior expectations.

Net finance costs were largely unchanged at £4.1m (2018: £4.0m). As a result, the Group has reported a loss before tax of £10.4m (2018: £9.2m).

The tax credit for the year of £0.7m (2018: restated charge of £1.1m), represents a movement in deferred tax which is a non-cash item (further described in note 10 to the accounts).

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Strategic Report (continued)

Cash flow and capital expenditure

The Group's operational businesses generated cash inflows totalling £8.8m (2018: £12.5m) during the year. The reduction in the current year reflects the timing of receipt of school fees and student boarding accommodation charges either side of the year-end date.

Capital expenditure during the year amounted to £12.6m but this included £7.1m in respect of projects to expand Wetherby Prep School into adjacent premises at 47 Bryanston Square, to complete the refurbishment of Wetherby Senior School's campus in Manchester Street, London W1, and to further improve facilities at Wetherby-Pembridge, New York. This expenditure was financed by a £7.0m part repayment of the brought forward £40.8m loan the Company had made to its parent company, DV4 Limited.

The remaining £5.5m of capital expenditure included smaller projects together with purchases of fixtures, furniture and IT equipment across the whole portfolio of schools and colleges. The Group refers to such expenditure as "maintenance" capital expenditure necessary not only to maintain the quality of its facilities but also to make continual improvements and enhancements where considered necessary.

5.75% Secured sterling bond maturity December 2019

The Company has entered into new £48.5m five year term loan agreements with its parent companies. These loans were fully drawn on 4 December 2019 and the funds were then transferred to an account controlled by the bond trustee from which they will be used to fully repay the holders of the Company's £48.5m 5.75% secured sterling bonds on the 18 December 2019 maturity date. The Group estimates that its annual interest cost will fall by approximately £0.7m as a result.

Net assets and valuation of property, plant and equipment

The Group's reported net asset value has fallen significantly in the last few years, primarily as a result of costs incurred in connection with the opening of new schools and the expansion of existing schools and colleges, and now stands at £4.6m. This fall was further exacerbated in the year to 31 August 2019 by the inclusion of the £3.75m impairment charge referred to above.

Reported net asset value, however, does not currently reflect the full value of the Group's assets. The Group's policy is to carry property, plant and equipment at cost less accumulated depreciation. The Group now intends to adopt the revaluation model for the measurement of freehold land and buildings in its accounts for the year ending 31 August 2020. An informal external professional valuation of the Group's freehold operational properties as at 31 August 2019 indicated that a net uplift in book values of £85.9m, less any additional attributable deferred tax provision, would have been recognised at that date had the revaluation model been adopted.

Many of the Group's leasehold properties also form part of the Group's retail bond security portfolios. The annual professional valuation carried out in March 2019 for retail bond security purposes indicates that those leasehold properties have a value some £30m higher than current book value. The Directors also believe that there is additional unrecognised value in the Group's leasehold properties that do not form part of these security portfolios and that the total unrecognised value of the Group's non-current assets consequently exceeds £120m less any related deferred tax provision.

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Strategic Report (continued)

Accounting for leases

The new accounting standard for leases (IFRS 16) applies to the Group's results for the first time in 2019-20 and will result in significant changes to the Group's reported results. Under IFRS 16 lease liabilities calculated on a discounted cash flow basis and corresponding "right-of-use" assets will be recognised on balance sheet. The Group estimates that the aggregate sum of these lease liabilities and right-of-use assets at initial recognition on 1 September 2019 will be approximately £222m.

Rents previously charged to operating expenses will no longer impact the income statement. Instead the right-of-use assets will be subject to an annual depreciation charge and an interest expense will be recognised as the discounted value of the lease liabilities unwinds. Reported EBITDA in 2019-20 is expected to increase by around £17.9m as a consequence of rents being charged against the balance sheet lease liability. The additional depreciation charge in 2019-20 is estimated at £12.7m resulting in a net increase in profit before interest of £5.2m. The additional interest expense in 2019-20 is expected to be around £11.0m resulting in a net decrease in profit before tax of £5.8m. None of these changes will affect the Group's cash flows.

Pensions

Following consultation with all affected employees, the Group withdrew 13 of its schools from active participation in the Teachers' Pension Scheme ("TPS") with effect from 31 August 2019. This was in response to an increase in TPS employer contributions from 16.48% to 23.6% of teachers' salaries effective from 1 September 2019 which would have increased the Group's pension costs by approximately £1.1m per annum.

All current teachers who had been active members of the TPS were enrolled into the Group's Personal Pension Plan ("GPPP"), which already had nearly 600 employee participants including teaching staff at the six UK schools and colleges that did not participate in the TPS. The Group has undertaken to make employer contributions into the GPPP at the same rate as current employer contributions into the TPS (16.48% of salary) for a period of 10 years for these teachers. The Group is appreciative of the pragmatic approach teaching staff and their respective representatives took to the consultation process.

The Group is now looking to further improve pension provision for all employees. An increase in employer contributions to the GPPP, which are already above the level required by auto-enrolment legislation, has been announced to be effective from 1 September 2020. The Group is also introducing a salary exchange scheme for all staff and has committed to give back all of the resultant employer national insurance savings to employees in the form of higher employer pension contributions.

Future developments

As a consequence of the significant expansion programme undertaken by the Group in recent years, the Board now anticipates continuing EBITDA growth in the forthcoming years. Notwithstanding the uncertain current economic environment, current expectations are that total pupil and student numbers will continue to increase in the coming years.

The Group currently has no ongoing major capital expenditure projects and, in the absence of such, expects ongoing "maintenance" capital expenditure and net interest costs to be covered by cash generated from operations in the year ending 31 August 2020.

Whilst the Group's primary focus is on improving the trading performance of its existing schools and colleges, the Group does continue to look for opportunities to further expand its school and college portfolio both in the UK and overseas.

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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. 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. In addition, the Group could become exposed to political risks arising from changes in government policy which impact the regulation and taxation of independent schools.

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



J C Norton

Secretary

16 December 2019

Alpha Plus Holdings plc

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Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2019.

