Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2020

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
P D Brereton
R Proscia
T H P Haynes
R Seaman
J E B Bowden
Dame Rosalind Savill
C B Wagman
S M Lancaster

Secretary

J C Norton

Registered office

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Bankers

Barclays Bank PLC
Level 27
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Auditors

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Copies of these financial statements may be downloaded from the Company's website:
www.alphaplusgroup.co.uk/Investors

Alpha Plus Holdings plc

Company No. 04418776

Strategic Report

Principal activities

The principal activity of the Group in the year under review continued to be the ownership and management of schools and colleges in the United Kingdom and the supply of educational services. The Group operates 13 independent schools, 3 nurseries and 3 sixth form colleges in the UK. With the exception of 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.

Impact of Covid-19 pandemic

As noted in the half year results to 28 February 2020, the Group had been on course to deliver a further improvement in its trading performance but the Covid-19 pandemic has had a material adverse impact on the results for the full year as further detailed below.

The 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 and to plan for this not only in the short term but also over the longer term.

During the initial lockdown period, most of the Group's schools and colleges were advised to close for face-to-face teaching with just four schools remaining physically open for the children of key workers. The Group's schools and colleges worked hard to deploy a quality remote learning provision, which became increasingly sophisticated over time. The Group decided not to participate in the Government's "furlough" scheme in order to ensure that teachers and teaching assistants would be available to help parents and to support their children.

However, it was quickly recognised that, no matter how good the remote learning provision may be, learning from home 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). Fee income in the second half of the financial year was reduced by approximately £5.1m as a consequence of this.

Whilst more than 100 international students remained in the colleges' boarding accommodation, the majority returned to their home countries during the Easter holiday period. The Group decided to make partial accommodation fee rebates, based on costs saved, to leaving international college students who returned home early and completed their courses remotely. College students returning to continue their courses were offered a discount on their Autumn term boarding accommodation instead and these discounts have also been recognised in the results to 31 August 2020.

In March 2020, the Group created, at short notice, the Alpha Plus Covid-19 Hardship Fund to support those parents whose financial circumstances had been most impacted by the crisis. The Hardship Fund made grants in respect of more than 300 pupils and students last term and made further grants in respect of 125 pupils and students in the Autumn 2020 term. In providing these grants, the Group wishes to acknowledge and thank those parents who chose to voluntarily donate money to the Hardship Fund in order to help support other families in the Group's schools.

The overall impact of the discounts and hardship fund grants referred to above are summarised below:

	£m
Summer term 2020 nursery and school fee discounts	5.1
Other rebates, fee discounts and hardship fund grants	2.4
Colleges summer letting rental income lost	0.5
	8.0

Impact of Covid-19 pandemic *continued*

The Group did make some cost savings during the lockdown period most notably in respect of catering, transport, sports provision, cleaning, energy, and classroom materials but these would only partly offset the impact of the discounts referred to above.

The Group thanks all of the pupils and staff who have supported the NHS staff and local community projects during the Covid-19 crisis. Some schools donated 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 volunteered to assist with local community projects related to the Covid-19 crisis.

Also more than 46 pupils were 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.

Valuation of freehold land and buildings

As previously notified, the Group has changed its accounting policy regarding freehold land and buildings and now uses the revaluation model under which the respective assets are stated at fair value rather than carried at historic cost less accumulated depreciation as before. All of the Group's freehold land and buildings were valued by an external professional valuer as at 31 August 2020. Whilst this has resulted in a significant uplift in book values, several of the Group's properties were valued at below previous book values resulting in an impairment charge in the current year. The total impact of this accounting policy change has been to increase reported net assets by £63.2m as detailed below.

	£m
Gain on property revaluation	93.5
Deferred tax relating to property revaluation	(18.4)
Loss on property revaluation	(11.9)
	63.2

Review of business and financial performance

The Group's key financial performance indicators are revenue growth, reported EBITDA and growth in pupil and student numbers across the group's portfolio of schools and colleges. These are further discussed below. The results for the year have been materially impacted by the Covid-19 pandemic as described above. Reported trading performance, as shown in the Group's income statement, has also been materially affected by the first time adoption of lease accounting standard IFRS 16 and a change in accounting policy in respect of freehold land and buildings, the impact of which is also further explained below.

Group revenue in the year ended 31 August 2020 was 2% lower than in the previous year at £108.0m (2019: £110.0m). The decrease is attributable to the £8.0m impact on revenue referred to above as part of the Group's response to the pandemic which reduced tuition fees and student accommodation income in the latter part of the year as well as lost summer lettings revenue. Ancillary fee income from extra-curricular activities was also curtailed in the Summer term. These reductions were partly offset by a small increase in pupil and student numbers and average fee increases of 3% effective from September 2019.

Review of business and financial performance *continued*

Operating expenses fell by 18% to £86.6m (2019: £105.3m) because rent expenses of £17.9m in respect of the Group's leasehold properties, which were previously treated as operating expenses, are now charged to the income statement as depreciation of right of use assets and interest costs on lease liabilities with the application of IFRS 16 lease accounting. Absent this change, operating costs were essentially unchanged when compared to the previous year with increased costs arising from higher salaries, additional staff recruitment and increased premises costs being offset by cost savings resulting from the "lockdown" period between March and July when the Group's schools and colleges were initially advised to close and then subsequently partially re-open from early June.

Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") increased to £21.7m (2019: £5.7m as restated) as a consequence of the above.

Depreciation charges totalled £8.1m (2019: £8.6m) An IFRS 16-related depreciation charge of £12.9m (2019: £nil) in respect of right-of-use assets has also been included. Other non-cash charges include £11.9m losses on the revaluation of certain freehold properties as referred to above together with impairment charges of £2.5m (2019: £3.75m). Net finance costs were £16.2m (2019: £4.1m) as a result of the inclusion of £11.3m of finance costs attributable to the implementation of IFRS 16. As a result, the Group has reported a loss before tax of £29.9m (2019: £10.8m as restated).

The tax credit for the year of £3.4m (2019: £0.7m), represents a movement in deferred tax which is a non-cash item (further described in note 10 to the accounts).

Pupil and student numbers

Movements in pupil and student numbers are summarised below:

	Schools number	Colleges number	Total number
At 2018/19 academic year-end	3,298	1,032	4,330
Net fall in student numbers in sixth form colleges	-	(6)	(6)
Impact of first phase of closure of 6th form at Portland Place School	(25)	-	(25)
Net increase in pupil numbers in the schools	73	-	73
At 2019/20 academic year start	**3,346**	**1,026**	**4,372**
January 2020 student intake at sixth form colleges	-	32	32
Net increase during the first half of the year	17	6	23
At February 2020 half term (before Covid-19 impact)	3,363	1,064	4,427
Net decrease during the second half of the year	(28)	(17)	(45)
At 2019/20 academic year end	3,335	1,047	4,382
Impact of second phase of closure of 6th form at Portland Place School	(22)	-	(22)
Net increase in pupil numbers in the schools	20	-	20
Net fall in student numbers in sixth form colleges	-	(193)	(193)
At 2020/21 academic year start	**3,333**	**854**	**4,187**

Pupil and student numbers *continued*

Note that academic years run from early September to the following July and so fall within the respective financial years ending 31 August. School pupil numbers ended the 2019/20 academic year at 3,335 with a net 28 pupils having left in the second half of the year, many for Covid-19 related reasons. Pupil numbers increased by 20 at the start of the new 2020/21 academic year excluding the final impact of the decision two years ago to phase out the sixth form at Portland Place School which saw 22 Year 13 pupils leave at the end of last term.

The Group saw a record intake of international students into its sixth form colleges in Autumn 2019 with more than 500 new international students arriving followed by a further 32 in January 2020 taking the total number on roll to 1,064 by February half term. Student recruitment in Autumn 2020 was much lower for two principal reasons.

Firstly, as anticipated, fewer international students have enrolled or chosen to return to the colleges. Secondly, the cancellation of GCSE and A-Level examinations in the Spring and the decision to rely on teacher assessments instead, has reduced the domestic student retake market. Overall college student numbers in Autumn term 2020 were 18% lower than at the end of last academic year at 854 (end of 2020/21 academic year: 1,047).

Accounting for leases

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 previously 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.

The Group has adopted the modified retrospective approach in transitioning to IFRS 16 which means that comparative figures are not restated. Rent expenses amounting to £17.9m are not included in operating costs in the year ended 31 August 2020 which has resulted in EBITDA in the period of £21.7m (2019: £5.7m as restated).

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 below:

Impact on Income Statement	**2020 Reported**	**IFRS 16 impact**	**2020 IAS 17 equivalent**	**2019 Restated**
	£000	**£000**	**£000**	**£000**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	21,716	(17,921)	3,795	5,729
Depreciation and impairment	(35,383)	14,315	(21,068)	(12,389)
Net finance costs	(16,189)	11,294	(4,895)	(4,125)
Loss before tax	**(29,856)**	**7,688**	**(22,168)**	**(10,785)**

Accounting for leases *continued*

Prior year figures above have been restated to correct errors in the accounting for leases under the old lease accounting standard, IAS 17, specifically in the treatment of non-recoverable VAT and calculation of rent spreading liabilities to account for all minimum lease payments. These resulted in a £0.4m understatement of operating expenses in the year ended 31 August 2019.

The impact on the Group balance sheet as at 1 September 2019 was as follows:

Non-current assets	**£000**
Property, plant and equipment	(270)
Right-of-use assets	213,902
Financial assets	(864)
Current assets	
Prepayments	(1,128)
	211,640
Current liabilities	
Loans and borrowings	(53)
Lease liabilities	6,651
Non-current liabilities	
Trade and other payables	(9,872)
Loans and borrowings	(37)
Lease liabilities	214,951
	211,640

Cash flow and capital expenditure

The Group's operational businesses generated cash inflows totalling £13.6m (2019: £8.8m) during the year but it should be noted that the current year excludes rent payments which are now treated as financing payments in accordance with IFRS 16. Many of the Group's international students pay fees annually in advance. The reduction in international students enrolling for the 2020-21 academic year has reduced operating cash inflows as evidenced by a £9.6m fall in deferred income at 31 August 2020 when compared to the year before.

No major capital projects were undertaken or completed during the year. Capital expenditure during the year amounted to £3.7m (2019: £12.6m) which represented 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. This should not be confused with routine repair and maintenance expenditure which is expensed as incurred. The comparative figure for 2019 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.

Cash flow and capital expenditure *continued*

In December 2019, the Group requested and received a repayment of £6m of funds deposited with its shareholder which was utilised to supplement working capital resources following the completion of the refurbishment works at Wetherby Prep School referred to above. A further £4m was repaid in June and July 2020 to further supplement working capital as the Group responded to the Covid-19 pandemic. As a consequence the outstanding shareholder loan balance reduced from £33.8m at the beginning of the year to £23.8m at the year-end.

5.75% Secured sterling bond maturity December 2019

In November 2019, the Company 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 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 has fallen by approximately £0.6m as a consequence of this re-financing.

Other non-financial key performance indicators

These include the outcome of external inspections, external examination results and university destinations, as well as the proportion of pupils and students moving to their first choice follow-on school.

