Alpha Plus group

the Gold Standard in education

Alpha Plus Holdings plc

Interim Group Financial Statements

For the six months ended 29 February 2020

Officers and registered office

Directors

Sir John Ritblat	Chairman
G G Able	Non-Executive Deputy Chairman
M D Hanley-Browne	Chief Executive Officer
M J Sample	Director of Finance
R D Jones	Director of Property
E M Francis	Director of Education
J E Stephen	Director of Schools
T H P Haynes	Director of Senior Schools
P D Brereton	Director of HR
R Proscia	Director of Marketing
R Seaman	Director of ICT
Dame Rosalind Savill	Non-Executive
C B Wagman	Non-Executive
S M Lancaster	Non-Executive

Secretary
J C Norton

Registered office
50 Queen Anne Street
London
W1G 8HJ

Interim Management Report

The Directors present their Interim Management Report and the unaudited condensed Group financial statements for the six months ended 29 February 2020.

Principal activities

The principal activity of the Group in the period under review continued to be the ownership and management of schools and colleges in the United Kingdom and the supply of educational services. The Group operates 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

The Group continued to make good progress in the first half of the year although, as further explained below, the current Covid-19 pandemic will materially impact results for the full year ending 31 August 2020.

Group revenue in the half year to 29 February 2020 was 6% higher than in the previous year at £57.8m (2019: £54.7m). 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, was completed in 2019 allowing Wetherby Prep to expand by adding one additional form to each year group.

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.

Excluding the impact of the first phase of the closure of the sixth from at Portland Place School (25 pupils), overall pupil and students numbers at the half year end were 122 higher than at the end of the 2018-19 academic year. More than 500 new international students, a record for the Group, arrived at the colleges in Autumn 2019.

Movement in pupil and student numbers are summarised below:

	number
At 2018/19 academic year-end	4,330
Impact of first phase of closure of 6th form at Portland Place School	(25)
Increase in pupil numbers in other schools	90
Increase in student numbers in the colleges	32
At 2019/20 half year-end	**4,427**

Interim Management Report (continued)

Review of business (continued)

These are the Group's first financial results to be published under the new lease accounting standard (IFRS 16) which the Group adopted with effect from 1 September 2019. IFRS 16 replaces the previous lease accounting standard (IAS 17). Under IAS 17, rent payments on the Group's leasehold property portfolio were included within operating expenses and obligations to make rent payments in the future were included in an operating lease commitment note but not reflected on the balance sheet. IFRS 16 requires future rent commitments to be recognised on the balance sheet as lease liabilities and rent payments are treated as repayments of these lease liabilities and no longer included as an operating expense.

Rent payments amounting to £9.1m have been accounted for in this way in the six months to 29 February 2020 which has resulted in EBITDA in the period of £11.8m (2019: £2.5m).

The corresponding impact of the recognition of lease liabilities under IFRS 16 is the recognition of right-of-use assets which are then depreciated over the lives of the Group's leases on a straight-line basis. Under IFRS 16, lease liabilities are discounted to present day value using the Group's incremental borrowing rate. This discount unwinds over the life of each lease and this is recognised as a finance cost. Since these finance costs are linked to the outstanding lease liability, the resultant finance charge is higher in the early years of a lease and much lower towards the end. The impact of the introduction of IFRS 16 is illustrated in more detail in note 20.

The Group held £6.4m of cash as at 28 February 2019 (2019: £5.0m). In December 2019, the Group drew down £6m of funds deposited with its shareholder to supplement working capital resources following the completion of the refurbishment works at Wetherby Prep School referred to above.

The Group's reported net asset value has fallen significantly in the last few years and is now negative, primarily as a result of costs incurred in connection with the opening of new schools and the expansion of existing schools and colleges. 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.

The Directors do not recommend the payment of a dividend.

Interim Management Report (continued)

Impact of Covid-19 pandemic

Under normal circumstances, as a consequence of the usual January intake of international students into the Group's colleges to commence 18-month A-Level programmes, and lower overheads in July and August, the Group would expect to generate improved results in the second half of the year. Second half year results also normally benefit from income from third party education providers using the teaching and boarding facilities in the colleges in the summer holidays.