Directors

The Directors who served during the year were:

Sir John Ritblat	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
T H P Haynes	Director of Senior Schools (appointed October 2018)
E M Francis	Director of Education
P D Brereton	Director of HR
R Proscia	Director of Sales and Marketing
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Directors' interests

As at 31 August 2019, the Directors, and their connected parties, collectively held £20,000 (2018: £20,000) nominal value of the Company's 5.75% December 2019 secured sterling bonds and £12,000 (2018: £12,000) nominal value of the Company's 5% March 2024 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, Mr G G Able 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.

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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 is principally financed by £128.5m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds (“ORB”), £48.5m of which mature on 18 December 2019 with the balance of £80m maturing in March 2024. On 4 December 2019, the Group entered into new £48.5m five year term loan facilities with its parent companies and immediately fully drew down on these facilities. The full £48.5m together with accrued interest has been deposited with the bond trustee in advance of the maturity date. No other repayments of capital fall due before the £80m bond maturity date in 2024.
- The Group held £8.9m of cash at 31 August 2019. Although the Group had net current liabilities of £11.4m excluding the December 2019 maturing bonds referred to above, current liabilities included £38.4m of deferred income that will not be settled in cash.
- At 31 August 2019, the Group had loaned £33.8m to the ultimate parent company. Although repayment is not due until March 2024, the ultimate parent company has agreed to repay these amounts upon receipt of a request from the Company (see note 14 to the financial statements) and provide further financial support if required.

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.

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Directors Report (continued)

Staff policies *continued*

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.

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 £18,000 (2018: £7,000) during the year. This included £12,000 (2018: £nil) to support the work of United World Schools in Cambodia.

Beyond this, the Group works with its schools, alumni, parents and other members of the community to facilitate fundraising for a large number of charities ranging from local community charities to those providing bursarial support. In the year to 31 August 2019, nearly £500,000 was raised in gifts and pledges for these charities from the Alpha Plus "family".

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Directors Report (continued)

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.

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



J C Norton

Secretary

16 December 2019

Alpha Plus Holdings plc

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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 2019 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 2019	Company Balance sheet as at 31 August 2019
Group statement of comprehensive income for the year then ended	
Group statement of changes in equity for the year then ended	Company statement of changes in equity for the year then ended
Group statement of cash flows for the year then ended	
Related notes 1 to 26 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 11 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.

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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	<ul style="list-style-type: none">• Revenue recognition• Assessment of carrying value of property, plant and equipment
Audit scope	<ul style="list-style-type: none">• 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 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 (2018: 100% of EBITDA, 100% of revenue, 100% of loss before tax and 100% of total assets).
Materiality	<ul style="list-style-type: none">• Overall group materiality of £92,000 which represents 2% of Net Assets (2018: £383,000 which represents 2% of Net Assets).

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 2019: £111.0m (2018: £104.5m) <i>Refer to Accounting policies (page 28 and 33); and Note 6 of the Consolidated Financial Statements (page 34)</i>	We performed the following procedures over revenue recognition: <ul style="list-style-type: none">- Analytical procedures were performed, which included setting expectations of revenue to be recognised and comparing it with actual revenue recognised. These procedures were	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.

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<p>The Group has two primary revenue streams, schools and college fee income and accommodation income. The other income is mainly comprised of rental income.</p> <p>Auditing standards include a presumption that risks of material misstatement due to fraud exist in revenue recognition.</p> <p>For schools and college fee and accommodation income, we consider whether income is overstated through recording revenue from fictitious pupils, or bringing forward future income, thereby recognising revenue in the wrong period.</p>	<p>performed in relation to revenue from schools and college fee income and accommodation income. We investigated any material variances in revenue per our expectations and actual results.</p> <ul style="list-style-type: none">- 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.- We checked the deferred income as at the year-end by agreeing the amounts deferred to the supporting documents.- 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.- For rental income we obtained Management's calculation for income recognised and agreed the main terms to underlying leases.	
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<p>Assessment of carrying value of property, plant and equipment</p> <p>2019: £142.6m (2018: £142.4m)</p> <p><i>Refer to the Accounting policies (page 29,32 and 33); and Note 11 of the Consolidated Financial Statements (pages 39 and 40)</i></p> <p>In accordance with IFRS, the carrying value and useful life of property, plant and equipment is assessed on an annual basis for indicators of impairment. Where indicators of impairment are identified management determines the recoverable amount of these assets by assessing their value in use.</p> <p>There is therefore judgement involved in identifying indicators of impairment and assessing value in use which creates a risk that:</p> <ul style="list-style-type: none"> - Management may not identify indicators of impairment when they actually exist; and - Management may not assess the recoverable amount of an asset accurately, resulting in no recognition of impairment when it actually exists. <p>The latter point also brings with it the risk that judgements are made by management in order to meet stakeholder expectations or to meet current or future targets.</p>	<p>We performed the following procedures over the carrying value of property, plant and equipment:</p> <ul style="list-style-type: none"> - Identified under-performing schools based on the EBITDA and other factors and challenged management as to whether their assessment for value in use appropriately reflects the actual performance for those schools. - Engaged EY Chartered Valuation Specialist to evaluate the operating asset valuation provided by the Group's valuation experts, which is considered in assessing for impairment indicators. - Engaged EY Business Valuation specialist to assess the appropriateness of the valuation model and discount rate used by management in their value in use calculations for individual schools that show indications of impairment. They assessed whether these were appropriate and corroborated the assumptions used by management with market evidence where available. - Re-performed the impairment analysis prepared by management for individual cash generating units to test the integrity of the calculations. - Challenged key assumptions used in the value in use calculations which supports the net realisable value, including assessing whether plans to increase the number of students and increase cash inflows in the future were consistent with our understanding of the 	<p>We have audited the assessment carried out by management to identify schools and college property, plant and equipment with impairment indicators. For those schools with impairment indicators, we have assessed the inputs, assumptions and methodology used by management to compute the value in use.</p> <p>EY Business Valuation specialists supported us in assessing the appropriateness of the models and inputs used to compute the value in use of the schools. Where the carrying values were outside the acceptable range assessed by our specialists, an impairment has been discussed with management.</p> <p>EY Chartered Surveyors supported us in assessing the fair value of the properties held by each school.</p> <p>We conclude that the impairment charge of £ 3.75m relating to three schools and the carrying value of property, plant and equipment at 31 August 2019 is appropriate.</p>
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	<p>school and college from information gained elsewhere in the audit.</p> <ul style="list-style-type: none">- Applied sensitivities to the assumptions made by management in value in use calculations including to pupil numbers, fee income, expenses and the discount rate used and evaluate whether there is sufficient headroom in the forecasts to support the carrying value of the balance.- We held discussions with the Chief Executive Officer and Director of Finance to understand future plans for the school and discuss our observations from the work performed including site visits.	
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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.