All of the Group's UK schools and colleges are subject to regular external inspections by Ofsted of the Independent Schools inspectorate. The Board's aspiration is for all of the schools and colleges to be rated Good or Outstanding (Excellent in the case of ISI) in cyclical inspections and this had been achieved at the date of this report.

The Board and Governors receive an annual report each Autumn setting out the destinations of graduating pupils and students as well as the results of external examinations for each respective school and college. These are also published on individual school and college websites.

Future developments

Trading performance in the year ending 31 August 2021 will continue to be adversely impacted by the current pandemic with the reduction in student numbers in the Group's colleges being the major reason for this. The Group also decided not to increase school fees in September 2020. However, increased college tuition and boarding fees effective from September 2020 together with increased pupil numbers in the more expensive schools will partly offset the reduction in college student numbers.

Whilst no blanket fee discounts are planned in response to the closing of schools for most children at the beginning of January 2021, the Group does intend to rebate any resultant cost savings to parents. This will not, therefore, impact current year profitability. Longer term, a recovery in student numbers and a resumption of pupil number growth in the schools is envisaged in Autumn 2021 which should result in much improved performance in due course.

The Group currently has no ongoing major capital expenditure projects and, in the absence of such, expects ongoing capital expenditure in the current year to not exceed £4 million.

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 enhance or expand its school and college portfolio both in the UK and overseas some of which may arise as a consequence of the current economic recession.

Section 172 statement

Section 172(1) of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder, having regard to (amongst other things) the following:

- The likely long term consequences of decisions
- The interests of employees
- The need to foster relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability to maintain a reputation for high standards of business conduct

Identity of shareholder

The Company is a wholly owned subsidiary of DV4 Holdings Alpha Plus Co Limited, which is ultimately owned by DV4 Limited, a private investment company incorporated in the British Virgin Islands.

Aims and values

The Company is committed to providing the best possible education and the best possible start in life for all of the pupils and students in its care. To ensure that these high standards are met and to ensure that achievement can be measured the Company has developed the "Alpha Plus Gold Standard" which includes the following components:

- High aspirations and expectations for all pupils and staff
- Outstanding leadership at all levels
- Working closely in partnership with parents
- A focus on high quality teaching and learning
- A commitment to self-review and continuous improvement

Other key stakeholders

These include the following:

- Pupils and students and their respective fee payers (usually their parents)
- Debt finance providers currently comprising holders of the Company's secured sterling bonds and the Company's bankers
- Employees of the Group
- Certain suppliers

Key decisions during the year

The Company's £48.5m 5.75% secured sterling bonds matured in December 2019. The trading price of the bonds had shown some volatility in the months prior to the maturity date. Following consultation with external professional advisers, the Company and its shareholder concluded that it would be less expensive, and more certain, to re-finance the maturing bonds through new shareholder loans. This also enabled the Company to reduce its ongoing finance costs by £0.6m per annum thus potentially benefitting other key stakeholders.

Section 172 statement *continued*

Key decisions during the year continued

As noted above, the Covid-19 pandemic had a significant impact with schools and colleges advised to close during the first lockdown period between March and June. In response, school fees for the Summer term were reduced and a hardship fund created to assist those fee payers whose financial circumstances had suddenly and significantly worsened as a result of the onset of the pandemic. The rapid establishment of remote teaching and learning capabilities supported pupils and students throughout. The Group did not apply for financial support from the Government's "furlough" scheme as all employees were needed to continue to support the education of all pupils and students. Variations to normal terms of business were agreed with key suppliers as appropriate to ensure that essential services were maintained during lockdown and to enable the schools and colleges to return to normal operation as soon as they were allowed to do so.

Maintaining a reputation for high standards of business conduct

The Group has its own internal governance process. This includes termly visits to each school and college by representatives of the Governing body which monitor pupil and student progress and achievement as well as facilitating leadership training for Head Teachers, College Principals and other members of the respective senior leadership teams.

The Group maintains its own internal Code of Ethical and Professional Conduct with which all employees are required to affirm compliance annually.

The Board of Directors established a Risk Committee during the current year to:

- Identify the nature and extent of significant risks facing the Group's businesses
- Advise the Board on the Company's appetite and tolerance of the risks it is willing to take in achieving its strategic objectives
- To consider mitigation plans to address key risks and to present solutions for managing those which cannot be eliminated

Risk Management

Approach to risk management

The Board established a Risk Committee during the year, the terms of reference of which are summarised in the section 172 statement in the Strategic Report. The Risk Committee subsequently approved the adoption of a risk assessment framework and risk management policy. A two-part risk register framework has been developed:

- A Group risk register which contains generic business, financial and operational risks
- A school and college risk register template which focusses on those risks that are best managed at a school or college level

The Group risk register is reviewed at least twice a year by the Risk Committee. The school and college registers are reviewed annually by the Director who line manages the respective head teacher or college principal.

The risk management policy is designed to ensure that:

- Current and emerging business risks are identified and understood
- Prudent risk management systems to manage these risks are developed and implemented
- Residual risk levels are monitored to ensure that they remain within the Group's risk appetite

Risk Management *continued*

Principal risks and uncertainties

The Group's activities expose it to a number of risks, both business and financial and these are summarised below:

Area of Risk	Potential Impact	Mitigating Actions
Educational Excellence (Alpha Plus "Gold Standard")	Unsatisfactory external exam results, pupils not being enrolled at chosen follow-on school. Poor external inspection outcomes. Risk of reputational damage	Rigorous internal educational governance program as outlined in the Alpha Plus prospectus which is published on the Group's website
Health and Safety	Risks to the health and safety of staff, pupils and students and visitors. Child protection and safeguarding regulations not adhered to risking reputational damage	Group policies designed to ensure compliance with all regulatory requirements coupled with Internal governance processes to ensure adherence to those policies. External annual review of premises to assess building-related health and safety risks and necessary remedial actions taken
Financing	Insufficient funding for day-to-day activities	Regularly reviewed cash flow projections and scenario planning especially in light of current Covid-19 pandemic. Maintenance of bank overdraft facility and other funding resources
People	Failure to leverage the extensive skills and talents of the Group's teaching and support staff. Loss of key staff through resignation or long-term absence	Development of an on-line Education Hub to promote the professional development of teachers and leaders. Regular internal forums to share and develop best practice across the Group

Financial risks also include interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are described further in note 24 to the financial statements.

Additional Risk Committee meetings were held in the year to ensure that specific Covid-19 related risks were identified and managed including ensuring that all school premises were safe to re-open and that all relevant Government guidance and advice had been taken into account. Detailed risk assessments were been prepared and approved for all of the Group's schools and colleges.

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

J C Norton

Secretary

26 January 2021

Alpha Plus Holdings plc

Company No. 04418776

Directors Report

The Directors present their annual report and the audited Group financial statements for the year ended 31 August 2020. A review of the business together with commentary regarding future developments and risk management is given in the Strategic Report.

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 (resigned 31 July 2020)
T H P Haynes	Director of Senior Schools
E M Francis	Director of Education
P D Brereton	Director of HR
R Proscia	Director of Sales and Marketing
R Seaman	Director of ICT (appointed 30 April 2020)
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Mr M J Sample has advised the Company that he intends to retire in the Spring of 2021. Mr J E B Bowden was appointed Chief Financial Officer on 4 January 2021.

Directors' interests

As at 31 August 2020, the Directors, and their connected parties, collectively held £12,000 (2019: £12,000) nominal value of the Company's 5% March 2024 secured sterling bonds. At 31 August 2019, the Directors, and their connected parties, also collectively held £20,000 nominal value of the Company's 5.75% December 2019 secured sterling bonds which were repaid during the year.

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.

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 £80m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB") and which mature in March 2024 and by £48.3m term loans from its parent companies which mature in December 2024. No repayments of capital fall due before the £80m bond maturity date in March 2024.
- The Group held £7.2m of cash at 31 August 2020. Although the Group had net current liabilities of £24.9m, current liabilities included £28.7m of deferred income that will not be settled in cash.
- The Group has a committed £5m bank overdraft facility.
- At 31 August 2020, the Company had loaned £23.8m 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 15 to the financial statements) and provide further financial support if required. The Board is satisfied that the parent company has sufficient liquidity to make such repayments should the need arise.
- On 17 December 2020, the Company drew down a £2.5m interest-free bridging loan from its immediate parent company to supplement working capital resources. This loan was repaid in full on 8 January 2021.

The Directors have referred to cash flow forecasts for the period ending 31 August 2022 in order to understand the working capital requirements of the Group. Given the uncertainties resulting from the Covid-19 pandemic, a variety of scenarios in respect of the period ending 31 August 2022 have also been modelled and reviewed by the Board. These scenarios include the potential impact of the following:

- Potential non-collection of college boarding accommodation fees in the period ending 31 August 2021 reducing revenue by up to £1.5m.
- A deferral of school fee increases effective from September 2021.
- A reduction in pupil and student numbers in September 2021 compared with current expectations which would reduce expected revenues by up to £12m.
- Various possible cost saving initiatives that would partly offset the impact of the above.

In all of these scenarios, the Group would still have significant available funding, notably the residual element of the parent company loan referred to above 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. Those Directors who are also Governors of the Group's schools and colleges regularly meet with the head teachers and college principals informally, but also more formally as part of the Group's internal governance process, to review not only the development of their respective schools and colleges but also the wider development of the Group. Heads and principals disseminate this information to the employees in their respective school or college In this way, the Group undertakes to provide employees with information of concern to them that is likely to affect their interests.

The Group supports the principle of equal opportunities in employment and opposes all forms of discrimination. Every step is taken to ensure that individuals are treated equally and fairly and decisions on recruitment, training, promotion and career development are based only on objective and job related criteria. The Group gives full and fair consideration to applications for employment from disabled persons and also seeks to continue to employ, with suitable training, if appropriate, any person who becomes disabled whilst employed by the Group.

Further details regarding the Group's employees are provided in note 7 to the financial statements.

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 £24,000 (2019: £18,000) during the year. This included £14,000 to support music charity The Classical Roadshow. The 2019 comparative included £12,000 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 2020, over £600,000 (2019: over £800,000) was raised in gifts and pledges for these charities from the Alpha Plus "family".

Energy and emission reporting

The Company has followed the GHG Reporting Protocol – Corporate Standard for company reporting to identify and report relevant energy and GHG emissions over which it has operational control for the year ending 31st August 2020.

Directors Report *continued*

Energy and emission reporting *continued*

The Company has considered the materiality of environmental impacts arising from its UK operations and identified greenhouse gas emissions (generated via energy use and vehicle emissions) to be the most significant. These are summarised below:

	Absolute energy use (Mwh)	Absolute carbon dioxide equivalent (tonnes)
Direct emissions - gas and vehicles (scope 1)	5,836	1,191
Indirect emissions - electricity (scope 2)	1,394	325
	7,230	**1,516**

The Group tracks energy consumption per school using league tables and heat maps. An extensive programme to fit LED lighting throughout the portfolio of schools and colleges is currently being undertaken to reduce future emissions. Emissions per £ revenue is considered a key metric and was 14.31 kg of CO2 per £000 of revenue in the year ended 31 August 2020.