The Covid-19 pandemic has created circumstances not seen before. In responding to this crisis, the Group has been guided by one main principle: to give all of the pupils and students in its schools and colleges the very best education possible, despite the huge challenges, and to plan for this not only in the short term but also over the longer term. Thus far, all teaching staff and teaching assistants have been retained, despite the offer from the Government of a scheme which could allow some staff to be "furloughed". Instead, the Group wants all teachers and teaching assistants to be available to help parents and to support their children remotely, for as long as this is necessary, and then be available for work immediately when the schools reopen physically.

Since the start of the pandemic, the Group's schools and colleges have worked hard to deploy a quality remote learning provision, which has become increasingly sophisticated over the course of time. It has been recognised, however, that no matter how good the remote learning provision may be, learning from home has imposed increased demands on parents. Taking this, and a range of other factors into account, the Group decided to offer a 20% discount on the summer term fees at all of its schools (40% for nursery age children). It is estimated that fee income in the second half of the current financial year will be reduced by approximately £5m as a consequence of this decision.

During the lockdown period, four of the Group's schools have remained physically open for the children of key workers and many international students have remained in the colleges' boarding accommodation. Despite this, the Group does expect to make some cost savings whilst most of the school buildings remain closed most notably in respect of catering, transport, sports provision, cleaning, energy and classroom materials. It should, however, be noted that these cost areas only represent around 10% of total net operating expenses given that the vast majority of operating expenses are represented by staff costs, rent and other premises related costs. Also, it should be noted that any savings which are achieved due to school closure have been promised to fund the Alpha Plus Covid-19 Hardship Fund. This has been created, at short notice, to support those parents who have been most financially impacted by the current crisis. To date, the Hardship Fund has already made grants in respect of more than 200 children this term and further grants are expected to be made in respect of Autumn term 2020 fees in due course. In providing these grants, the Group wishes to acknowledge and thank the many parents who have chosen to voluntarily donate money to the Hardship Fund in order to help support other families in the Group's schools.

The Group also wishes to thank all of the pupils and staff who have supported the NHS staff and local community projects during the Covid-19 crisis. Some schools have donated science goggles, latex gloves and other much needed personal protective equipment such as visors to staff at NHS hospitals and local care homes. Others have provided packed meals for NHS workers and have volunteered to assist with local community projects related to the Covid-19 crisis. All schools have continued to support a large number of charities, many of which are now struggling to fund raise during this very difficult period. Last year more than £800,000 was raised in gifts and pledges from the Alpha Plus family for a wide range of charities and similar efforts are continuing this year, for example "Kindergifts" are being rolled out across all the Alpha Plus schools so that the children can share their birthday celebrations with a charity of their choice.

Interim Management Report (continued)

Also more than 45 pupils are currently being supported through bursary awards in the Group's schools, including two survivors of the Grenfell Tower disaster. The Group would like to thank all of those parents, staff, pupils and private individuals who have helped Alpha Plus to make all this possible.

Liquidity / cash flow

The Group has a number of sources to provide liquidity through the next 12 months, including cash at bank, an overdraft facility and the potential disposal of non-core assets. In addition, the Group has advanced loans to its parent companies which could be recalled if required. The Group is also considering an application to the Government's Coronavirus Business Interruption Loan Scheme for additional short term funding.

The Directors are, therefore, confident that the Group has sufficient cash resources to meet expected needs.

Future developments

Based upon recruitment information to date, the Group expects that the total number of pupils in the Group's schools will not fall significantly in September 2020 notwithstanding the many uncertainties created by this Covid-19 crisis. International student recruitment into the Group's colleges, however, is more uncertain and it is possible that numbers could fall. Notwithstanding this, the Board anticipates EBITDA growth in subsequent years. Whilst the Group's primary focus will continue to be on improving the performance of its existing schools and colleges, the Group continues to look for opportunities to further expand its school and college portfolio both in the UK and overseas.

Board changes

Russell Seaman was appointed to the Board in April 2020. He Joined the Group as Director of ICT in 2016.