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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 (2018: 2% Net Assets)	£92,000 (2018: £383,000)	£46,000 (2018: £192,000)	£4,600 (2018: £19,000)

We have used net assets (2018: net assets) as our basis for materiality to reflect the considerations of the main users of the financial statements.

During the course of our audit, we reassessed initial materiality and changed materiality due to the adjustments to net assets from restatement of deferred tax balances and impairment recorded in property, plant and equipment.

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% (2018: 50%) of our planning materiality, namely £46,000 (2018: £192,000). 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 £4,600 (2018: £19,000), 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 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.

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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, 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 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 13, 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.

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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 processes
- 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 2019 and subsequent financial periods.
- ▶ The period of total uninterrupted engagement including previous renewals and reappointments is 12 years, covering the years ending 31 August 2008 to 31 August 2019.
- ▶ 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.

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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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 December 2019

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.

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Group statement of comprehensive income

for the year ended 31 August 2019

		2019	2018
			restated *
	Notes	£000	£000
Revenue	6	111,038	104,470
Operating expenses	6	(104,918)	(101,784)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		6,120	2,686
Depreciation	11	(8,639)	(7,911)
Impairment of property, plant and equipment	11	(3,750)	-
Loss before interest and tax		(6,269)	(5,225)
Finance costs	8	(7,260)	(7,292)
Finance income	9	3,135	3,285
Loss before tax		(10,394)	(9,232)
Tax credit / (expense)	10	650	(1,062)
Loss for the year		(9,744)	(10,294)
Other comprehensive deficit			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		(199)	(113)
Total comprehensive deficit for the year		(9,943)	(10,407)

* restated for amendments to deferred tax accounting as explained in note 2.1

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Group balance sheet

as at 31 August 2019

		2019	2018	As at 1
			restated *	Sept 2017
				restated *
	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	11	142,620	142,416	137,166
Investment property	12	4,292	4,292	4,292
Intangible assets	13	2,238	2,238	2,238
Financial assets	14	4,632	4,357	4,378
		<u>153,782</u>	<u>153,303</u>	<u>148,074</u>
Current assets				
Trade and other receivables	15	6,057	4,314	4,542
Financial assets	14	34,790	42,067	50,261
Cash	16	8,926	9,923	6,258
		<u>49,773</u>	<u>56,304</u>	<u>61,061</u>
Total assets		<u>203,555</u>	<u>209,607</u>	<u>209,135</u>
Current liabilities				
Trade and other payables	18	59,491	55,688	46,753
Loans and borrowings	17	50,659	2,388	2,380
		<u>110,150</u>	<u>58,076</u>	<u>49,133</u>
Non-current liabilities				
Trade and other payables	18	7,965	7,511	6,876
Loans and borrowings	17	78,853	126,839	126,599
Deferred tax liabilities	10	1,963	2,614	1,553
		<u>88,781</u>	<u>136,964</u>	<u>135,028</u>
Total liabilities		<u>198,931</u>	<u>195,040</u>	<u>184,161</u>
Net assets		<u>4,624</u>	<u>14,567</u>	<u>24,974</u>
Equity attributable to equity shareholders				
Share capital	19	16	16	16
Foreign currency translation reserve		(300)	(101)	12
Retained earnings		4,908	14,652	24,946
Total equity		<u>4,624</u>	<u>14,567</u>	<u>24,974</u>

* restated for amendments to deferred tax accounting as explained in note 2.1

The financial statements were approved by the Board and authorised for issue on 16 December 2019.



M J Sample
Director of Finance

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Group statement of changes in equity

for the year ended 31 August 2019

	Issued capital	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
As at 1 September 2017 as reported	16	12	28,485	28,513
Prior year adjustment (note 2.1)	-	-	(3,539)	(3,539)
As at 1 September 2017 restated *	16	12	24,946	24,974
Loss for the year restated *	-	-	(10,294)	(10,294)
Other comprehensive deficit	-	(113)	-	(113)
At 31 August 2018 restated *	16	(101)	14,652	14,567
Loss for the year	-	-	(9,744)	(9,744)
Other comprehensive deficit	-	(199)	-	(199)
At 31 August 2019	16	(300)	4,908	4,624

* restated for amendments to deferred tax accounting as explained in note 2.1

Alpha Plus Holdings plc

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Group statement of cash flows

for the year ended 31 August 2019

		2019	2018
	Notes	£000	£000
Cash generated from operations	25	8,793	12,532
Deposits received / (paid) on operating leases		-	1,749
Net cash inflow from operating activities		8,793	14,281
Investing activities			
Additions of property, plant and equipment		(12,593)	(13,161)
Net cash outflow from investing activities		(12,593)	(13,161)
Financing activities			
Interest received		2,823	3,447
Interest paid		(6,883)	(6,915)
Income tax paid		(1)	(1)
Loan repaid by parent undertaking		7,000	6,200
Payment of finance lease liabilities		(92)	(129)
Net cash inflow from financing activities		2,847	2,602
Net (decrease) / increase in cash and cash equivalents		(953)	3,722
Exchange differences		(44)	(57)
Cash and cash equivalents at 1 September		9,923	6,258
Cash and cash equivalents at 31 August	16	8,926	9,923

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

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 2019 were authorised for issue in accordance with a resolution of the Directors on 16 December 2019. 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 save for as follows:

Prior year adjustment

During the year, the Company was advised that, as a consequence of changes in tax legislation which came into force in 2017, tax losses previously understood to be claimable from the immediate parent undertaking to set off against potential capital gains arising on a future disposal of the Group's freehold properties would no longer be available as further described in note 10.