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 26 January 2021

Alpha Plus Holdings plc

Company No. 04418776

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 judgements 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.

Website publication

The Directors are responsible for ensuring that the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom regarding the preparation and dissemination of financial statements, which may differ from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's Report to the Members of Alpha Plus Holdings plc

Opinion

We have audited the financial statements of Alpha Plus Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2020 which comprise the Group statement of comprehensive income, group balance sheet, group statement of changes in equity, group statement of cash flows, company balance sheet, company statement of changes in equity and notes 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 2020 and of the Group's income for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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, in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 including 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
Revenue recognition (Notes 2.3b and 6) As detailed in note 2.3b, the Group's revenue primarily relates to the provision of tuition and accommodation, with other ancillary education services recognised over time. The Group also received rental income recognised over time, and revenue for education-related goods recognised at a point in time. Revenue is recognised net of discounts provided. There is a risk around appropriate revenue recognition and deferral around the year end for revenue and discounts. We therefore determined the recognition of revenue to be a key audit matter.	Our audit work included, but was not restricted to, the following: • We recalculated expected recognisable and deferred tuition and accommodation fee income (excluding discounts) by college, school and nursery based on published fee rates and student number data extracted from the internal systems. A sample of students were traced to registration and attendance supporting records to confirm existence. We compared our expectation of revenue to revenue recognised and deferred at year end in the financial statements. • We recalculated expected COVID19 discounts provided against the approved policy. We tested a sample of other discounts applied and traced to relevant approvals and policies in place. • We recalculated rental income based on lease contract and the latest rent reviews. • We tested a sample of other income and examined supporting evidence of revenue value and point of recognition. • We tested invoices and credit notes raised around the year end and traced a sample to supporting documents to check that these were posted in the correct period. Key observation: We did not identify any indicators to suggest that revenue has not been recognised appropriately in accordance with the applicable accounting standards.
Adoption of a revaluation policy for freehold property (Note 2.3d and 12) As detailed in note 2.3d, the Group has adopted a policy of revaluation for freehold property as at 31 August 2020. As a result a fair value assessment was required as at 31 August 2020, with movements in value recognised within the statement of comprehensive income. There is significant judgement involved in the selection of appropriate valuation methodology, and estimation in selecting an appropriate EBITDA and the discount/yield rates employed. Management utilised a valuation expert to assist with this valuation. Due to the material judgements and estimates involved in the calculation, we consider the valuation of freehold properties to be a key audit matter.	Our audit work included, but was not restricted to, the following: • We utilised our internal property valuation experts to assess the tiered valuation methodology applied across mature schools, schools in a transition phase, and underperforming schools and nurseries. • We met with the Group's external valuer to understand the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions. • We corroborated the inputs used in these valuations to verifiable source data for fee rates, student numbers and costs. • We compared the estimates in growth, EBITDA multiples and discount rates to historic results and comparable market data • We recalculated the valuations and performed sensitivity analysis on the inputs and estimates. • We considered the independence and qualifications of the management expert performing the valuations.

Adoption of a revaluation policy for freehold property (Note 2.3d and 12) continued

- We reviewed management's updated accounting policies and disclosures against accounting standard requirements in relation to the valuation process.

Key observation: We did not identify any indicators to suggest that the judgements applied by management in the valuation of the freehold properties were unreasonable.

Recoverability of goodwill and non-financial assets - Group (Note 2.3a, 11)

Recoverability of Parent Company Investment in subsidiaries – Parent Company (Note 2.1a, 4)

The Group's accounting policy in relation to impairment of goodwill and non-financial assets is included within note 2.3a and further explained in note 11 of the group financial statements.

The Parent Company's accounting policy on investment in subsidiaries is included within Company note 2.1a.

Accounting standards require management to perform an impairment review annually to consider possible impairment of goodwill and consider whether there are any indicators of impairment impacting other group non-current assets, including property, plant and equipment and right of use assets, and investments in subsidiaries balances in the parent company

Management exercise significant judgement in determining the underlying assumptions used in the impairment review of the operating cash generating units (CGUs). These assumptions include the discount rate, the forecast operating margins and the growth rate. There was increased uncertainty over future operating results in the short to medium term due to COVID-19.

Because of the judgements exercised by management over this area we determined it to be a key audit matter.

Our audit work included, but was not restricted to, the following:

- We utilised our internal valuation experts to assess the methodology employed by management, and review key inputs including discount rate, forecasting period and terminal value against externally available data, best practise and applicable accounting standard requirements.
- We assessed management's determination of cash generating units (CGUs) against the requirements of applicable accounting standards.
- We recalculated the CGU component's value in use using our calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards and compared these values against the CGU component asset value and the investment in subsidiaries value.
- We have challenged and assessed the reasonableness of the CGU component level seven year budgets and expected growth rate assumptions within the impairment models through discussions with management, and, where appropriate, agreement to supporting documentation and historical trends.
- We have performed sensitivity analysis over the key assumptions used by management, specifically the discount rate, long term growth rate and EBITDA,
- We reviewed the disclosures in group note 11 and parent company note 3 of the parent company against accounting standard requirements, including the impact of changes in key assumptions.

Key observation: We did not identify anything to suggest that the judgements made by management in their annual impairment review were inappropriate, or that the impairment review failed to identify indicators impacting the recoverability of goodwill and non-current assets in the group or investments in subsidiaries in the parent.

Going concern (Note 2.1)

Management's assessment of the possible impact of COVID-19 on their assessment of future cash flows and headroom against available facilities has been disclosed in note 2.1 of the group financial statements.

Due to the increased uncertainties in forecasting and budgeting as a result of COVID-19, we identified going concern to be a key audit matter.

Our audit work included, but was not restricted to, the following:

- We assessed management's assessment of going concern and considered the year on year movements in key assumptions, specifically student number and pricing growth and EBITDA margins used in the forecasts and reverse stress testing with regards to the speed of recovery of student numbers, particularly in colleges with a larger proportion of international students. We discussed the rationale for the year on year movements and performed sensitivity analysis over these key inputs.
- We assessed FY20 results against budgets and pre COVID-19 projections as an indicator of management budget accuracy.

Going concern (Note 2.1) continued

- We performed a detailed review of management's monthly cash flow base case and worst case scenarios to 31 August 2022, against audit evidence from our review of the FY21 budget and FY20 audit actuals. We considered the FY21 budget against actual student numbers in October 2020 to check the accuracy of forecasts.
- We compared the cash requirements shown by the forecasts above to the available facilities of the group and considered liquidity of the Group's current assets.
- We obtained the loan covenant valuation of the security portfolio prepared by management's property expert and recalculated covenant headroom to confirm compliance.
- We reviewed the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions. We assessed the expertise and independence of the external property expert.
- We checked the disclosures in the financial statements against best practice guidance per the regulators and accounting standards.

Key observation: Our observations are set out in the conclusions relating to going concern section of our report.

Transition to IFRS 16 lease accounting (Notes 2.3e, 4.1a and 13)

The Group holds a large number of leases, primarily in relation to properties. The transition to IFRS 16 lease accounting is complex and required material management judgement in the selection of an appropriate discount rate and identification of appropriate lease inputs to the liability calculation, notably lease length and utilisation of termination and extension options within each lease contract.

Due to the quantum of the balance noted and complexity of the accounting required, we identified the transition to IFRS 16 as a key audit matter.

Our audit work included, but was not restricted to, the following:

- We checked a sample of lease inputs to signed lease agreements to identify relevant lease payment dates, minimum rent increases and lease end dates and recalculated expected balances on transition.
- We discussed key lease length judgements with management and checked that the utilisation of early termination clauses were used appropriately.
- We assessed Management's calculation of the lease portfolio's incremental borrowing rate and utilised our internal valuation experts to consider this against externally available information.
- We considered the completeness of the transition balance through review of management's reconciliation of transition balance to prior year operating lease disclosures, review of minutes and rent expenditure costs.
- We assessed the adjustments to the right of use asset relating to prior year balances under IAS 17 and confirmed that these were appropriate adjustments in accordance with IFRS transition provisions
- We assessed the application and disclosure of transition practical expedients against Management's calculations and for consistency with IFRS 16.

Key observation: We consider the application of IFRS 16 lease accounting and the judgements applied by Management in respect of this to be reasonable.

Independent Auditor's Report to the Members of Alpha Plus Holdings plc *continued*

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £545,000. This was determined on the basis of 0.5% of revenue, which is considered to be of primary interest to the users of the financial statements. Revenue is a key performance indicator for the Group and was considered to be the most stable and reliable indicator of underlying performance for an operating business, given the adoption of a revaluation policy of property at a Group level and losses made in the year.

Where financial information of components was audited separately, component materiality level was set for this purpose at a lower level of £363,000, being 67% of Group materiality.

Performance materiality was set at £300,000 being 55% of materiality, taking into account various factors including the level of public interest in the financial statements, expected total value of known and likely misstatements, the number of material estimates, and the expected use of sample testing.

The materiality for the Parent Company financial statements was capped at component materiality of £363,000, which represents 67% of group materiality, to reduce standalone materiality below Group materiality in accordance with auditing standards and to address the aggregation risk across components. Performance materiality for the Parent Company was set at £200,000, being 55% of materiality.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team, and full scope audit procedures were performed on the parent company and the UK operating entity of the group, which were considered to be the significant components of the group. We considered it appropriate to group the school and college component operating balances together and audit as a single component, which reflects the legal entity structure, given the consistency in systems, process and transactions across sites. Group balances, including freehold and leasehold property were audited to Group materiality.

Specific procedures on key asset balances within the US operating entity, a non-significant component, and analytical procedures were carried out where relevant on the non-significant components. All work was carried out by the group audit team.

Our full scope and specific audit procedures noted above covered 98% of the Group's revenue, 95% of the Group's loss before tax and 87% of the Group's net assets.

How the audit was capable of detecting irregularities including fraud

Our audit aimed to detect non-compliance with relevant laws and regulations that could lead to a material error arising in the Group financial statements as well as the susceptibility of the Group to fraud. We obtained an understanding of the regulatory and legal framework of the industry that the Group operate in.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Independent Auditor's Report to the Members of Alpha Plus Holdings plc *continued*

How the audit was capable of detecting irregularities including fraud *continued*

We completed audit procedures across the Group to respond to the risk of an error arising in the specific areas in relation but not limited to compliance with the Companies Act 2006, the UK listing rules and UK tax legislation. The procedures included the investigation of potential non-compliance with laws and regulations, review of the communications with the regulatory bodies and a reconciliation of the financial statement disclosures to the requirements.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and 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 and Director's report.

We have nothing to report in respect of the following matters in relation to which the
Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, 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's and the 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.

Independent Auditor's Report to the Members of Alpha Plus Holdings plc *continued*

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.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board on 28 July 2020 to audit the financial statements for the year ending 31 August 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 31 August 2020.