Principal risks and uncertainties

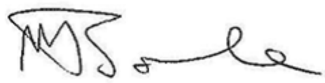
The principal risks and uncertainties which could impact the Group's performance remain those identified on page 8 and further described on pages 48-49 of the Company's consolidated financial statements for the year ended 31 August 2019, a copy of which is available on the Group's website www.alphaplusgroup.co.uk.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

1. The condensed Group interim results for the six months ended 29 February 2020 have been prepared in accordance with IAS34 "Interim Financial Reporting".
2. The Interim Management Report includes a true and fair review of the important events that have occurred during the first six months of the financial year.

This interim report was approved by the Board of Directors on 19 May 2020.



Mark Hanley-Browne
Chief Executive Officer

Mark Sample
Director of Finance

Condensed Group statement of comprehensive income

for the six months ended 29 February 2020

	Notes	6 Months to 29/02/20 £000	6 Months to 28/02/19 £000	Year to 31/08/19 £000
Revenue	5	57,812	54,674	111,038
Operating expenses	5	(45,985)	(52,214)	(104,918)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		11,827	2,460	6,120
Depreciation of property plant & equipment	9	(4,067)	(4,286)	(8,639)
Depreciation of right-of-use assets	10	(6,367)	-	-
Impairment		-	-	(3,750)
Profit/(loss) before interest and tax		**1,393**	**(1,826)**	**(6,269)**
Finance costs	6	(9,322)	(3,794)	(7,260)
Finance income	7	1,781	1,434	3,135
Loss before tax		**(6,148)**	**(4,186)**	**(10,394)**
Tax charge	8	-	-	650
Loss for the period		**(6,148)**	**(4,186)**	**(9,744)**
Exchange differences on translation of foreign operations		94	65	(199)
Total comprehensive deficit for the period		**(6,054)**	**(4,121)**	**(9,943)**

Condensed Group balance sheet

as at 29 February 2020

	Notes	28/02/20	28/02/19 restated	31/08/19
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment	9	141,202	142,975	142,620
Right-of-use assets	10	212,131	-	-
Investment property	11	4,292	4,292	4,292
Intangible assets		2,238	2,238	2,238
Financial assets	12	4,444	4,235	4,632
		364,307	153,740	153,782
Current assets				
Trade and other receivables	13	9,079	10,340	6,057
Other financial assets	12	28,703	34,875	34,790
Cash		6,413	4,980	8,926
		44,195	50,195	49,773
Total assets		**408,502**	**203,935**	**203,555**
Current liabilities				
Trade and other payables	14	58,361	53,688	59,491
Loans and borrowings	15	2,191	50,560	50,659
Lease liabilities	16	6,185	-	-
		66,737	104,248	110,150
Non-current liabilities				
Trade and other payables	14	2,710	7,800	7,965
Loans and borrowings	15	127,211	78,827	78,853
Lease liabilities	16	211,311	-	-
Deferred tax liabilities		1,963	2,614	1,963
		343,195	89,241	88,781
Total liabilities		**409,932**	**193,489**	**198,931**
Net assets		**(1,430)**	**10,446**	**4,624**
Equity attributable to equity shareholders				
Share capital		16	16	16
Foreign currency translation reserve		(206)	(36)	(300)
Retained earnings		(1,240)	10,466	4,908
Total equity		**(1,430)**	**10,446**	**4,624**

Condensed Group statement of changes in equity

for the six months ended 29 February 2020

	Issued capital	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
As at 1 September 2019	16	(300)	4,908	4,624
Loss for the period	-	-	(6,148)	(6,148)
Other comprehensive income for the period	-	94	-	94
At 28 February 2020	**16**	**(206)**	**(1,240)**	**(1,430)**
As at 1 September 2018 restated	16	(101)	14,652	14,567
Loss for the period	-	-	(4,186)	(4,186)
Other comprehensive income for the period		65	-	65
At 28 February 2019	**16**	**(36)**	**10,466**	**10,446**
As at 1 September 2018 restated	16	(101)	14,652	14,567
Loss for the year	-	-	(9,744)	(9,744)
Other comprehensive deficit for the year	-	(199)	-	(199)
At 31 August 2019	**16**	**(300)**	**4,908**	**4,624**