Each of the affected financial statement line items for the prior years have been restated accordingly, as follows:

Impact on equity	31 August 2018	1 September 2017
	£000	£000
Deferred tax assets	-	(1,986)
Total assets	-	(1,986)
Deferred tax liabilities	(1,207)	(1,553)
Total liabilities	(1,207)	(1,553)
Net decrease in equity	(1,207)	(3,539)
Impact on income statement	31 August 2018	
	£000	
Loss before tax	-	
Tax credit / (expense)	2,332	
Net decrease in loss for the year	2,332	
Attributable to equity shareholders	2,332	

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Notes forming part of the accounts

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 2019.

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 *continued*

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.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continued*

e) 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.

f) 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. The Group will adopt IFRS 16 in the year ending 31 August 2020 and further details are given in note 4.

g) Financial instruments

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income (OCI). This classification depends on the asset's contractual cash flows characteristics and the Group's business model for managing them. Amortised cost is the category most applicable to the Group and is used if the business objective is to hold the asset to collect contractual cash flows and the respective contractual terms provide specified dates for the payment of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment

The Group recognises an allowance for expected credit losses for financial assets held at amortised cost based on the difference between the contractual cash flows and the cash flows that the Group expects to receive incorporating forward-looking information where available and relevant.

The Group's financial assets at amortised cost include trade receivables, rent deposits and a loan to the ultimate parent company.

Financial liabilities

Financial liabilities are classified at initial recognition at fair value through profit or loss, loans and borrowings or as payables. The Group's financial liabilities include trade and other payables as well as loans and borrowings including bank overdrafts. These are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continued*

h) 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.

i) Pensions

A significant number of the Group's employees are now deferred 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).

j) 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.

k) Share-based payments

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.

l) 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 is principally financed by £128.5m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB"), £48.5m of which mature on 18 December 2019 with the balance of £80m maturing in March 2024. On 4 December 2019, the Group entered into new £48.5m five year term loan facilities with its parent companies and immediately fully drew down on these facilities. The full £48.5m together with accrued interest has been deposited with the bond trustee in advance of the maturity date. No other repayments of capital fall due before the £80m bond maturity date in 2024.
- The Group held £8.9m of cash at 31 August 2019. Although the Group had net current liabilities of £11.4m excluding the December 2019 maturing bonds referred to above, current liabilities included £38.4m of deferred income that will not be settled in cash.
- At 31 August 2019, the Group had loaned £33.8m to the ultimate parent company. Although repayment is not due until March 2024, the ultimate parent company has agreed to repay these amounts upon receipt of a request from the Company (see note 14 to the financial statements) and provide further financial support if required.

Notes forming part of the accounts (continued)

2.4 Going concern *continued*

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.

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 and liabilities - 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. 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 £0.8m deferred tax asset in this regard.

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. The fair value reflects a capital value of £966 per square foot. A 3% increase or decrease would result in a £0.1m increase or decrease in the value of this property.

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.

Notes forming part of the accounts (continued)

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

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.

4.1 New standards and interpretations

The Group has applied IFRS 9 and IFRS 15 for the first time

IFRS 9 Financial instruments

IFRS 9 replaced IAS 39 *Financial instruments: Recognition and measurement* for accounting periods beginning on or after 1 January 2018. Under IFRS 9, debt instruments are measured at fair value through profit or loss, amortised cost or fair value through OCI. IFRS 9 also requires a forward-looking expected credit loss approach to be taken when considering accounting for impairment losses. The Group has determined that, at the date of initial application of 1 September 2018, its debt instruments should be measured at amortised cost. No material changes to the Group's reported accounts have arisen as a result of the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaced IAS 11 *Construction contracts*, IAS 18 and related interpretations and it applies to all revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing services to a customer. No material changes to the Group's reported accounts have arisen as a result of the application of IFRS 9.

4.2 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 16 "Leases" is effective from 1 January 2019 and specifies how leases should be recognised, presented and disclosed. The new Group intends to adopt IFRS 16 on a modified retrospective basis which means that prior year figures will not be restated. Under IFRS 16 lease liabilities calculated on a discounted cash flow basis and corresponding "right-of-use" assets will be recognised on balance sheet. The Group estimates that the aggregate sum of these lease liabilities and right-of-use assets at initial recognition on 1 September 2019 will be approximately £222m.

Rents previously charged to operating expenses will no longer impact the income statement. Instead the right-of-use assets will be subject to an annual depreciation charge and an interest expense will be recognised as the discounted value of the lease liabilities unwinds. Reported EBITDA in 2019-20 is expected to increase by around £17.9m as a consequence of rents being charged against the balance sheet lease liability. The additional depreciation charge in 2019-20 is estimated at £12.7m resulting in a net increase in profit before interest of £5.2m. The additional interest expense in 2019-20 is expected to be around £11.0m resulting in a net decrease in profit before tax of £5.8m. None of these changes will affect the Group's cash flows.

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.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

6. Revenue and operating expenses

Revenue, all of which derives from continuing operations, relates to the provision of educational services as analysed below:

	2019	2018
	£000	£000
Tuition fees	90,906	86,763
Accommodation income	14,693	11,960
Other ancillary fees	5,439	5,747
	111,038	104,470

Operating expenses may be analysed as follows:

	2019	2018
	£000	£000
Staff and other direct costs	62,168	68,778
Administrative expenses	42,750	33,006
	104,918	101,784

	2019	2018
	£000	£000
<i>Operating expenses include:</i>		
Auditors remuneration – audit of the financial statements	70	50
Auditors remuneration – statutory audits of subsidiaries	105	70
Other fees paid to the auditors	11	11
Operating lease expense - land and buildings	17,624	16,277

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

7. Information regarding directors and employees

	2019	2018
	£000	£000
Wages and salaries	40,996	38,797
Social security costs	4,482	4,305
Other pension costs	3,545	3,281
	49,023	46,383

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

7. Information regarding directors and employees *continued*

The average monthly full time equivalent number of employees during the year was:

	Number	Number
Directors	9	7
Head teachers	20	22
Teachers and tutors	763	742
Office administration	143	130
Others	92	93
	1,027	994

	2019	2018
	£000	£000
Directors' emoluments	1,302	1,057
Directors' pension contributions to money purchase schemes	26	15
Share-based payments - amounts paid	140	120
	1,468	1,192

Information regarding the highest paid Director is as follows:

Emoluments	255	227
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Four Directors, defined as key management personnel in accordance with IFRS, accrued pension benefits under defined contribution schemes in 2018 (2017: 3).