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 our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Guildford, UK
26 January 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group statement of comprehensive income

for the year ended 31 August 2020

	Notes	2020 £000	2019 * £000
Revenue	6	108,029	110,037
Other operating income		265	1,001
Operating expenses	6	(86,578)	(105,309)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		**21,716**	**5,729**
Depreciation	12	(8,062)	(8,639)
Depreciation of right-of-use assets	13	(12,928)	-
Loss on revaluation of freehold properties	12	(11,893)	-
Impairment of right-of-use assets	13	(2,500)	-
Impairment of property, plant and equipment	12	-	(3,750)
Loss before interest and tax		**(13,667)**	**(6,660)**
Finance costs	8	(18,385)	(7,260)
Finance income	9	2,196	3,135
Loss before tax		**(29,856)**	**(10,785)**
Tax credit	10	3,396	650
Loss for the year		**(26,460)**	**(10,135)**
Other comprehensive income / (deficit)			
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		93,532	-
Deferred tax relating to property revaluation		(18,423)	-
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange gains/(losses) on translation of foreign operations		254	(199)
Total comprehensive income / (deficit) for the year		**48,903**	**(10,334)**

* restated for the correction of a prior year IAS 17 lease accounting error as explained in note 2.1*
The notes on pages 29 to 62 form part of these financial statements.

Group balance sheet

as at 31 August 2020

	Notes	2020	2019 restated *	1 Sept 2018 restated *
Non-current assets		**£000**	**£000**	**£000**
Intangible assets	11	2,238	2,238	2,238
Property, plant and equipment	12	219,495	142,620	142,416
Right-of-use assets	13	210,908	-	-
Investment property	14	4,292	4,292	4,292
Financial assets	15	3,540	4,632	4,357
		440,473	153,782	153,303
Current assets				
Trade and other receivables	16	3,554	5,784	4,028
Financial assets	15	24,574	34,790	42,067
Cash	17	7,244	8,926	9,923
		35,372	49,500	56,018
Total assets		**475,845**	**203,282**	**209,321**
Current liabilities				
Trade and other payables	18	49,698	59,491	55,688
Loans and borrowings	19	1,729	50,606	2,230
Lease liabilities	20	8,801	53	158
		60,228	110,150	58,076
Non-current liabilities				
Trade and other payables	18	-	9,872	9,014
Loans and borrowings	19	127,378	78,816	126,815
Lease liabilities	20	219,903	37	24
Deferred tax liabilities	10	16,989	1,963	2,614
		364,270	90,688	138,467
Total liabilities		**424,498**	**200,838**	**196,543**
Net assets		**51,347**	**2,444**	**12,778**
Equity attributable to equity shareholders				
Share capital	21	16	16	16
Revaluation reserve		75,109	-	-
Foreign currency translation reserve		(46)	(300)	(101)
Retained earnings		(23,732)	2,728	12,863
Total equity		**51,347**	**2,444**	**12,778**

* restated for the correction of a prior year IAS 17 lease accounting error as explained in note 2.1
The notes on pages 29 to 62 form part of these financial statements.

Group balance sheet *continued*

The financial statements were approved by the Board and authorised for issue on 26 January 2021.

M J Sample
Director of Finance

Group statement of changes in equity

for the year ended 31 August 2020

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings *	Total equity
	£000	£000	£000	£000	£000
At 31 August 2018 as reported	16	-	(101)	14,652	14,567
Adjustment due to correction of prior year error	-	-	-	(1,789)	(1,789)
At 31 August 2018 restated	16	-	(101)	12,863	12,778
Loss for the year	-	-	-	(10,135)	(10,135)
Other comprehensive deficit:					
Exchange losses on translation of foreign operations	-	-	(199)	-	(199)
At 31 August 2019 *	16	-	(300)	2,728	2,444
Loss for the year	-	-	-	(26,460)	(26,460)
Other comprehensive income:					
Gain on property revaluation	-	93,532	-	-	93,532
Deferred tax relating to property revaluation	-	(18,423)	-	-	(18,423)
Exchange gains on translation of foreign operations	-	-	254	-	254
At 31 August 2020	**16**	**75,109**	**(46)**	**(23,732)**	**51,347**

* restated for the correction of a prior year IAS 17 lease accounting error as explained in note 2.1
The notes on pages 29 to 62 form part of these financial statements.

Group statement of cash flows

for the year ended 31 August 2020

	Notes	2020 £000	2019 restated £000
Cash generated from operations	27	13,559	8,792
Investing activities			
Additions of property, plant and equipment	12	(3,709)	(12,593)
Interest received		2,392	2,823
Loan repaid by parent undertaking		10,000	7,000
Net cash inflow / (outflow) from investing activities		**8,683**	**(2,770)**
Financing activities			
Interest paid on loan and borrowings	27	(6,944)	(6,789)
Other interest paid		(254)	(94)
Repayment of 5.75% secured sterling bonds		(48,500)	-
New loans drawn from parent undertakings		48,300	-
Interest paid on lease liabilities		(11,294)	-
Principal paid on lease liabilities (2019: payment of finance lease liabilities)		(5,316)	(92)
Net cash outflow from financing activities		**(24,008)**	**(6,975)**
Net decrease in cash and cash equivalents		**(1,766)**	**(953)**
Foreign exchange differences on cash		84	(44)
Cash and cash equivalents at 1 September		8,926	9,923
Cash and cash equivalents at 31 August	17	**7,244**	**8,926**

Note that loan repaid by parent undertaking amounts above were included within financing activities in the 2019 accounts.

The notes on pages 29 to 62 form part of these financial statements.

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 2020 were authorised for issue in accordance with a resolution of the Directors on 26 January 2021. 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 the change in accounting policy in respect of freehold land and buildings (see note 2.3) and the implementation of IFRS 16 (see note 4.1).

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 £80m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds ("ORB") and which mature in March 2024 and by £48.3m term loans from its parent companies which mature in December 2024. No repayments of capital fall due before the £80m bond maturity date in March 2024.
- The Group held £7.2m of cash at 31 August 2020. Although the Group had net current liabilities of £24.9m, current liabilities included £28.7m of deferred income that will not be settled in cash.
- The Group has a committed £5m bank overdraft facility.
- At 31 August 2020, the Company had loaned £23.8m 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 Board is satisfied that the parent company has sufficient liquidity to make such repayments should the need arise.
- On 17 December 2020, the Company drew down a £2.5m interest-free bridging loan from its immediate parent company to supplement working capital resources. This loan was repaid in full on 8 January 2021.

The Directors have referred to cash flow forecasts for the period ending 31 August 2022 in order to understand the working capital requirements of the Group. Given the uncertainties resulting from the Covid-19 pandemic, a variety of scenarios in respect of the period ending 31 August 2022 have also been modelled and reviewed by the Board. These scenarios include the potential impact of the following:

- Potential non-collection of college boarding accommodation fees in the period ending 31 August 2021 reducing revenue by up to £1.5m.
- A deferral of school fee increases effective from September 2021.
- A reduction in pupil and student numbers in September 2021 compared with current expectations which would reduce expected revenues by up to £12m.
- Various possible cost saving initiatives that would partly offset the impact of the above.

Notes forming part of the accounts (continued)

2.1 Basis of preparation *continued*

In all of these scenarios, the Group would still have significant available funding, notably the residual element of the parent company loan referred to above 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.

Prior year adjustments

Errors in the accounting for leases under the old lease accounting standard, IAS 17, specifically in the treatment of non-recoverable VAT and calculation of rent spreading liabilities to account for all minimum lease payments, have been identified which resulted in an overstatement of prepayments and an understatement of non-current payables as at 1 September 2018 and 2019 and a £0.391m understatement of operating expenses in the year ended 31 August 2019.

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

	Reported	Re-statement impact	Restated
	£000	£000	£000
Impact on statement of financial position at 1 September 2018			
Prepayments	3,290	(286)	3,004
Non-current payables	(7,511)	(1,503)	(9,014)
Net assets	14,567	(1,789)	12,778
Profit and loss account reserves	14,652	(1,789)	12,863
Decrease in equity	14,567	(1,789)	12,778
Impact on financial performance for year ended 31 August 2019			
Operating expenses	(104,918)	(391)	(105,309)
Total comprehensive deficit for the year	(9,943)	(391)	(10,334)
Impact on statement of financial position at 1 September 2019			
Prepayments	4,470	(273)	4,197
Non-current payables	(7,965)	(1,907)	(9,872)
Net assets	4,624	(2,180)	2,444
Profit and loss account reserves	4,908	(2,180)	2,728
Decrease in equity	4,624	(2,180)	2,444

Notes forming part of the accounts (continued)

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 2020.

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.

Contracts with customers

The majority of the Group's revenue is derived from contracts with customers, usually the parents of pupils and students, and includes tuition fees together with fees for ancillary education-related services and student accommodation. These fees are set in advance of the commencement of a financial year and generally do not change until the beginning of the next financial year. The Group's performance obligations in respect of these revenue streams are delivered evenly over time, typically a school term or an academic year, and so revenue is recognised on this basis with fees initially recognised as deferred income (contract liabilities) and then transferred to the income statement over the period of time to which the fees relate.

Discounts, which may take the form of scholarships, bursaries and similar fee reductions are applied to reduce revenue evenly over the same periods in which the respective tuition or boarding accommodation fees are recognised.

However, certain revenue streams, including registration fees, exam fees and the retention of non-refundable deposits, are recognised at the point in time at which the Group has no further performance obligation.

Rental income

Rents receivable from tenants are recognised on a straight-line basis over the lease term. Contingent rents, which are not fixed at lease inception, for example inflation-linked rent review increments, are recognised over the period in which they are earned.

Interest income

Interest income is recognised using the effective interest rate approach.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

c) Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences including the revaluation of freehold land and buildings, 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 profits 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 or valuation, net of accumulated depreciation and/or accumulated impairment losses, if any. The accounting policy regarding freehold land and buildings changed with effect from 31 August 2020. Freehold land and buildings are now measured using the revaluation model, under which, assets are periodically revalued to fair value. This change has been made in order bring a consistent approach with other non-current assets such as investment properties which are also measured at fair value. The Group's policy is to commission an external revaluation annually as at 31 August. Changes in fair value are recognised in other comprehensive income and added to, or deducted from, the revaluation reserve except that a decrease in value exceeding the credit balance on the revaluation reserve, or a reversal of such, is recognised in profit and loss.

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%

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

Assets under development are not depreciated until such time as the respective asset is brought into use for educational purposes. Accumulated depreciation in respect of freehold land and buildings is eliminated against the gross carrying amount of the property and the net amount is restated to the carrying amount at the time on which a revaluation is carried out.

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

e) Leases

The Group recognises right-of-use assets and corresponding lease liabilities on the date on which a leased asset is made available to the Group, except for short term leases (defined as leases with a lease term of twelve months or less) and low-value assets (defined as assets with an initial value of less than £50,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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 re-measurement of lease liabilities. The cost of right-of-use assets includes the present value of lease liabilities recognised, plus initial direct costs incurred, less any lease payments made at or before the commencement date and 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 an annual review for indicators of impairment (see note 12).

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of minimum 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.

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 and within the control of the Group as lessee, less any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised and if within the control of the Group as lessee.