Condensed Group statement of cash flows

for the six months ended 29 February 2020

		Six months to		Year to
		29/02/20	28/02/19	31/08/19
	Notes	£000	£000	£000
Net cash inflow/(outflow) from operating activities	18	6,286	(5,252)	8,793
Investing activities				
Additions of property, plant and equipment		(2,649)	(4,845)	(12,593)
Net cash outflow from investing activities		(2,649)	(4,845)	(12,593)
Financing activities				
Interest received		1,343	1,595	2,823
Interest paid		(3,639)	(3,450)	(6,883)
Income tax paid		-	-	(1)
Repayment of 5.75% secured sterling bonds		(48,500)	-	-
New loans drawn from parent undertaking		48,300	-	-
Loan repaid by parent undertaking		6,000	7,000	7,000
Payment of lease liabilities		(9,655)	-	-
Net repayment of finance lease liabilities		-	(29)	(92)
Net cash (outflow)/inflow from financing activities		**(6,151)**	**5,116**	**2,847**
Net decrease in cash and cash equivalents		**(2,514)**	**(4,981)**	**(953)**
Exchange rate differences		1	38	(44)
Opening cash and cash equivalents		8,926	9,923	9,923
Closing cash and cash equivalents		**6,413**	**4,980**	**8,926**

Notes to the condensed Group financial statements

1. Corporate information

The condensed interim financial statements of Alpha Plus Holdings plc and its subsidiaries ("the Group") for the six months ended 29 February 2020 do not constitute statutory financial statements within the meaning of s435 of the Companies Act 2006.

The summary results for the year ended 31 August 2019 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 16 December 2019, reported on by the Group's auditor and subsequently delivered to the Registrar of Companies. The audit report was unqualified and did not contain any statement required under s498 of the Companies Act 2006.

The condensed interim financial statements for the Group for the six months ended 29 February 2020 were authorised for issue in accordance with a resolution of the Directors on 19 May 2020.

2. Basis of preparation and changes to the Group's accounting policies

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with the Group Financial Statements for the year ended 31 August 2019 which were prepared in accordance with IFRS's as adopted by the European Union. The comparative figures for the year ended 31 August 2019 are consistent with the Group Financial Statements for the year then ended.

The results for the six months ended 29 February 2020 have not been audited. They have been prepared on the basis of the accounting policies set out in the Group Financial Statements for the year ended 31 August 2019. Consistent accounting policies and presentation have been used for each period except as follows:

Prior year adjustment

During the year ended 31 August 2019, the Company was advised that, 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 £1.207m as at 28 February 2019 has now been recognised and, consequently, the deferred tax liability of £1.407m at 28 February 2019 previously reported has been replaced with a deferred tax liability of £2.614m as at that date.

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

	28/02/19
	£000
Deferred tax assets	-
Total assets	**-**
Deferred tax liabilities	(1,207)
Total liabilities	**(1,207)**
Net decrease in equity	**(1,207)**

New standards, interpretations and amendments adopted by the Group

The Group adopted IFRS 16 *Leases* on 1 September 2019. The Group has adopted the modified retrospective approach in transitioning to IFRS 16 which means that comparative prior period results are not restated. As required by IAS 34, the nature and effect of these changes are disclosed below.

Notes to the condensed Group financial statements

2. Basis of preparation and changes to the Group's accounting policies *continued*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities on balance sheet. At the commencement of a lease, the lease liability equals the present value of future lease payments and the right-of-use asset equals the lease liability adjusted for previously recognised lease incentives. For leases previously recognised as operating leases, the rent expense is replaced by a depreciation charge of the right-of-use assets and a finance cost in respect of the lease liabilities.