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

	2019	2018
	£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	377
Bank interest	79	102
Finance charges payable under finance leases	14	23
Other interest payable	1	1
	7,260	7,292

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

9. Finance income

	2019	2018
	£000	£000
Interest receivable from parent company	2,492	3,145
Bank interest	162	50
Other interest receivable	65	67
Foreign exchange translation differences	416	23
	3,135	3,285

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 2019 were:

	2019	2018
	£000	restated £000
Current tax:		
Current tax charge	(1)	(1)
Deferred tax:		
Relating to origination and reversal of temporary differences	651	(1,061)
Tax credit / (expense) reported in the statement of comprehensive income	650	(1,062)

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2019 and 2018 is as follows:

	2019	2018
	£000	restated £000
Loss before tax	(10,394)	(9,232)
At UK corporation tax rate of 19% (2018: 19.58%)	1,974	1,754
Movements in recognition of deferred tax assets	(124)	(232)
Expenses not deductible	(916)	(78)
Other tax adjustments	(284)	(2,506)
Tax credit / (expense)	650	(1,062)

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

	Consolidated balance sheet		Consolidated income statement	
	2019	2018 restated	2019	2018 restated
	£000	£000	£000	£000
Accelerated depreciation for tax purposes	1,502	1,595	93	64
Unutilised tax losses	750	754	4	327
Difference between carrying value of property and tax base cost	(4,298)	(4,731)	(433)	438
Other timing differences	83	(232)	(315)	232
	(1,963)	(2,614)		
Deferred tax (credit) / expense			(651)	1,061

Reconciliation of net deferred tax liabilities

	2019	2018 restated
	£000	£000
Opening balance	(2,614)	(1,553)
Tax credit / (expense) recognised during the period	651	(1,061)
Closing balance	(1,963)	(2,614)

Reflected in the balance sheet as follows:

Deferred tax assets	1,585	3,391
Deferred tax liabilities	(3,548)	(6,005)
Net deferred tax liabilities	(1,963)	(2,614)

As a consequence of anti-hybrid regulations in Chapter 9 Part 6A of the Taxation (international and Other Provisions) Act 2010 which came into force in 2017, tax losses previously understood to be claimable from the immediate parent undertaking to set off against potential capital gains arising on a future disposal of the Group's freehold properties are no longer available. Prior year reported tax and deferred tax figures have been restated accordingly. An additional net deferred tax liability of £3.539m as at 1 September 2017 has now been recognised and, consequently, the brought forward net deferred tax asset of £1.986m at 1 September 2017 as previously reported has been replaced with a deferred tax asset of £3.415m and a deferred tax liability of £4.968m as at that date.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

The carrying value of properties owned by the Group is £33.3m (2018: £35.3m) higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability, net of losses available to be set-off, of £3.548m (2018: £3.977m as restated) is recognised.

In addition, at 31 August 2019, the Group had tax losses of £4.409m (2018: £4.437m as restated) 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 £750,000 (2018: £754,000 as restated) all of which have been recognised.

At 31 August 2019, the Group had unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £810,000 (2018: £1,654,000) 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.

Alpha Plus Holdings plc

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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 2017	91,751	13,122	25,232	32,753	12,646	175,504
Additions	649	26	6,173	6,313	-	13,161
Reclassification	-	-	11,224	-	(11,224)	-
At 31 August 2018	92,400	13,148	42,629	39,066	1,422	188,665
Additions	1,378	-	3,391	3,395	4,429	12,593
Reclassification	-	-	5,851	-	(5,851)	-
At 31 August 2019	93,778	13,148	51,871	42,461	-	201,258
Depreciation and impairment						
At 1 September 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
Depreciation charge for the year	1,056	263	2,462	4,858	-	8,639
Impairment	2,150	-	1,600	-	-	3,750
At 31 August 2019	9,437	1,171	15,018	33,012	-	58,638
Net book value						
At 31 August 2019	84,341	11,977	36,853	9,449	-	142,620
At 31 August 2018	86,169	12,240	31,673	10,912	1,422	142,416

Reclassified assets under development in the year to 31 August 2019 relate to refurbishment works at 47 Bryanston Square, London W1 which completed during the year.

Freehold and leasehold land and buildings with a carrying value of £118.0m (2018: £107.2m) 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 2019 was £270,000 (2018: £291,000). The cost of finance leased assets included in additions to fixtures and equipment capitalised during the year was £89,000 (2018: £63,000). The depreciation charge for the year includes £110,000 in respect of leased assets (2018: £130,000).

Notes forming part of the accounts (continued)

11. Property, plant and equipment *continued*

Impairment

For the purpose of impairment testing, each of the Group's schools and colleges is treated as a cash generating unit. In accordance with IAS 36 *Impairment of assets*, an impairment provision is recognised if carrying value is higher than recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

Key assumptions used in fair value calculations

The key assumptions for the Group's value in use calculations are projected pupil/student numbers, annual fees per pupil/student and weighted average cost of capital (WACC). 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 with a terminal year multiple of 11 then applied. These cash flows are then discounted at a pre-tax rate of 12.2% (2018: 8.8%) per annum which represents the Group's WACC.