Significant judgement in determining the lease term of contracts with renewal options

Lease break options provide the Group with considerable flexibility, in particular with regard to short and medium term demand for boarding accommodation in the Group's sixth form colleges. In considering whether a break option is likely to be exercised, the Group considers a numbers of factors, including the expected future growth profile of the respective school or changes in anticipated international student recruitment. None of the Group's break options carry significant exit penalties other than as a result of accelerating any end of lease dilapidations liabilities.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

Lease modifications

The carrying value of lease liabilities is adjusted when the variable element of future lease payments, which may be inflation or market rent linked, is revised although the discount rate used remains unchanged. If the Group revises its estimate of the lease term, for example because it re-assesses the probability of a break option being exercised, the carrying value of the lease liability is adjusted to reflect the payments to be made over the revised lease term but discounted at a revised discount rate. In both cases, an equivalent adjustment is made to the carrying value of the respective right-of-use asset with the revised carrying amount being depreciated over the revised lease term remaining.

f) Investment property

Investment properties are those properties owned by the Group that are not occupied by any of the Group's schools and colleges. 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 profit or loss. Fair values are determined by the Directors' taking into account information received from external independent experts. Provisions for impairment are made if appropriate.

Rent receivable is recognised on a straight line basis over the period of the lease.

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 only category 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 cash, trade and other 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 which ensures that the interest expense, including amortisation of loan arrangement or similar fees, over the period to repayment is at a constant rate on the balance of the liability carried on the statement of consolidated financial position. 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 *continue*d

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

The Group 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 25).

j) 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.

k) 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.

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.

Notes forming part of the accounts (continued)

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

Key estimates and assumptions *continued*

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 hence have recognised a deferred tax asset to the extent that losses are considered likely to be utilised over a five year period (see note 10).

Fair value measurement of freehold and investment property

Freehold land and buildings and investment properties are carried at fair value. Fair value measurement uses observable market inputs wherever possible. Inputs used in the fair value measurement technique are categorised as follows:

Level 1 - quoted prices in active markets for identical items

Level 2 – other observable direct or indirect inputs

Level 3 – unobservable inputs not derived from market data

The assumptions underlying the fair value assessment are described in notes 12 and 14 respectively.

Impairment of goodwill and non-financial 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 seven years when considering the value in use of fixed assets which includes making long-term assumptions regarding future pupil and student numbers, annual fee increases and cost inflation. This is longer than the default period of five years detailed in IAS 36.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. A value in use assessment is carried out annually for goodwill and for non-current assets if indicators of impairment are identified (see note 12).

Discount rate used to calculate right-of-use assets and lease liabilities

A rate of 5% has been used as the Group's incremental borrowing rate used to determine the present value of future lease rental payments at lease inception, or date of transition to IFRS 16 when earlier. An increased rate of 5.25% would reduce right-of-use assets and lease liabilities as at 31 August 2020 by £4.7m and £4.6m respectively and would reduce the depreciation charge by £0.2m and increase interest payable by £0.3m in the year then ended.

Notes forming part of the accounts (continued)

4.1 New standards and interpretations

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 and leases were valued commencing 1 September 2019. As required by IFRS 16, the nature and effect of these changes are disclosed below.

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, prepaid rent and lease contract-related liabilities. 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. There is no change in lease accounting for lessors.

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

	£000
Operating lease commitments at 31 August 2019 as reported	331,452
Lease extension periods reasonably certain to be exercised	30,848
Irrecoverable VAT element incorrectly included in lease commitment	(14,331)
Future committed rent increments incorrectly not included in reported commitments at 31 August 2019	4,946
Other adjustments	(708)
Lease liabilities	352,207
Discounting at weighted average rate of 5%	(130,695)
Lease liabilities	221,512
Reclassification from finance lease liabilities	90
Lease liabilities at 1 September 2019	**221,602**

Other adjustments above largely reflect prepaid rent for the period 1 September 2019 to 28 September 2019 having been incorrectly included within reported operating lease commitments as at 31 August 2019.

Impact on statement of financial position

	As at 31 August 2019 (as restated)	Transition to IFRS 16	As at 1 September 2019
	£000	£000	£000
Property, plant and equipment	142,620	(270)	142,350
Right-of-use assets	-	213,902	213,902
Non-current financial assets	4,632	(864)	3,768
Prepayments	4,197	(1,128)	3,069
Non-current payables	(9,872)	9,872	-
Lease liabilities due within one year	(53)	(6,598)	(6,651)
Lease liabilities due after more than one year	(37)	(214,914)	(214,951)

Notes forming part of the accounts (continued)

4.1 New standards and interpretations *continued*

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 and corresponding balances transferred into right of use assets and lease liabilities.

Leases previously classified as operating leases
The Group has 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. 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 under IAS 17. 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; and
- did not treat rent concessions offered by landlords in response to the Covid-19 pandemic as lease modifications.

Other new standards and interpretations

The Group has early adopted IFRB 2020/08 Amendments to IFRS 16: Covid-19 related rent concessions which provides relief for lessees accounting for rent concessions granted as a direct consequence of Covid-19. This provides lessees with a potential exemption from the requirement to determine whether a Covid-19 related rent concession is a lease modification.

Notes forming part of the accounts (continued)

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 including.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (amendment – Definition of Material)

In January 2020, the IASB issued amendments to IAS 1 which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments require that classification of a liability as non-current should be based on whether an entity has the right to defer settlement of a liability to a date more than 12 months beyond the end of the financial reporting period. These amendments apply to financial reporting periods beginning on or after 1 January 2022.

Management does not currently believe that these or 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. Since all of the Group's schools and colleges have similar operational characteristics, the Board views the Group's schools and colleges as a single portfolio. Aggregation criteria have, therefore, been applied and, consequently, no further detailed segmental analysis has been included in these financial statements.

6. Revenue and operating expenses

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

	2020	2019
	£000	£000
Produce type:		
Tuition fees	89,897	90,906
Accommodation income	13,868	14,693
Other ancillary fees	4,264	4,438
	108,029	**110,037**
Timing of provision of service:		
Over time	106,166	107,018
At a point in time	1,863	3,019
	108,029	**110,037**
Geographical analysis:		
UK	105,962	108,537
USA	2,002	1,495
Other	65	5
	108,029	**110,037**

Deferred income (contract liability) balance of £38.4m as at 31 August 2019 (note 18) has all been recognised as revenue in the year to 31 August 2020. Deferred income of £28.7m at 31 August 2020 is all expect to be recognised as revenue in the year ending 31 August 2021.

Notes forming part of the accounts (continued)

6. Revenue and operating expenses *continued*

Other operating income	2020	2019
	£000	£000
Rental income	265	1,001

Operating expenses may be analysed as follows:

	2020	2019 restated
	£000	£000
Staff and other direct costs	60,735	62,168
Administrative expenses	25,843	43,141
	86,578	105,309

	2020	2019
	£000	£000
Operating expenses include:		
Auditors remuneration – audit of the financial statements	75	70
Auditors remuneration – statutory audits of subsidiaries	110	105
Other fees paid to the previous auditors	12	11

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

7. Information regarding directors and employees

	2020	2019
	£000	£000
Wages and salaries	41,762	40,996
Social security costs	4,563	4,482
Other pension costs	3,409	3,545
	49,734	49,023

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

	Number	Number
Directors	9	9
Head teachers	20	20
Teachers and tutors	776	763
Office administration	149	143
Others	101	92
	1,055	1,027

Notes forming part of the accounts (continued)

7. Information regarding directors and employees *continued*

Key management personnel compensation

The Directors of the Company are considered to be key management personnel as they have responsibility for planning, directing and controlling the activities of the Group.

	2020	2019
	£000	£000
Short-term employment benefits	1,270	1,302
Post-employment benefits (including pension contributions)	33	26
Share-based payments - amounts paid	-	140
Employer's national insurance	161	186
	1,464	**1,654**

Six Directors, defined as key management personnel in accordance with IFRS, accrued pension benefits under defined contribution schemes in 2020 (2019: 5). Two Directors received deferred payments in the year to 31 August 2019 in respect of Awards previously exercised under the Group's former Long Term Incentive Plan.

As at 31 August 2020, the Directors and their connected parties collectively held £12,000 (2019: £32,000) nominal value of the Company's secured sterling bonds and interest of £600 per annum (2019: £1,750) was receivable by them thereon.

Information regarding the highest paid Director is as follows:

	2020	2019
	£000	£000
Remuneration including benefits	209	185
Share-based payments - amounts paid	-	70
Total emoluments	**209**	**255**

8. Finance costs

	2020	2019
	£000	£000
Interest on 5% secured sterling bonds	4,000	4,000
Interest on 5.75% secured sterling bonds	832	2,789
Amortisation of secured sterling bonds issue costs	386	377
5.75% secured sterling bonds redemption costs	156	-
Interest on loan to parent undertaking	1,611	-
Bank and other interest	98	80
Interest on lease liabilities (2019: finance lease interest) (note 20)	11,302	14
	18,385	**7,260**

Notes forming part of the accounts (continued)

9. Finance income

	2020	2019
	£000	£000
Interest receivable from parent company (note 15)	2,026	2,492
Bank interest	105	162
Other interest receivable	65	65
Foreign exchange translation differences	-	416
	2,196	**3,135**

10. Taxation

The major components of the tax expense for the year ended 31 August 2020 were:

	2020	2019
	£000	£000
Current tax:		
Current tax charge	(1)	(1)
Deferred tax:		
Relating to origination and reversal of temporary differences	3,397	651
Tax credit	**3,396**	**650**
Deferred tax on revaluation included in other comprehensive income	(18,423)	-
	(15,027)	**650**

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2020 and 2019 is as follows:

	2020	2019 restated
	£000	£000
Loss before tax	**(29,856)**	**(10,785)**
At UK corporation tax rate of 19% (2019: 19%)	5,672	2,048
Movements in recognition of deferred tax assets	239	(198)
Expenses not deductible	(2,923)	(916)
Effect of different rates of tax	275	-
Other tax adjustments	133	(284)
Tax credit	**3,396**	**650**

Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

	Consolidated balance sheet		Consolidated income statement	
	2020	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	2,474	1,502	972	93
Unutilised tax losses	3,177	750	2,427	4
Difference between carrying value of property and tax base cost	(22,721)	(4,298)	(18,423)	(433)
Other timing differences	81	83	(2)	(315)
	(16,989)	**(1,963)**		
Deferred tax credit			**(15,026)**	**(651)**

Reconciliation of net deferred tax liabilities	**2020**	**2019**
	£000	**£000**
Opening balance	(1,963)	(2,614)
Recognised in profit and loss:		
Tax credit	3,397	651
Recognised in other comprehensive income:		
Revaluation of property	(18,423)	-
Closing balance	**(16,989)**	**(1,963)**
Reflected in the balance sheet as follows:		
Deferred tax assets	5,732	1,585
Deferred tax liabilities	(22,721)	(3,548)
Net deferred tax liabilities	**(16,989)**	**(1,963)**

The Group's accounting policy relating to the carrying value of freehold land and buildings changed during the year (see note 12). As a consequence, potential capital gains arising on a future disposal of the Group's freehold properties at carrying value have increased.

Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

The carrying value of properties owned by the Group is £127.4m (2019: £33.3m) 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 £22.7m (2019: £4.3m) is recognised.

In addition, at 31 August 2020, the Group had tax losses of £17.3m (2019: £4.4m) 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 £3.3m (2019: £1.1m as restated) of which £3.2m (2019: £0.8m) have been recognised.