The effect of the adoption of IFRS 16 (increase/(decrease)) as 1 September 2019 is as follows:

Non-current assets	**£000**
Right-of-use assets	218,498
Current assets	
Prepayments	(1,159)
	217,339
Current liabilities	
Loans and borrowings	(53)
Lease liabilities	6,722
Non-current liabilities	
Trade and other payables	(5,109)
Loans and borrowings	(37)
Lease liabilities	215,816
	217,339

a) Nature of the effect of the adoption of IFRS 16

The Group has lease contracts for land and buildings as well as various items of plant and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and a reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expenses in profit and loss on a straight-line basis over the lease term. Any prepaid and accrued rents were recognised under prepayments and trade and other payables respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases with effect from 1 September 2019.

Notes to the condensed Group financial statements

2. Basis of preparation and changes to the Group's accounting policies *continued*

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease terms that end within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Treated irrecoverable VAT on lease payments as an operating expense when the respective rent payments are made.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the condensed Group financial statements

2. Basis of preparation and changes to the Group's accounting policies *continued*

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Further details regarding the effect of the transition to IFRS 16 are included in note 19.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Going concern

The interim financial statements have been prepared on a going concern basis. In considering whether this is appropriate, the Directors have taken into account the following:

- The Group held £6.4m of cash at 29 February 2020. Although the Group had net current liabilities, current liabilities included £36.4m of deferred income that will not be settled in cash.
- The Group has loaned £27.8m 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.
- The Group is principally financed by £80m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB"). These bonds mature in March 2024. No repayments of capital fall due before the maturity date. The Group has also drawn loans totalling £48.3m from its parent companies. These loans are not due for repayment until December 2024.
- 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.

4. Segmental information

The Group's chief operating decision maker, as defined in IFRS 8, is the Board of Directors. The Board views the Group's portfolio of schools and colleges as a single operational business and, consequently, no further detailed segmental analysis has been included in these interim financial statements.

Notes to the condensed Group financial statements

5. Revenue and operating expenses

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

	Six months to		Year to
	29/02/20	28/02/19	31/08/19
	£000	£000	£000
Tuition fees	47,728	45,243	90,906
Accommodation income	7,224	6,586	14,693
Other ancilliary fees	2,860	2,845	5,439
	57,812	**54,674**	**111,038**

Operating expenses may be analysed as follows:	Six months to		Year to
	29/02/20	28/02/19	31/08/19
	£000	£000	£000
Staff and other direct costs	32,855	31,132	62,168
Administrative expenses	13,130	21,082	42,750
	45,985	**52,214**	**104,918**

6. Finance costs

	Six months to		Year to
	29/02/20	28/02/19	31/08/19
	£000	£000	£000
Finance expense in respect of lease liabilities	5,503	-	-
Interest on 5% secured sterling bonds	2,000	2,000	4,000
Interest on 5.75% secured sterling bonds	832	1,394	2,789
Amortisation of secured sterling bonds issue costs	219	189	377
5.75% secured sterling bonds redemption costs	204	-	-
Interest on loans from parent company	525	-	-
Bank interest	30	43	79
Finance charges payable under finance leases	8	9	14
Other interest payable	1	4	1
Foreign exchange translation differences	-	155	-
	9,322	**3,794**	**7,260**

Notes to the condensed Group financial statements

7. Finance income

	Six months to 29/02/20	Six months to 28/02/19	Year to 31/08/19
	£000	**£000**	**£000**
Interest received from parent undertaking	1,083	1,306	2,492
Bank interest	64	97	162
Other interest receivable	32	31	65
Foreign exchange translation differences	602	-	416
	1,781	**1,434**	**3,135**

The loan to the ultimate parent undertaking attracts interest at 7% per annum.

8. Tax

Consolidated income statement	Six months to 29/02/20	Six months to 28/02/19	Year to 31/08/19
	£000	**£000**	**£000**
Current tax:			
Current tax charge	-	-	(1)
Deferred tax:			
Relating to origination and reversal of temporary differences	-	-	651
Tax credit for the period	**-**	**-**	**650**