These value in use calculations have identified three schools where the carrying value was higher than the recoverable amount. These schools are:

- Falcons School for Boys Pre-Prep – the Group announced a 12% average reduction in the school fees for the 2019-20 academic year which has reduced the previously assessed value in use. A £1.6m impairment provision has been recognised accordingly.
- Portland Place School – in 2018 the Group announced the phasing out of the schools sixth form over a two year period with the additional space created being utilised to enhance the school's facilities. The resultant reduction in capacity has led to a reduction in previously assessed value in use and a £1.6m impairment provision has consequently been recognised.
- Pupil numbers have not grown as previously projected at Falcons School for Girls and, consequently a £0.55m impairment provision has been recognised.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

12. Investment property

	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
At 1 September 2017, 31 August 2018 and at 31 August 2019	<u>4,292</u>	<u>4,292</u>

Investment property at 31 August 2019 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 2019, with no significant unobservable inputs included in their assessment.

	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Rental income derived from investment properties	42	32
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	-	-
	<u>42</u>	<u>32</u>

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

	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost			
At 1 September 2017 and at 31 August 2018 and 2019	<u>7,923</u>	<u>32</u>	<u>7,955</u>
Provision for impairment			
At 1 September 2017 and at 31 August 2018 and 2019	<u>5,717</u>	<u>-</u>	<u>5,717</u>
Net book value			
At 1 September 2017 and at 31 August 2018 and 2019	<u>2,206</u>	<u>32</u>	<u>2,238</u>

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 2019, £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.

Alpha Plus Holdings plc

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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, annual fees per pupil/student and weighted average cost of capital (WACC). 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 with a terminal year multiple of 11 then applied. These cash flows are discounted at a pre-tax rate of 12.2% (2018: 8.8%) per annum which represents the Group's WACC.

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

	2019	2018
	£000	£000
Loan to parent company	34,790	42,067
Deposits receivable	3,732	3,462
Deferred lease expense	900	895
	39,422	46,424
Current	34,790	42,067
Non-current	4,632	4,357
	39,422	46,424

As at 31 August 2018, the Company had advanced loans totalling £40,800,000 to the ultimate parent company. The ultimate parent company repaid £7,000,000 of these loans during the year ended 31 August 2019. The outstanding loans of £33,800,000 have a long-stop repayment date of 31 March 2024. The ultimate parent company has agreed to repay these amounts upon receipt of a request from the Company and the balance has, therefore, been presented as a current asset. Interest of 7% per annum is receivable by the Company in respect of this loan and the figures in the table above include £990,000 (2018: £1,267,000) of accrued interest.

Deposits receivable at 31 August 2019 also include £3,340,000 (2018: £3,074,000) 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 £392,000 (2018: £388,000) in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in December 2026.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

15. Trade and other receivables

	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Trade receivables	452	281
Other receivables	1,135	743
Prepayments	4,470	3,290
	<u>6,057</u>	<u>4,314</u>

All of the amounts disclosed above are considered collectable.

As at 31 August 2019, trade receivables with an initial value of £755,000 (2018: £796,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2017	616
Charge for the year	461
Unused amounts released	(256)
Utilised	<u>(25)</u>
At 31 August 2018	796
Charge for the year	358
Unused amounts released	(239)
Utilised	<u>(160)</u>
At 31 August 2019	<u>755</u>

Significant changes in the balances of trade receivables are disclosed above while the information about the credit exposures are disclosed in Note 22.

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

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

16. Cash and short term deposits

	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Cash at bank and in hand	<u>8,926</u>	<u>9,923</u>

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

17. Loans and borrowings

	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Current loans and borrowings		
5.75% secured sterling bonds	48,940	564
5% secured sterling bonds	1,666	1,666
Obligations under finance leases	53	158
	<u>50,659</u>	<u>2,388</u>
Non-current loans and borrowings		
5.75% secured sterling bonds	-	48,192
5% secured sterling bonds	78,816	78,623
Obligations under finance leases	37	24
	<u>78,853</u>	<u>126,839</u>

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 2019, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £280.4m (1 March 2018: £274.5m) which is 2.18 times (1 March 2018: 2.14 times) the principal amount of the bonds in issue (note 22).

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 £48.940m includes accrued interest of £0.564m and is after deducting unamortised issue costs of £0.124m (2018: £0.308m) 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 £1.184m (2018: £1.377m) 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.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

17. Loans and borrowings *continued*

Changes in loans and borrowings are summarised below:

	2018	Cash flows	Non-cash changes		2019
			Amortisation of issue costs	Other	
	£000	£000	£000	£000	£000
Current loans and borrowings					
5.75% secured sterling bonds	564	-	-	48,376	48,940
5% secured sterling bonds	1,666	-	-	-	1,666
Obligations under finance leases	158	(68)	-	-	90
	2,388	(68)	-	48,376	50,696
Non-current loans and borrowings					
5.75% secured sterling bonds	48,192	-	184	(48,376)	-
5% secured sterling bonds	78,623	-	193	-	78,816
Obligations under finance leases	24	(24)	-	-	-
	126,839	(24)	377	(48,376)	78,816

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 2019, the Group had £5 million (2018: £5 million) of undrawn committed borrowing facilities.

Since the year-end, the ultimate parent company has advanced £48.5m to the Company to facilitate the redemption of the 5.75% secured sterling bonds which mature on 18 December 2019.

18. Trade and other payables

	2019	2018
	£000	£000
Current		
Trade payables	2,157	889
Other payables	14,471	13,924
Social security and other taxes	1,150	1,041
Cash-settled share-based payments	-	159
Accruals	3,349	3,755
Deferred income	38,364	35,920
	59,491	55,688
Non-current		
Other payables	7,965	7,511

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Notes forming part of the accounts (continued)

18. Trade and other payables *continued*

The deferred income balance at 31 August 2018 was all credited to revenue in the year to 31 August 2019. Deferred income as at 31 August 2019 will be credited to revenue in 2019-20.

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

	2019	2018
	£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	-	-
	<u>16</u>	<u>16</u>

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 2019, the Company had advanced loans totalling £33,800,000 (2018: £40,800,000) to the ultimate parent company. These loans have a long-stop repayment date of 31 March 2024 but the parent company has agreed to repay these amounts upon receipt of a request from the Company. 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 2019, the Group signed a 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 annual rent of £96,000 receivable from the sub-tenant is 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.