At 31 August 2020, the Group had unrecognised deferred tax assets in respect of unutilised losses and depreciation in excess of capital allowances of £1.7m (2019: £0.8m) which have not been recognised because, in the opinion of the Directors and based on a review of projected taxable profits in the next five years, it is not sufficiently certain that taxable profits will arise against which to offset them.

Change in corporation tax rate

The Finance Bill 2020 reversed the Finance Act 2016 reduction in the headline rate of corporation tax from 19% to 17% with effect from 1 April 2020. This was substantively enacted on 17 March 2020, and therefore the company's deferred tax assets and liabilities are calculated at 19%.

Notes forming part of the accounts (continued)

11. Intangible assets

	Goodwill	Other	Total
	£000	£000	£000
Cost			
At 1 September 2018 and at 31 August 2019 and 2020	7,923	32	7,955
Provision for impairment			
At 1 September 2018 and at 31 August 2019 and 2020	5,717	-	5,717
Net book value			
At 1 September 2018 and at 31 August 2019 and 2020	2,206	32	2,238

Goodwill has been allocated, for impairment testing, to cash generating units (schools or colleges or groups of schools and colleges) that benefit from the synergies of the combination. Of the net book value of £2.206m at 31 August 2020, £1.808m relates to a portfolio of schools and colleges acquired in 2002. The recoverable value of this goodwill is subject to annual impairment review based on the fair value or the value in use of the relevant cash generating units. The remaining £0.398m of goodwill relates to cash generating units occupying freehold land and buildings which were subject to revaluation during the year (see note 12).

Key assumptions used in fair value calculations
The key assumptions used in the Group's value in use calculations are set out in note 12.

Sensitivity to changes in assumptions
The Group's approach to sensitising its value in use calculations and the outcome of this are also set out in note 12.

Notes forming part of the accounts (continued)

12. 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 or valuation						
At 1 September 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
Reclassification to right-of-use assets on adoption of IFRS 16	-	-	-	(1,053)	-	(1,053)
Additions	1,203	-	885	1,621	-	3,709
Revaluation	83,127	-	-	-	-	83,127
Foreign exchange movements	-	-	(176)	-	-	(176)
At 31 August 2020	**178,108**	**13,148**	**52,580**	**43,029**	**-**	**286,865**
Depreciation and impairment						
At 1 September 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
Reclassification to right-of-use assets on adoption of IFRS 16	-	-	-	(783)	-	(783)
Depreciation charge for the year	968	233	2,726	4,135	-	8,062
Revaluation	(10,405)	-	-	-	-	(10,405)
Impairment	11,893	-	-	-	-	11,893
Foreign exchange movements	-	-	(35)	-	-	(35)
At 31 August 2020	**11,893**	**1,404**	**17,709**	**36,364**	**-**	**67,370**
Net book value						
At 31 August 2020	**166,215**	**11,744**	**34,871**	**6,665**	**-**	**219,495**
At 31 August 2019	84,341	11,977	36,853	9,449	-	142,620

Since December 2019, freehold land and buildings with a carrying value of £148.4m have been subject to a first charge to secure the Company's loans from its parent companies. However, this carrying value is on a fully equipped trading entity basis and so includes the value of the schools operating in those properties. The charges provided to secure the loans from parent companies only relate to the freehold land and buildings which are held in separate subsidiary property companies and which were valued at £87.9m by an external professional valuer as at 31 August 2020.

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

The Group's main operating company, Alpha Plus Group Limited, leases the buildings referred to in the paragraph above from a number of the Group's property companies. Its leasehold interests in those properties are subject to a first charge to secure the Company's secured sterling bonds and those interests had an effective carrying value of £60.5m at 31 August 2020 being the difference between the Group value of £145.4m and the security value of £87.9m referred to in the paragraph above.

In addition to the above, freehold land and buildings with a carrying value of £17.8m (2019: £108.7m) are also subject to a first charge to secure the Company's secured sterling bonds.

The total carrying value of assets securing the Company's secured sterling bonds is £141.4m represented by the £60.5m and £17.8m referred to above together with a long leasehold property (£9.1m see below) and £54.0m of right-of-use assets (see note 13).

Long leasehold land and buildings relate to two properties which the Group leases which have 982 years and 107 years respectively unexpired as at 31 August 2020. These may be distinguished from shorter leases included within right-of-use assets (note 13) as the annual rent in both cases is a peppercorn. The figures included in the table above represent the cost of improvements to these two buildings and accumulated depreciation thereon. One of the long leasehold properties, with a book value of £9.1m (2019: £9.3m), is subject to a first charge to secure the Company's secured sterling bonds.

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

Plant and equipment held under finance leases at 1 September 2019 have been reclassified to right-of-use assets.

Fair value measurement

The Group changed its accounting policy regarding freehold land and buildings with effect from 31 August 2020. Freehold land and buildings were valued as fully equipped trading entities by external independent qualified valuers as at that date. The Group intends to carry out future revaluations annually on 31 August. A reconciliation of opening and closing values is shown below:

	£000
At 1 September 2019	84,341
Revaluation	93,532
Additions	1,203
Depreciation	(968)
Loss on revaluation	(11,893)
At 31 August 2020	**166,215**

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

The fair value of freehold land and buildings is a level 3 recurring fair value measurement. The valuation techniques and significant unobservable inputs used in determining fair values as well as the inter-relationship between key unobservable inputs and fair value are as follows:

Valuation approach	Key unobservable inputs	Relationship between unobservable inputs and fair value
Fair value is determined using discounted cash flow techniques having regard to comparable evidence of other transactions and, in the case of underperforming schools, to vacant possession values	Discount rate (8.50% to 15.00%)	The higher the discount rate the lower the present value of discounted cash flows
	Exit yield / yield in perpetuity (7.0% to 14.5%)	The higher the discount rate the lower the present value of discounted cash flows
	Increase in pupil numbers (management view)	Lower rate of growth reduces fair value
	Annual tuition fee increases 0.0% to 3.7% (management view)	Lower rate of growth reduces fair value

The fair value of the following schools' freehold buildings was assessed to be less than carrying value and an impairment provision of £11.893m has been recognised accordingly:

- Falcons School for Boys
- Falcons School for Girls
- Falcons Preparatory School for Boys
- Hilden Grange School

The net book value of freehold land and buildings as measured on a historic cost basis at 31 August 2020 was £84.6m (2019: £84.3m).

Impairment review for non-current assets

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 value in use 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 seven years reflecting the period over which short term operational changes such as increases or decreases in a school's operational capacity can directly impact future cash flows. Earnings beyond this period are extrapolated using a long term growth rate of 2% per annum with a terminal year multiple of 12.75 then applied. These cash flows are then discounted at a post-tax rate of 10.0% (2019: pre-tax 12.2%) per annum which represents the Group's WACC. The lower discount rate used in the current year reflects the incorporation of lease liabilities as debt instruments following the Group's transition to IFRS 16.

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

These value in use calculations have identified one school, Portland Place School, where the carrying value was higher than the value in use. A £2.5m impairment has been recognised accordingly of which £1.5m relates to a building that is surplus to requirements and £1.0m that relates to reduced future performance expectations.. Impairment provisions totalling £3.75m in the year to 31 August 2019 related to Portland Place School (£1.6m), Falcons School for Boys (£1.6m) and Falcons School for Girls (£0.55m) respectively.

Sensitivity to changes in assumptions

The value in use calculations are sensitive to changes in the discount rate, pupil/student number growth and annual fee increase assumptions although any reduction in pupil/student numbers would be partially mitigated by reduced personnel and other direct costs. Each value in use calculation has been sensitised assuming a 5% reduction in annual contribution, defined as revenue less personnel and other direct costs, as this is considered reasonably possible. An additional impairment charge of £1.7m would be required on this basis. Each value in use calculation has also been sensitised by using a discount rate of 11.0%. An additional impairment charge of £1.2m would be required on this basis.

13. Right-of-use assets

	Land and buildings	Fixtures and equipment	Total
	£000	£000	£000
Cost			
At 1 September 2019	213,632	1,053	214,685
Additions	13,875	63	13,938
Foreign exchange movements	(1,591)	-	(1,591)
Lease modification	128	-	128
At 31 August 2020	**226,044**	**1,116**	**227,160**
Depreciation			
At 1 September 2019	-	783	783
Foreign exchange movements	41	-	41
Depreciation charge	12,815	113	12,928
Impairment	2,500	-	2,500
At 31 August 2020	**15,356**	**896**	**16,252**
Net book value			
At 31 August 2020	**210,688**	**220**	**210,908**
At 1 September 2019	213,632	270	213,902

Notes forming part of the accounts (continued)

13. Right-of-use assets *continued*

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 also occupies leased premises. In order to provide security of tenure regarding its school buildings, the Group usually seeks to negotiate lease extensions or lease renewals if the unexpired lease term is less than 10 years. The Group takes a varied approach to student boarding accommodation with both long and short term lease commitments in order to provide flexibility to respond to changing student numbers Most of the Group's 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 (see note 20).

Right-of-use assets are subject to annual impairment review and a £2.5m impairment has been recognised in respect of Portland Place School (see note 12).

Right-of-use assets in respect of land and buildings with a carrying value of £54.0m (2019: £nil) are subject to a first charge to secure the Company's secured sterling bonds.

14. Investment property

	2020	2019
	£000	£000
At 1 September 2018, 31 August 2019 and at 31 August 2020	**4,292**	**4,292**

Investment property at 31 August 2020 represented a residential property in Hampstead, London NW3.

The investment property is held at fair value based on an internal valuation performed by suitably qualified individuals and approved by the Directors. In undertaking this valuation, the internal valuers had reference to independent expert advice.

The investment property is valued using a comparative market methodology with certain unobservable inputs. The significant unobservable input used in the valuation is the value per square foot. The value per square foot was determined by reference to comparative market transactions of a similar specification in the geographical region of 3 Arkwright Road. 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.

The value of the property as measured on a historic cost basis is also £4.292m.

	2020	2019
	£000	£000
Rental income derived from investment properties	38	42
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	-	-
	38	**42**

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.

Notes forming part of the accounts (continued)

15. Financial assets

	2020	2019
	£000	£000
Loan to parent company	24,574	34,790
Deposits receivable	3,540	3,732
Deferred lease expense	-	900
	28,114	**39,422**
Current	24,574	34,790
Non-current	3,540	4,632
	28,114	**39,422**

As at 31 August 2019, the Company had advanced loans totalling £33,800,000 to the ultimate parent company. The ultimate parent company repaid £10,000,000 of these loans during the year ended 31 August 2020. The outstanding loans of £23,800,000 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 £774,000 (2019: £990,000) of accrued interest.

Further information regarding the Group's assessment of the recoverability of the loan to the parent company is given in note 24. Deposits receivable at 31 August 2020 also include £3,112,000 (2019: £3,340,000) 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 £428,000 (2019: £392,000) in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in February 2027.

16. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	763	452
Other receivables	336	1,135
Prepayments	2,455	4,197
	3,554	**5,784**

As at 31 August 2020, specific loss provisions totalling £570,000 (2019: £705,000) had been made. A general expected loss provision of £100,000 (2019: £50,000) had been made against all other trade receivables based on an assessment of default by risk category as follows:

Notes forming part of the accounts (continued)

16. Trade and other receivables *continued*

	Current £000	30-60 days past due £000	60-90 days past due £000	Over 90 days past due £000	Total £000
31 August 2020					
Gross carrying amount	81	132	225	995	1,433
Specific provisions	-	-	-	(570)	(570)
Carrying value after specific provisions	81	132	225	425	863
Expected loss rate	5%	8%	9%	15%	
Loss provision	(5)	(11)	(20)	(64)	(100)
31 August 2019					
Gross carrying amount	55	268	38	844	1,205
Specific provisions	-	-	-	(705)	(705)
Carrying value after specific provisions	55	268	38	139	500
Expected loss rate	5%	8%	9%	15%	
Loss provision	(3)	(22)	(3)	(22)	(50)

Movements in the expected credit loss provision are shown below:

	£000
At 1 September 2018	796
Charge for the year	358
Unused amounts released	(239)
Utilised	(160)
At 31 August 2019	755
Charge for the year	482
Debts written off in the year	(410)
Unused amounts released	(157)
At 31 August 2020	**670**

Further the information about the Group's credit risk exposures is included in note 24.

Trade and other receivables are non-interest bearing.

17. Cash and short term deposits

	2020 £000	2019 £000
Cash at bank and in hand	**7,244**	**8,926**

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

Notes forming part of the accounts (continued)

18. Trade and other payables

	2020	2019 restated
	£000	£000
Current		
Trade payables	833	2,157
Other payables	14,444	14,471
Social security and other taxes	2,369	1,150
Accruals	3,317	3,349
Deferred income	28,735	38,364
	49,698	**59,491**
Non-current		
Other payables	**-**	**9,872**

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.
- Current 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. Loans and borrowings

	2020	2019
	£000	£000
Current loans and borrowings		
5.75% secured sterling bonds	-	48,940
5% secured sterling bonds	1,666	1,666
Loan from parent company	63	-
	1,729	**50,606**
Non-current loans and borrowings		
5% secured sterling bonds	79,078	78,816
Loan from parent company	48,300	-
	127,378	**78,816**

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 £0.922m (2019: £1.184m) which are being amortised over the eight year life of the bonds. Interest on the 5% secured sterling bonds is payable twice a year, on 30 September and 31 March and the bonds mature on 31 March 2024.

Notes forming part of the accounts (continued)

19. Loans and borrowings *continued*

The secured sterling bonds are secured by way of a first legal mortgage over a portfolio of assets held by certain of the Company's subsidiaries and other related companies. The 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 portfolio was restructured in December 2019 following the redemption of the Company's £48.5m 5.75% secured sterling bonds. At the most recent valuation date, 1 November 2020, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £141.8m (1 November 2019: £144.7m) which is 1.77 times (1 November 2019: 1.81 times) the principal amount of the bonds in issue (note 22).

The 5.75% secured sterling bonds were repaid in full together with accrued interest on 18 December 2019.

Movements in loans and borrowings are summarised below:

	5.75% secured sterling bonds	5% secured sterling bonds	Loan from parent company	Total
	£000	£000	£000	£000
At 1 September 2019	48,940	80,482	-	129,422
Cash Flows				
New loan (repaid) / drawn	(48,500)	-	48,300	(200)
Interest paid	(1,396)	(4,000)	(1,548)	(6,944)
Non-cash movements				
Interest accruing in the year	832	4,000	1,611	6,443
Amortisation of issue costs	124	262	-	386
At 31 August 2020	**-**	**80,744**	**48,363**	**129,107**
At 1 September 2018	48,756	80,289	-	129,045
Cash Flows				
Interest paid	(2,789)	(4,000)	-	(6,789)
Non-cash movements				
Interest accruing in the year	2,789	4,000	-	6,789
Amortisation of issue costs	184	193	-	377
At 31 August 2019	**48,940**	**80,482**	**-**	**129,422**

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.

Notes forming part of the accounts (continued)

19. Loans and borrowings *continued*

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 31 August 2020, the Group had £5 million (2019: £5 million) of undrawn committed borrowing facilities.

20. Lease liabilities

	2020	2019
	£000	£000
Current (2019: finance leases only)	8,801	53
Non-current (2019: finance leases only)	219,903	37
	228,704	**90**

Movements in lease liabilities is summarised below:

	£000
At 1 September 2019	90
Cash Flows	
Payment of lease liabilities - interest	(11,294)
Payment of lease liabilities - principal	(5,316)
Non-cash movements	
Arising on transition to IFRS 16	221,512
Lease modifications	128
Additions in the year	13,938
Interest accruing in the year	11,302
Foreign exchange translation differences	(1,656)
At 31 August 2020	**228,704**

An analysis of the maturity profile of the Group's undiscounted future lease liabilities is included in note 24. Right of use assets movement reconciliation is included in note 13.

The total undiscounted future lease liabilities of £360.3m could potentially be reduced by £100.1m if the Group decided to exercise all break options at the earliest opportunity. Total undiscounted lease liabilities would increase by £2.4m if break options which have been assumed to be exercised were not exercised.

Notes forming part of the accounts (continued)

20. Lease liabilities *continued*

The Group's property leases are subject to periodic rent reviews which may be fixed, inflation-linked or market based or a combination thereof. Of the total lease liabilities disclosed above, rent review provisions apply as follows:

No rent increments	1%
Fixed rent increments	18%
Inflation-linked increments	14%
Fixed and inflation-linked increments	41%
Market rent based increments	21%
Fixed and market rent based increments	5%
	100%

The following have been included in operating expenses:

	2020	2019
	£000	£000
Short term lease expenses	2,529	-
Low value lease expenses	7	-
Variable lease credits	(105)	-

Variable lease credits relate to rent deferral arrangement agreed with landlords in response to the Covid-19 pandemic.

Operating leases with tenants

The Group sub-leases a property at 21-23 Pembridge Villas, London W2 which is also included within right-of-use assets. The future minimum rental receivable are as follows:

	Land and buildings	
	2020	2019
	£000	£000
Not later than one year	636	-
After one year but not more than five years	2,544	-
After five years	2,760	-
	5,940	**-**

Notes forming part of the accounts (continued)

21. Share capital

	2020	2019
	£000	£000
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	**16**

The Ordinary Shares entitle the holder to one vote for each share held. The Preference Share, which carries no voting rights, entitles the holder to be paid out of the surplus assets of the Company arising on a return of assets in a liquidation, a reduction of capital or otherwise, in priority to the holders of the Ordinary Shares.

22. 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. Information regarding key management personnel is provided in note 7.

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 2020, the Company had advanced loans totalling £23,800,000 (2019: £33,800,000) 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 previously included two freehold properties that were owned by subsidiary companies of the Group's ultimate parent company. The security portfolio was restructured in December 2019 and these two properties no longer form part of the portfolio.

The Company has entered into new 4.5% five year term loan agreements with its parent companies with an aggregate principal amount of £48.3m and accrued interest of £63,000 as at 31 August 2020. 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.

On 30 March 2020, the Group signed an overriding lease with DV4 Properties (Pembridge Villas) Limited in respect of premises at 21-23 Pembridge Square, London W2 adjacent to freehold premises owned by the Group at 19 Pembridge Villas which are occupied by Wetherby School. The premises are sublet to a third party under a lease which is due to expire in 2029. Rent receivable from the sub-tenant in the year to 31 August 2020 amounting to £215,000 has been included in other operating income (note 6). The same amount was payable under the overriding lease. DV4 Properties (Pembridge Villas) Limited subsequently sold the freehold interest to a third party landlord.

In April 2019, the Group signed an agreement for lease with DV4 Eadon Co. Limited, a subsidiary of DV4 Limited in respect of premises at Elephant 1, 7 Castle Square, London SE17. On the same date, the Group signed an agreement for sub-lease with a third party to operate a crèche in those premises. Neither lease had been completed as at 31 August 2020. The Group has collected annual rent of £96,000 receivable from the sub-tenant pending completion of the lease and remitted this to the landlord. These amounts are not reflected in the income statement for the year to 31 August 2020.

These financial statements represent the smallest and largest group of which the Company is a member and for which consolidated statements are publicly available.

Notes forming part of the accounts (continued)

23. Commitments and contingencies

Capital commitments

At 31 August 2020, the Group had no committed capital expenditure (2019: £nil).

Contingent liabilities

Four (2019: 5) 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 2019 (the most recent date for which information is available) in the event of the Group withdrawing from the scheme, an amount of £626,000 (30 September 2018: £478,000) would be payable into this scheme.

24. 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 and loans from parent companies which mature in December 2024. Since the interest rate on these bonds and loans 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 school in New York, however this is mitigated by matching receipts and payments in local currency. 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 rent deposits and from the loan advanced to the ultimate parent company.

Trade receivables

The Group considers the credit risk in respect to trade receivables to be low, as the vast majority of the Group's revenues, whilst recognised over time (note 6) are payable in advance. Specific loss provision is made for those receivables where collection is considered uncertain either as a result of information regarding the financial circumstances of the payer or the geographic location of the payer if outside the United Kingdom. The Group adopts the IFRS 9 simplified approach to determine expected credit losses from remaining trade receivables using a lifetime expected credit loss allowance Expected credit losses as a proportion of debts is based on credit loss experience in the preceding three year period but adjusted for current and forward looking information where significant, for example UK GDP data.

Trade receivables are written off when there is no reasonable expectation of recovery which may be evidenced by no payments being received in a one year period. Further information regarding trade receivables that are neither past due nor impaired is given in note 16.

Notes forming part of the accounts (continued)

24. Financial risk management objectives and policies *continued*

Loan to parent company

At 31 August 2020, the Company had loaned £23.8m 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 15 to the financial statements) and provide further financial support if required. The Board is satisfied that the parent company has sufficient liquidity to make such repayments should the need arise and hence has concluded that the debt is fully recoverable and that, consequently no provision for non-recoverability is required.

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 2020 and 2019 is the carrying amount of financial assets held at amortised cost in the fair value table below.

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 2.1 "Going Concern").

Details of undrawn committed borrowing facilities are set out in note 19.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	< 3 mths	3-12 mths	1-2 years	2-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
At 31 August 2020						
5% secured sterling bonds	2,000	2,000	4,000	88,000	-	**96,000**
Loan from parent company	544	1,632	2,176	53,238	-	**57,590**
Lease liabilities	5,576	14,426	18,909	57,159	264,556	**360,626**
Trade and other payables and accruals	4,908	13,686	-	-	-	**18,594**
Total	**13,028**	**31,744**	**25,085**	**198,397**	**264,556**	**532,810**
At 31 August 2019						
5.75% secured sterling bonds	-	49,895	-	-	-	49,895
5% secured sterling bonds	2,000	2,000	4,000	92,000	-	100,000
Lease liabilities (finance leases only)	14	44	38	-	-	96
Trade and other payables and accruals	5,506	14,471	-	-	-	19,977
Total	7,520	66,410	4,038	92,000	-	169,968

Notes forming part of the accounts (continued)

24. 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.