Notes to the condensed Group financial statements

9. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Assets under development	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At 1 September 2019	93,778	13,148	51,871	42,461	-	201,258
Additions	-	-	1,583	1,066	-	2,649
At 28 February 2020	**93,778**	**13,148**	**53,454**	**43,527**	**-**	**203,907**
Depreciation and impairment						
At 1 September 2019	9,437	1,171	15,018	33,012	-	58,638
Depreciation charge	428	126	1,408	2,105	-	4,067
At 28 February 2020	**9,865**	**1,297**	**16,426**	**35,117**	**-**	**62,705**
Net book value						
At 28 February 2020	**83,913**	**11,851**	**37,028**	**8,410**	**-**	**141,202**
At 31 August 2019	84,341	11,977	36,853	9,449	-	142,620
At 28 February 2019	86,147	12,109	31,808	9,674	3,237	142,975

10. Right-of-use assets

Cost	**£000**
At 1 September 2019 and at 29 February 2020	**218,498**
Depreciation	
At 1 September 2019	-
Depreciation charge	6,367
At 28 February 2020	**6,367**
Net book value	
At 28 February 2020	**212,131**
At 1 September 2019	218,498

The Group leases a number of buildings in the UK for its school operations and its Head Office. The Wetherby-Pembridge school building in New York is also leased. Most of these leases are subject to periodic rent reviews which may be fixed increments, related to market values, or determined by reference to an inflation index such as RPI.

Notes to the condensed Group financial statements

11. Investment property

	28/02/20	28/02/19	31/08/19
	£000	**£000**	**£000**
At beginning and end of period	**4,292**	**4,292**	**4,292**

Investment property at 28 February 2019 represented a residential property in Hampstead, London NW3. The Directors consider its cost to be a reasonable assessment of fair value with no significant unobservable inputs included in their assessment.

12. Financial assets

	28/02/20	28/02/19	31/08/19
	£000	**£000**	**£000**
Loan to parent company	28,703	34,875	34,790
Deposits receivable	3,610	3,385	3,732
Deferred lease expense	834	850	900
	33,147	**39,110**	**39,422**
Current	28,703	34,875	34,790
Non-current	4,444	4,235	4,632
	33,147	**39,110**	**39,422**

As at 1 September 2019, the Company had advanced a loan of £33.8m to the ultimate parent company, DV4 Limited. The parent company repaid £6m of this loan in December 2019. The remaining loan has a long-stop repayment date of 31 March 2024 but may be repaid at any earlier date by agreement between the parties. The ultimate parent company has agreed to repay these amounts upon receipt of a request from the Company and, consequently, the balance has been classified as a current asset.

Interest of 7% per annum is receivable by the Company in respect of this loan and the figure above includes £0.903m (31 August 2019: £0.900m) of accrued interest.

Deposits receivable at 29 February 2020 include £3.216m (28 February 2019: £3.031m) representing the fair value of US$5m deposited with the Group's bankers as security for the issuance of a standby letter of credit to the landlord of premises the Group has agreed to lease in New York.

13. Trade and other receivables

	28/02/20	28/02/19	31/08/19
	£000	**£000**	**£000**
Trade receivables	2,811	2,092	452
Other receivables	284	194	1,135
Prepayments	5,984	8,054	4,470
	9,079	**10,340**	**6,057**

Notes to the condensed Group financial statements

14. Trade and other payables

	28/02/20	28/02/19	31/08/19
	£000	**£000**	**£000**
Current			
Trade payables	2,677	2,182	2,157
Other payables	15,027	14,106	14,471
Social security and other taxes	1,222	1,014	1,150
Accruals	3,079	2,266	3,349
Deferred income	36,356	34,120	38,364
	58,361	**53,688**	**59,491**
Non-current			
Other payables	**2,710**	**7,800**	**7,965**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled in accordance with the supplier's terms of business.
- Other payables are primarily pupil and student deposits which are non-interest bearing. These are usually either offset against final term school fees or are returned when the student leaves the school or college.

