Alpha Plus group

the **Gold Standard** in education

Alpha Plus Holdings plc

Interim Report and Financial Statements

28 February 2021

Company registration No. 04418776

Alpha Plus Holdings plc

Company No. 04418776

Officers and registered office

Directors

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

Secretary

J C Norton

Registered office

50 Queen Anne Street
London
W1G 8HJ

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

Interim Management Report

The Directors present their Interim Management Report and the unaudited condensed Group financial statements for the six months ended 28 February 2021.

Principal activities

The principal activity of the Group in the period under review continued to be the ownership and management of schools and colleges in the United Kingdom and the supply of educational services. The Group operates 13 independent schools, 3 nurseries and 3 sixth form colleges in the UK. With the exception of one school, one nursery and 2 colleges, all of the Group's UK schools and colleges are based in Central London. In addition, the Group operates one school in New York.

Review of business and financial performance

When the 2019/20 Interim Management Report was published, the profound impact of the Covid-19 pandemic could be seen, but was yet to have materially impacted the Group's results. Prior to the start of the 2020/21 academic year however, there was a 240 reduction in pupil and student numbers, driven by international students at the colleges who were unable to travel to the UK. The majority of the Group's schools closed during the first lockdown, and as a result the Group offered a 20% discount off the summer term fees at all schools (and 40% for nursery age children).

The first half of the 2020/21 academic year, like last year, has been materially impacted by Covid-19. The Group has maintained its unrelenting focus on providing all pupils and students with the very best education possible, despite the huge challenges. Once again, teachers and teaching assistants have been retained, rather than furloughed, in support of this objective. It has been very encouraging and motivating for the staff to receive positive feedback and messages of support during the lockdown.

However, there have also been notable differences between lockdown this calendar year compared to the summer term 2020. On 4 January 2021, the UK Government announced that all schools and colleges across England were to move to remote learning with effect from the following day, apart from for nursery schools, and this was a restriction that was finally lifted on 8 March 2021. However this time, children of critical workers (which was an expanded list from key workers in summer 2020) were able to access face-to-face teaching, and as a result the majority of the Group's schools and colleges remained open throughout this period.

The Group was able to make a number of cost savings across its schools during the latest period of the restrictions, most notably for catering and transport. These savings have been shared with school parents in the form of an 8.5% tuition fee rebate for the period of the restrictions. The savings were much smaller than in the prior year, due to most of the schools remaining open in spring 2021.

Pupil and student numbers started the academic year at 4,187 but since then have grown to 4,250, an increase of 63. Increasing numbers of international students are expected to physically return to the Group's colleges for the summer term. The latest recruitment information for September 2021 indicates that pupil and student numbers should continue to grow, and as a result management expects an improvement in EBITDA in the next academic year.

The remote teaching and learning offer which, a year ago, was in its infancy has now been enhanced in many ways, and the staff have been grateful to receive overwhelmingly positive feedback on the remote provision. The Group is determined to build on the new skill set which our teachers have acquired during this period, making full use of the new technology which has been added to the teaching platform over the past 12 months.

Interim Management Report (continued)

Review of business and financial performance (continued)

Group revenue for the six months to 28 February 2021 was £50.0m, £7.8m (14%) lower than the prior year comparative period. The principal driver was the Covid-19 pandemic, which did not materially impact the Group until the second half of the prior academic year.

Tuition fees of £44.1m were £3.6m (8%) lower than prior year and accommodation income of £4.3m was £3.0m (41%) lower. This was mainly due to reduced student numbers at the Group's three colleges as many international students were unable to study in the UK due to Covid-19 travel restrictions. Additionally, for the period from 5 January 2021 until 8 March 2021 when schools were closed to the majority of pupils, the Group rebated a proportion of tuition fees to school parents in recognition of cost savings made.

Operating expenses were £42.9m, £3.5m (8%) lower than prior year, driven by a reduction in staffing and other direct costs of £2.7m. The Group made cost savings at the colleges in response to lower student numbers, and at the schools due to lower operational costs such as catering and transportation during the lockdown period.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') of £7.5m were £3.9m lower than prior year, driven by reduced student numbers at the Group's colleges. The Group recorded a loss before tax of £15.7m (2019/20: £7.0m) after deduction of £4.0m impairment charges, £8.8m net finance costs and £10.5m of non-cash depreciation.