	2020	2019 restated
	£000	£000
5.75% secured sterling bonds	-	48,940
5% secured sterling bonds	80,744	80,482
Loan from parent company	48,363	-
Lease liabilities (2019: finance leases only)	228,704	90
Less: cash and short-term deposits	(7,244)	(8,926)
Net debt	350,567	120,586
Equity	51,347	2,444
Total capital	**401,914**	**123,030**

In common with many other businesses owned by private investment companies, the majority of the Group's capital comprises parent company and third part debt instruments rather than equity. The Directors consult with representatives of the Group's ultimate owners to consider any changes to the capital structure that may be considered appropriate from time to time but also specifically in advance of the maturity of a material debt instrument in order to assess the appropriate redemption or refinancing options that may be available.

Notes forming part of the accounts (continued)

24. 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	
	2020	2019	2020	2019
	£000	£000	£000	£000
Financial assets held at amortised cost				
Trade and other receivables	1,099	1,587	1,099	1,587
Loan to parent company	24,574	34,790	24,574	34,790
Other financial assets	3,540	4,632	3,540	4,632
Cash	7,244	8,926	7,244	8,926
Total	**36,457**	**49,935**	**36,457**	**49,935**
Financial liabilities held at amortised cost				
Trade and other payables and accruals	18,594	19,977	18,594	19,977
5.75% secured sterling bonds	-	49,086	-	48,940
5% secured sterling bonds	73,864	81,342	80,744	80,482
Loan from parent company	48,363	-	48,363	-
Lease liabilities (2019: finance leases only)	228,704	90	228,704	90
Total	**369,525**	**150,495**	**376,405**	**149,489**

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.

25. Pensions and other post-employment benefit plans

The Group operates a defined contribution pension scheme (the Alpha Plus Group Personal Pension Plan ("GPPP")) into which all new employees are automatically enrolled. Prior to 31 August 2019, 13 of the Group's schools participated in the Teachers' Pension Scheme ("TPS"), an unfunded defined benefit pension scheme. Following consultation with all affected employees, the Group withdrew all of its schools from the TPS with effect from 31 August 2019. At 31 August 2020, no employees (2019: 362) were active members of the TPS

All current teachers who had been active members of the TPS were enrolled into the 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.

Notes forming part of the accounts (continued)

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

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

In addition, 4 (2019: 5) 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 as the scheme is a multi-employer scheme, but the Group has been notified by the trustee of this scheme that, as at 30 September 2019 (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 £626,000 (30 September 2018: £478,000) would be payable into this scheme. Estimated employer contributions to this scheme in the year ending 31 August 2020 total £16,000.

26. Long term incentive plan – share-based payments

The Group established a Cash Incentive Plan in May 2017 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 2020, 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, and there is no immediate prospect of an Exit event, no liability has been recognised as at 31 August 2020.

27. Operating cash flow

	2020	2019 restated
	£000	£000
Loss before tax	(29,856)	(10,785)
Adjustments to reconcile loss before tax to cash generated from operations:		
Foreign exchange translation differences	576	-
Depreciation of property, plant and equipment	8,062	8,639
Depreciation of right-of-use assets	12,928	-
Impairment	14,393	3,750
Amortisation of deferred rent expense	-	(320)
Cash-settled share-based payments amounts paid	-	(159)
Finance income	(2,196)	(3,135)
Finance costs	18,385	7,260
Working capital adjustments:		
Decrease / (increase) in trade and other receivables	1,061	(1,648)
(Decrease) / increase in trade and other payables	(9,793)	5,191
Income tax paid	(1)	(1)
Cash generated from operations	**13,559**	**8,792**

Alpha Plus Holdings plc

Company Financial Statements

31 August 2020

Company Registration No. 04418776

Company balance sheet

as at 31 August 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Investments	4	24,058	24,058
Deferred tax assets	5	1,020	750
		25,078	24,808
Current assets			
Debtors	6	158,837	160,619
Cash at bank and in hand		61	1,442
		158,898	162,061
Creditors: amounts falling due within one year	7	(57,705)	(107,103)
Net current assets		101,193	54,958
Total assets less current liabilities		126,271	79,766
Creditors: amounts falling due after more than one year	8	(127,378)	(78,815)
Net (liabilities) / assets		**(1,107)**	**951**
Equity attributable to equity shareholders			
Share capital	9	16	16
Retained reserves		(1,123)	935
Total equity		**(1,107)**	**951**

The Company's loss for year was £2.058m (2019: £6.796m).
The notes on pages 66 to 72 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 26 January 2021

M J Sample
Director of Finance

Company statement of changes in equity

for the year ended 31 August 2020

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
At 31 August 2018	16	7,731	7,747
Loss and total comprehensive deficit for the year	-	(6,796)	(6,796)
At 31 August 2019	16	935	951
Loss and total comprehensive deficit for the year	-	(2,058)	(2,058)
At 31 August 2020	**16**	**(1,123)**	**(1,107)**

The notes on pages 66 to 72 form part of these financial statements.

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 26 January 2020. 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 2006 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 except as indicated below.

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 Company is principally financed by £80m of secured sterling bonds which are listed on the London Stock Exchange Order Book for Retail Bonds (“ORB”) and which mature in March 2024 and by £48.3m term loans from its parent companies which mature in December 2024. No repayments of capital fall due before the £80m bond maturity date in March 2024.
- The Company held £61,000 of cash at 31 August 2020 and has a committed £5m bank overdraft facility.
- At 31 August 2020, the Company had loaned £23.8m 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 and provide further financial support if required. The Board is satisfied that the parent company has sufficient liquidity to make such repayments should the need arise.
- On 17 December 2020, the Company drew down a £2.5m interest-free bridging loan from its immediate parent company to supplement working capital resources. This loan was repaid in full on 8 January 2021.

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.

Notes forming part of the accounts (continued)

2.1 Summary of significant accounting policies

a) Investments

Investments in subsidiaries are shown at cost less provision for impairment. A review for indicators of impairment is completed at least annually and 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. 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.

b) Interest bearing loans and borrowings

Obligations for loans and borrowings, including loans to and from subsidiary companies, 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.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

Recognition of deferred tax assets and liabilities - 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 Company and hence have recognised a deferred tax asset to the extent that losses are considered likely to be utilised over a five year period (see note 5).

Recoverability of debt due from parent company and other Group companies – the Directors have reviewed the liquidity and financial position of the parent company (see note 6). Debts from other Group companies have been reviewed by reference to the market values of the underlying assets held within those companies (see note 6).

3. Information regarding Directors and employees

The Company had no employees in the current or previous year. The Directors of the Company received emoluments in respect of their services to the Company from subsidiary undertaking, Alpha Plus Group Limited. Further information is provided in note 7 to the Group financial statements.

Notes forming part of the accounts (continued)

4. Investments

	Subsidiary undertakings
	£000
Cost and net book value	
1 September 2018, 31 August 2019 and at 31 August 2020	**24,058**

Impairment review

An impairment review of investments in subsidiary companies is carried out on an annual basis. The investment in subsidiaries figure above almost entirely relates to the Company's investments in Alpha Plus Group Limited and Alpha Plus Education Limited both of which had net asset values well in excess of the book value of the Company's investment as at 31 August 2020. The Directors have therefore concluded that no indicators of impairment existed as at 31 August 2020.

Subsidiary companies

The Company directly held ordinary share capital of the following subsidiaries as at 31 August 2020:

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	Non-trading	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.

Notes forming part of the accounts (continued)

4. Investments *continued*

In addition, as at 31 August 2020, 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 Park Road Tonbridge Limited	England & Wales	Property Investment	100%
21 Davenport Road Coventry Limited	England & Wales	Property Investment	100%
2 Burnaby Gardens Limited	England & Wales	Property Investment	100%
41 Kew Foot Road Limited	England & Wales	Property Investment	100%
7 Woodborough Road Limited	England & Wales	Property Investment	100%
11 Woodborough Road Limited	England & Wales	Property Investment	100%
22 Woodborough Road Limited	England & Wales	Property Investment	100%
24 Woodborough Road Limited	England & Wales	Property Investment	100%
Alpha Plus Holdings Asia Limited	Hong Kong	Education	100%

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

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

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

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

Notes forming part of the accounts (continued)

5. Deferred tax

	2020	2019
	£000	£000
Unutilised tax losses	**1,020**	**750**
Reflected in the balance sheet as follows:		
Deferred tax assets	1,020	750
Deferred tax liabilities	-	-
Net deferred tax assets	**1,020**	**750**

Reconciliation of net deferred tax assets	2020	2019
	£000	£000
Opening balance	750	754
Tax credit / (charge) recognised during the year	270	(4)
Closing balance	**1,020**	**750**

At 31 August 2020, the Company had tax losses of £5.4m (2019: £4.4m) that are available indefinitely for offset against future taxable profits of the Company. The tax value of these losses is £1.0m (2019: £0.8m) all of which have been recognised (see also note 10 to the Group financial statements).

6. Debtors

	2020	2019
	£000	£000
Amount owed by parent company	24,574	34,790
Amounts owed by Group companies	134,263	125,829
	158,837	**160,619**

As at 31 August 2020, the Company had advanced loans totalling £23,800,000 (31 August 2019: £33,800,000) 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. The Board is satisfied that the parent company has sufficient liquidity to make such repayments should the need arise and hence has concluded that the debt is fully recoverable and that, consequently no provision for non-recoverability is required.

Loans to Group companies are repayable on demand and carry interest at 5% per annum. The Directors have reviewed the amounts due from Group companies by reference to the market value of the underlying assets held by those companies and the estimated realisable value. Based on this review, an impairment of £0.8m (2019: £5.6m) has been recognised. The recoverability of loans from Group companies is sensitive to changes in the market value of the underlying assets held by those companies. A £5m reduction is the assumed sale proceeds of those assets, net of purchaser's costs, would result in an additional impairment charge of £5m.

Notes forming part of the accounts (continued)

7. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
5.75% secured sterling bonds	-	48,940
5% secured sterling bonds	1,666	1,666
Amount owed to parent companies	63	
Amounts owed to other Group companies	55,976	56,497
	57,705	**107,103**

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

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

	2020	2019
	£000	£000
5% secured sterling bonds	79,078	78,815
Amount owed to parent companies	48,300	-
	127,378	**78,815**

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 £0.922m (2019: £1.184m) 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.

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 November 2020, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £141.8m (1 November 2019: £144.7m) which is 1.77 times (1 November 2019: 1.81 times) the principal amount of the bonds in issue.

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.

Notes forming part of the accounts (continued)

9. Issued share capital

	2020	2019
	£000	£000
5,000 Ordinary Shares of £1 each - issued and fully paid	5	5
45,000 Ordinary Shares of £1 each - issued and 25p paid	11	11
1 Preference Share of £1	-	-
	16	16

Ordinary Shares entitle the holder to one vote for each share held.

The Preference Share, which carries no voting rights, entitles the holder to be paid out of the surplus assets of the Company arising on a return of assets in a liquidation, a reduction of capital or otherwise, in priority to the holders of the Ordinary Shares.

10. 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).

11. Auditor's remuneration

The remuneration payable to the auditor in respect of the audit of the Company only financial statements amounted to £5,000 (2019: £3,000).

12. 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.