15. Loans and borrowings

	28/02/20	28/02/19	31/08/19
	£000	**£000**	**£000**
Current loans and borrowings			
5.75% secured sterling bonds	-	48,848	48,940
5% secured sterling bonds	1,666	1,666	1,666
Loans from parent company	525	-	-
Obligations under finance leases	-	46	53
	2,191	**50,560**	**50,659**
Non-current loans and borrowings			
5% secured sterling bonds	78,911	78,720	78,816
Loans from parent company	48,300	-	-
Obligations under finance leases	-	107	37
	127,211	**78,827**	**78,853**

The secured sterling bonds are secured by way of a first legal mortgage over a portfolio of assets held by certain of the Company's subsidiaries and other related companies. This security portfolio is subject to annual external professional valuation and the Company is obligated to ensure that the value of the security portfolio is not less than 1.5 times the principal amount of the bonds in issue. Additional properties can be added to the security portfolio in the event of a shortfall. The properties currently constituting this security portfolio are detailed on the Group's website at www.alphaplusgroup.co.uk/investors. At the most recent valuation date, 1 November 2019, this security portfolio was valued at £144.7m which was 1.81 times (1 March 2019: 2.18 times) the principal amount of the bonds in issue.

Notes to the condensed Group financial statements

15. Loans and borrowings *continued*

Interest on the secured sterling bonds is payable twice a year, on 31 March and 30 September and the bonds mature on 31 March 2024. The current amount shown above of £1.666m represents accrued interest. The non-current amount at 29 February 2020 is net of unamortised issue costs of £1.089m (28 February 2019: £1.281m) which are being amortised over the eight year life of the bonds.

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

The Company has entered into new 4.5% five year term loan agreements with its parent companies. These loans were drawn on 4 December 2019 and the funds were utilised to repay the holders of the Company's £48.5m 5.75% secured sterling bonds which matured on 18 December 2019.

At 29 February 2020, the Group had £2.87m (2019: £5m) of undrawn committed borrowing facilities.

16. Lease liabilities

	28/02/20	28/02/19	31/08/19
	£000	£000	£000
Current	6,185	-	-
Non-current	211,311	-	-
	217,496	**-**	**-**

Notes to the condensed Group financial statements

17. Financial instruments

A comparison by class of the carrying amounts and fair value of the Group's financial instruments is set out below:

	Fair value			Carrying amount		
	28/02/20	**28/02/19**	**31/08/19**	**28/02/20**	**28/02/19**	**31/08/19**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets						
Trade and other receivables	3,095	2,286	1,587	3,095	2,286	1,587
Loan to parent company	28,703	34,875	34,790	28,703	34,875	34,790
Other financial assets	4,444	4,235	4,632	4,444	4,235	4,632
Cash	6,413	4,980	8,926	6,413	4,980	8,926
Total	**42,655**	**46,376**	**49,935**	**42,655**	**46,376**	**49,935**
Financial liabilities						
Trade and other payables	17,704	16,288	16,628	17,704	16,288	16,628
5.75% secured sterling bonds	-	50,230	49,086	-	48,848	48,940
5% secured sterling bonds	81,397	84,126	81,342	80,577	80,386	80,482
Long term loan from parent company	48,825	-	-	48,825	-	-
Lease liabilities	217,496	-	-	217,496	-	-
Obligations under finance leases	-	153	90	-	153	90
Total	**365,422**	**150,797**	**147,146**	**364,602**	**145,675**	**146,140**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of the instruments.

- The fair value of borrowings is evaluated, in the case of the secured sterling bonds, by reference to listed prices and, otherwise, by discounting expected future cash flows at prevailing market rates for instruments with substantially the same terms and characteristics.

Notes to the condensed Group financial statements

18. Operating cash flow

	Six months to 28/02/20	Six months to 28/02/19	Year to 31/08/19
	£000	£000	£000
Loss before tax	(6,148)	(4,186)	(10,394)
Adjustments to reconcile loss before tax to net cash inflow/(outflow) from operating activities:			
Depreciation of property, plant and equipment	4,067	4,286	8,639
Depreciation of right of use assets	6,367	-	-
Impairment	-	-	3,750
Amortisation of deferred rent expense	(160)	(159)	(320)
Cash-settled share-based payments made	-	(159)	(159)
Finance income	(1,781)	(1,434)	(3,135)
Finance costs	9,322	3,794	7,260
Working capital adjustments:			
Increase in trade and other receivables	(4,290)	(6,026)	(1,634)
(Decrease)/increase in trade and other payables	(1,091)	(1,368)	4,786
Net cash inflow/(outflow) from operating activities	**6,286**	**(5,252)**	**8,793**