Movements in full-time equivalent pupil and student numbers are summarised below:

	Schools number	Colleges number	Total number
At 2019/20 academic year end	**3,335**	**1,047**	**4,382**
Second phase closure of sixth 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**
January 2021 student intake at sixth form colleges	-	58	58
Net increase / (decrease) during the first half of the year	34	(29)	5
At February 2021 half year end	**3,367**	**883**	**4,250**

Net assets were £35.7m, £40.1m higher than the £4.4m deficit for the prior year. The principal reason was the adoption as at 31 August 2020 of the revaluation model for freehold land and buildings, which led to a £63.2m increase in net assets on adoption. Additionally, the Group incurred a net loss for the six month period of £15.7m.

The Directors do not recommend the payment of a dividend.

Interim Management Report (continued)

Liquidity / cash flow

The Group held £2.5m of cash as at 28 February 2021 (2020: £6.4m). Cash generated from operations was £9.8m (2020: £6.3m). Overall cash and cash equivalents reduced by £4.7m in the period (2020: reduction of £2.5m) after lease payments, capital expenditure and interest on loans and borrowings.

The Group has a number of sources of liquidity through the next 12 months, including cash at bank, an overdraft facility and the potential disposal of non-core assets. In addition, the Group has advanced loans to its parent companies which could be recalled if required. The Directors are therefore confident that the Group has sufficient cash resources to meet expected needs for the foreseeable future.

Board changes

J E B Bowden was appointed to the Board on 4 January 2021 as Chief Financial Officer. M J Sample resigned as Director of Finance on 4 March 2021.

Future developments

Based on recruitment information to date, management expects total pupil and student numbers to grow in September 2021. Whilst a number of international college students may be unable to return to the UK due to local travel restrictions, the expectation is that this will be limited to a small minority of students. Correspondingly, EBITDA growth is anticipated in the next academic year. The Group's primary focus will continue to be on improving the performance of its existing schools and colleges, however management continues to consider opportunities to further expand its school and college portfolio both in the UK and overseas.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's performance remain those identified on page 11 and further described on pages 58-61 of the Company's consolidated financial statements for the year ended 31 August 2020, a copy of which is available on the Group's website, www.alphaplusgroup.co.uk.

Alpha Plus Holdings plc

Company No. 04418776

Statement of Directors' responsibilities

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

1. The condensed Group interim results for the six months ended 28 February 2021 have been prepared in accordance with IAS34 "Interim Financial Reporting".
2. The Interim Management Report includes a true and fair review of the important events that have occurred during the first six months of the financial year.

This interim report was approved by the Board of Directors on 25 May 2021.

M Hanley-Browne	J E B Bowden
Chief Executive Officer	Chief Financial Officer

Alpha Plus Holdings plc

Company No. 04418776

Condensed Group statement of comprehensive income

for the six months ended 28 February 2021

	Notes	6 Months to 28/02/21 £000	6 Months to 29/02/20 restated* £000	Year to 31/08/20 £000
Revenue	5	49,970	57,783	108,029
Other operating income		408	29	265
Operating expenses	5	(42,887)	(46,433)	(86,578)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		**7,491**	**11,379**	**21,716**
Depreciation of property, plant and equipment	9	(4,034)	(4,067)	(8,062)
Depreciation of right-of-use assets	10	(6,433)	(6,207)	(12,928)
Loss on revaluation of freehold properties		-	-	(11,893)
Impairment of right-of-use assets		(4,000)	-	(2,500)
(Loss) / profit before interest and tax		**(6,976)**	**1,105**	**(13,667)**
Finance costs	6	(9,586)	(9,322)	(18,385)
Finance income	7	835	1,179	2,196
Loss before tax		**(15,727)**	**(7,038)**	**(29,856)**
Tax credit	8	-	-	3,396
Loss for the period		**(15,727)**	**(7,038)**	**(26,460)**
Other comprehensive (deficit) / income				
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Gain on property revaluation		-	-	93,532
Deferred tax relating to property revaluation		-	-	(18,423)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange gains on translation of foreign operations		75	206	254
Total comprehensive (deficit) / income for the period		**(15,652)**	**(6,832)**	**48,903**