Alpha Plus Holdings plc

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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:

	2019	2018
	£000	£000
Short-term employment benefits	1,302	1,057
Post-employment benefits (including pension contributions)	26	15
Share-based payments - amounts paid	140	120
Employer's national insurance	186	160
	1,654	1,352

As at 31 August 2019, the Directors and their connected parties collectively held £32,000 (2018: £32,000) nominal value of the Company's secured sterling bonds and interest of £2,000 (2018: £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:

	2019		2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	58	53	166	158
After one year but not more than five years	38	37	25	24
Total minimum lease payments	96	90	191	182
Less amounts representing finance charges	(6)		(9)	
Present value of minimum lease payments	90		182	

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

21. Commitments and contingencies *continued*

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	
	2019	2018
	£000	£000
Not later than one year	18,068	16,358
After one year but not more than five years	73,099	65,418
After five years	240,285	250,127
	331,452	331,903

Where a lease includes a tenant break option, the Group has assumed it will not exercise this option in presenting the future minimum rentals payable. This approach is consistent with the requirements of IFRS 16 which the Group will adopt in 2019-20.

Capital commitments

At 31 August 2019, the Group had committed capital expenditure of £nil (2018: £3,420,000). The 2018 comparative largely related to the refurbishment of 47 Bryanston Square, London W1.

Contingent liabilities

Five (2018: 6) 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 2018 (the most recent date for which information is available) in the event of the Group withdrawing from the scheme, an amount of £478,000 (30 September 2017: £583,000) 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.

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

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 2019 and 2018 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 2019					
5.75% secured sterling bonds	-	49,895	-	-	49,895
5% secured sterling bonds	2,000	2,000	96,000	-	100,000
Obligations under finance leases	15	44	38	-	96
Trade and other payables	1,797	14,471	-	-	16,268
Total	3,812	66,409	96,038	-	166,259
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	41	125	25	-	191
Trade and other payables	889	13,924	-	-	14,813
Total	2,930	18,838	65,920	84,000	171,688

Alpha Plus Holdings plc

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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.

	2019	2018
	£000	£000
5.75% secured sterling bonds	48,940	48,756
5% secured sterling bonds	80,482	80,289
Obligations under finance leases	90	182
Less: cash and short-term deposits	(8,926)	(9,923)
Net debt	<u>120,586</u>	<u>119,304</u>
Equity	<u>5,242</u>	<u>14,567</u>
Total capital	<u>125,828</u>	<u>133,871</u>

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 2019 for testing compliance with terms of the Group's secured sterling bonds. Of this valuation, £237.9m is attributed to assets held by the Group with a carrying value of £118.0 million (note 11). Adjusting for this potential increase in equity would significantly reduce the Group's reported net debt to equity ratio.

Alpha Plus Holdings plc

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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	
	2019	2018	2019	2018
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	1,587	1,024	1,587	1,024
Loan to parent company	34,790	42,067	34,790	42,067
Other financial assets	4,632	4,357	4,632	4,357
Cash	8,926	9,923	8,926	9,923
Total	49,935	57,371	49,935	57,371
Financial liabilities				
Trade and other payables	16,628	14,813	16,628	14,813
5.75% secured sterling bonds	49,086	50,308	48,940	48,756
5% secured sterling bonds	81,342	85,749	80,482	80,289
Obligations under finance leases	90	182	90	182
Total	147,146	151,052	146,140	144,040

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 2019, the Group had 362 (2018: 364) staff who were members of the Teachers' Pension Scheme, an unfunded defined benefit pension scheme. Following consultation with all affected employees, the Group withdrew all 13 of its schools, which were active participants, from the Teachers' Pension Scheme ("TPS") with effect from 31 August 2019.

All current teachers who had been active members of the TPS were enrolled into the Group's Personal Pension Plan ("GPPP"), which already had nearly 600 employee participants including teaching staff at the six UK schools and colleges that did not participate in the TPS. The Group has undertaken to make employer contributions into the GPPP at the same rate as current employer contributions into the TPS (16.48% of salary) for a period of 10 years for these teachers. The Group is appreciative of the pragmatic approach teaching staff and their respective representatives took to the consultation process.

Notes forming part of the accounts (continued)

23. Pensions and other post-employment benefit plans *continued*

The Group is now looking to further improve pension provision for all employees. An increase in employer contributions to the GPPP, which are already above the level required by auto-enrolment legislation, has been announced to be effective from 1 September 2020. The Group is also introducing a salary exchange scheme for all staff and has committed to give back all of the resultant employer national insurance savings to employees in the form of higher employer pension contributions.

In addition, 5 (2018: 6) 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 £478,000 (30 September 2017: £583,000) would be payable into this scheme. Estimated employer contributions to this scheme in the year ending 31 August 2020 total £22,000.

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. 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, under which the final payments totalling £159,000 were paid in September 2018. The LTIP has now been closed.

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 2019, 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 2019.

25. Operating cash flow

	2019	2018
	£000	£000
Loss before tax	(10,394)	(9,232)
<i>Adjustments to reconcile loss before tax to cash generated from operations:</i>		
Depreciation of property, plant and equipment	8,639	7,911
Impairment	3,750	-
Amortisation of deferred rent expense	(320)	(305)
Cash-settled share-based payments amounts paid	(159)	(137)
Finance income	(3,135)	(3,285)
Finance costs	7,260	7,292
Working capital adjustments:		
(Increase) / decrease in trade and other receivables	(1,634)	228
Increase in trade and other payables	4,786	10,060
Cash generated from operations	8,793	12,532

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

26. Post balance sheet events

Since the year-end, the Company has entered into new £48.5m five year term loan agreements with its parent companies. These loans were fully drawn on 4 December 2019 and the funds were then transferred to an account controlled by the bond trustee from which they will be used to fully repay the holders of the Company's £48.5m 5.75% secured sterling bonds on the 18 December 2019 maturity date.