19. Transition to IFRS 16

The following table reconciles the previously reported operating lease obligations as at 31 August 2019 to the lease liabilities recognised under IFRS 16 on transition:

	01/09/19
	£000
Operating lease commitments at 31 August 2019 as reported	331,452
Optional periods not included in operating lease commitments	32,627
Irrecoverable VAT element not recognised under IFRS 16	(12,898)
Other adjustments	560
Gross right-of-use lease liabilities	351,741
Discounting	(129,293)
Right-of-use lease liabilities	222,448
Reclassification from finance lease liabilities	90
Lease liabilities at 1 September 2019	**222,538**

Notes to the condensed Group financial statements

19. Transition to IFRS 16 *continued*

The following table illustrates the impact of the adoption of IFRS 16 on the opening balance sheet:

	31/08/19	IRFS 16	01/09/19
	£000	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	142,620	-	142,620
Right-of-use assets	-	218,498	218,498
Investment property	4,292	-	4,292
Intangible assets	2,238	-	2,238
Financial assets	4,632	-	4,632
	153,782	218,498	372,280
Current assets			
Trade and other receivables	6,057	(1,159)	4,898
Other financial assets	34,790	-	34,790
Cash	8,926	-	8,926
	49,773	(1,159)	48,614
Total assets	**203,555**	**217,339**	**420,894**
Current liabilities			
Trade and other payables	59,491	-	59,491
Loans and borrowings	50,659	(53)	50,606
Lease liabilities	-	6,722	6,722
	110,150	6,669	116,819
Non-current liabilities			
Trade and other payables	7,965	(5,109)	2,856
Loans and borrowings	78,853	(37)	78,816
Lease liabilities	-	215,816	215,816
Deferred tax liabilities	1,963	-	1,963
	88,781	210,670	299,451
Total liabilities	**198,931**	**217,339**	**416,270**
Net assets	**4,624**	**-**	**4,624**
Equity attributable to equity shareholders			
Share capital	16	-	16
Foreign currency translation reserve	(300)	-	(300)
Retained earnings	4,908	-	4,908
Total equity	**4,624**	**-**	**4,624**

Notes to the condensed Group financial statements

19. Transition to IFRS 16 *continued*

The following table presents the Group's statement of comprehensive income as if IAS 17 had continued to be applied:

	6 months to 29/02/20 Reported	IFRS 16 impact	6 months to 29/02/20 IAS 17	6 months to 28/02/19 Reported
	£000	£000	£000	£000
Revenue	57,812	-	57,812	54,674
Operating expenses	(45,985)	(9,093)	(55,078)	(52,214)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**11,827**	**(9,093)**	**2,734**	**2,460**
Depreciation of property plant & equipment	(4,067)	-	(4,067)	(4,286)
Depreciation of right-of-use assets	(6,367)	6,367	-	-
Impairment	-	-	-	-
Profit/(loss) before interest and tax	**1,393**	**(2,726)**	**(1,333)**	**(1,826)**
Finance costs	(9,322)	5,503	(3,819)	(3,794)
Finance income	1,781	(890)	891	1,434
Loss before tax	**(6,148)**	**1,887**	**(4,261)**	**(4,186)**
Tax charge	-	-	-	-
Loss for the period	**(6,148)**	**1,887**	**(4,261)**	**(4,186)**
Exchange differences on translation of foreign operations	94	-	94	65
Total comprehensive deficit for the period	**(6,054)**	**1,887**	**(4,167)**	**(4,121)**

Notes to the condensed Group financial statements

20. Post balance sheet event

The Covid-19 pandemic resulted in the closure of the majority of the Group's school buildings in March, approximately one week prior to the scheduled Easter holiday break. Four of the Group's UK schools are currently open to accommodate children of key workers. All other teaching and learning is taking place remotely and all of the Group's teaching staff are actively involved in this.

The Group has reduced summer term 2020 fees in its schools and nurseries which will reduce full year revenue and EBITDA by around £5m from previously expected levels.