Alpha Plus Holdings plc

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Alpha Plus Holdings plc

Company Financial Statements

31 August 2019

Company Registration No. 04418776

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Company balance sheet

as at 31 August 2019

		2019	2018	As at 1
			restated *	Sept 2017
	Notes	£000	£000	restated *
				£000
Fixed assets				
Investments	3	24,058	24,058	24,058
Deferred tax assets	4	750	754	754
		<u>24,808</u>	<u>24,812</u>	<u>24,812</u>
Current assets				
Debtors	5	160,619	175,518	112,824
Cash at bank and in hand		1,442	2	-
		<u>162,061</u>	<u>175,520</u>	<u>112,824</u>
Creditors: amounts falling due within one year	6	(107,103)	(65,770)	(2,230)
Net current assets		<u>54,958</u>	<u>109,750</u>	<u>110,594</u>
Total assets less current liabilities		79,766	134,562	135,406
Creditors: amounts falling due after more than one year	7	(78,815)	(126,815)	(126,438)
Net assets		<u><u>951</u></u>	<u><u>7,747</u></u>	<u><u>8,968</u></u>
Equity attributable to equity shareholders				
Share capital	8	16	16	16
Retained reserves		935	7,731	8,952
Total equity		<u><u>951</u></u>	<u><u>7,747</u></u>	<u><u>8,968</u></u>

* restated for amendments to deferred tax accounting as explained in note 1

The financial statements were approved by the Board and authorised for issue on 16 December 2019



M J Sample
Director of Finance

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Company statement of changes in equity

for the year ended 31 August 2019

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
As at 1 September 2017 as reported	16	8,198	8,214
Prior year adjustment	-	754	754
As at 1 September 2017 as restated *	16	8,952	8,968
Loss and total comprehensive deficit for the year restated *	-	(1,221)	(1,221)
At 31 August 2018 restated *	16	7,731	7,747
Loss and total comprehensive deficit for the year	-	(6,796)	(6,796)
At 31 August 2019	16	935	951

* restated for amendments to deferred tax accounting as explained in note 1

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

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 16 December 2019. 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.

Consistent accounting policies and presentation have been used in both years presented in the financial statements save for as follows:

During the year, the Company was advised that, as a consequence of changes in tax legislation which came into force in 2017, tax losses not previously recognised should now be recognised as at 1 September 2017. Prior year reported tax and deferred tax figures have been restated accordingly as further described in note 4.

Each of the affected financial statement line items for the prior years have been restated accordingly, as follows:

Impact on equity	31 August	1 September
	2018	2017
	£000	£000
Deferred tax assets	754	754
Total assets	754	754
Deferred tax liabilities	-	-
Total liabilities	-	-
Net increase in equity	754	754

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

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.

New standards and interpretations

The Company has applied IFRS 9 *Financial instruments* for the first time.

IFRS 9 replaced IAS 39 *Financial instruments: Recognition and measurement* for accounting periods beginning on or after 1 January 2018. Under IFRS 9, debt instruments are measured at fair value through profit and loss, amortised cost or fair value through OCI. IFRS 9 also requires a forward-looking expected credit loss approach to be taken when considering accounting for impairment losses. The Company has determined that, at the date of initial application of 1 September 2018, its debt instruments should be measured at amortised cost. No material changes to the Company's reported accounts have arisen as a result of the application of IFRS 9.

3. Investments

**Subsidiary
undertakings**

£000

Cost and net book value

At 1 September 2017, 31 August 2018 and at 31 August 2019

24,058

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, which is a New York State registered limited partnership which owns and operates Wetherby-Pembridge School, New York.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

3. Investments *continued*

In addition, as at 31 August 2019, 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.

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Notes forming part of the accounts (continued)

4. Deferred tax

	2019	2018
	£000	restated £000
Unutilised tax losses	750	754
Reflected in the balance sheet as follows:		
Deferred tax assets	750	754
Deferred tax liabilities	-	-
Net deferred tax assets	750	754

Reconciliation of net deferred tax assets	2019	2018
	£000	restated £000
Opening balance	754	754
Tax charge recognised during the year	(4)	-
Closing balance	750	754

As a consequence of changes in tax legislation which came into force in 2017, tax losses of £754,000 previously not recognised have now been recognised. Prior year reported tax and deferred tax figures have been restated accordingly. A deferred tax asset of £0.754m as at 1 September 2017 has now been recognised as a consequence.

5. Debtors

	2019	2018
	£000	£000
Amount owed by parent undertaking	34,790	42,067
Amounts owed by Group undertakings	125,829	133,451
	160,619	175,518

As at 31 August 2019, the Company had advanced loans totalling £33,800,000 (31 August 2018: £40,800,000) to the ultimate parent company. These outstanding loans have a long-stop repayment date of 31 March 2024 but the parent company has agreed to repay these amounts upon receipt of a request from the Company. Interest of 7% per annum is receivable by the Company in respect of these loans.

Amounts owed by Group undertakings are after an impairment provision of £5.563m (2018: £nil).

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Notes forming part of the accounts (continued)

6. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
5.75% secured sterling bonds	48,940	564
5% secured sterling bonds	1,666	1,666
Amounts owed to other Group undertakings	56,497	63,540
	107,103	65,770

Amounts owed to other Group undertakings are repayable on demand and bear interest at the rate of 5% per annum.

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

	2019	2018
	£000	£000
5.75% secured sterling bonds	-	48,192
5% secured sterling bonds	78,815	78,623
	78,815	126,815

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 2019, the security portfolio was valued at £280.4m (1 March 2018: £274.5m) which is 2.18 times (1 March 2018: 2.14 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 £564,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £0.124m (2018: £0.307m) 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 £1.184m (2018: £1.377m) which are being amortised over the eight year life of the bonds.

Alpha Plus Holdings plc

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Notes forming part of the accounts (continued)

8. Issued share capital

	2019	2018
	£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	-	-
	<u>16</u>	<u>16</u>

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.

9. 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 2019, the Directors and their connected parties collectively held £32,000 (2018: £32,000) nominal value of the Company's secured sterling bonds and interest was receivable by them thereon.

10. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £3,000 (2018: £3,000).

11. 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.