** restated as explained in note 2*

Alpha Plus Holdings plc

Company No. 04418776

Condensed Group balance sheet

as at 28 February 2021

	Notes	28/02/21 £000	29/02/20 restated* £000	31/08/20 £000
Non-current assets				
Intangible assets		2,238	2,238	2,238
Property, plant and equipment	9	216,468	140,926	219,495
Right-of-use assets	10	199,899	207,573	210,908
Investment property	11	4,292	4,292	4,292
Financial assets	12	3,396	3,610	3,540
		426,293	358,639	440,473
Current assets				
Trade and other receivables	13	7,854	9,079	3,554
Other financial assets	12	24,489	28,703	24,574
Cash		2,529	6,413	7,244
		34,872	44,195	35,372
Total assets		**461,165**	**402,834**	**475,845**
Current liabilities				
Trade and other payables	14	56,602	58,361	49,698
Loans and borrowings	15	1,720	2,191	1,729
Lease liabilities	16	8,162	6,185	8,801
		66,484	66,737	60,228
Non-current liabilities				
Loans and borrowings	15	127,274	127,211	127,378
Lease liabilities	16	214,723	211,311	219,903
Deferred tax liabilities		16,989	1,963	16,989
		358,986	340,485	364,270
Total liabilities		**425,470**	**407,222**	**424,498**
Net assets / (liabilities)		**35,695**	**(4,388)**	**51,347**
Equity attributable to equity shareholders				
Share capital		16	16	16
Revaluation reserve		75,109	-	75,109
Foreign currency translation reserve		29	(94)	(46)
Retained earnings		(39,459)	(4,310)	(23,732)
Total equity / (deficit)		**35,695**	**(4,388)**	**51,347**

** restated as explained in note 2*

Alpha Plus Holdings plc

Company No. 04418776

Condensed Group statement of changes in equity

for the six months ended 28 February 2021

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings*	Total equity
	£000	£000	£000	£000	£000
As at 1 September 2020	16	75,109	(46)	(23,732)	51,347
Loss for the period	-	-	-	(15,727)	(15,727)
Other comprehensive income:					
Exchange gains on translation of foreign operations	-	-	75	-	75
At 28 February 2021	**16**	**75,109**	**29**	**(39,459)**	**35,695**
As at 1 September 2019 as reported	16	-	(300)	4,908	4,624
Adjustment due to correction of prior year error	-	-	-	(2,180)	(2,180)
As at 1 September 2019 as restated	16	-	(300)	2,728	2,444
Loss for the period as restated	-	-	-	(7,038)	(7,038)
Other comprehensive income:					
Exchange gains on translation of foreign operations as restated	-	-	206	-	206
At 28 February 2020	**16**	**-**	**(94)**	**(4,310)**	**(4,388)**
As at 1 September 2019 as reported	16	-	(300)	4,908	4,624
Adjustment due to correction of prior year error	-	-	-	(2,180)	(2,180)
As at 1 September 2019 as restated	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 as explained in note 2*

Alpha Plus Holdings plc

Company No. 04418776

Condensed Group statement of cash flows

for the six months ended 28 February 2021

	Notes	Six months to 28/02/21 £000	Six months to 29/02/20 £000	Year to 31/08/20 £000
Cash generated from operations	18	9,764	6,286	13,559
Investing activities				
Additions of property, plant and equipment		(1,255)	(2,649)	(3,709)
Interest received		919	1,343	2,392
Loan repaid by parent undertaking	12	-	6,000	10,000
Net cash (outflow) / inflow from investing activities		**(336)**	**4,694**	**8,683**
Financing activities				
Interest paid on loan and borrowings		(3,100)	(3,405)	(6,944)
Other interest paid		(99)	(234)	(254)
Repayment of 5.75% secured sterling bonds	15	-	(48,500)	(48,500)
Loans drawn from parent undertaking	15	2,500	48,300	48,300
Loans repaid to parent undertaking		(2,700)	-	-
Interest paid on lease liabilities		(5,659)	(5,511)	(11,294)
Principal paid on lease liabilities		(5,096)	(4,144)	(5,316)
Net cash outflow from financing activities		**(14,154)**	**(13,494)**	**(24,008)**
Net decrease in cash and cash equivalents		**(4,726)**	**(2,514)**	**(1,766)**
Foreign exchange differences on cash		11	1	84
Cash and cash equivalents at 1 September		7,244	8,926	8,926
Cash and cash equivalents at 28 Feb / 29 Feb / 31 August		**2,529**	**6,413**	**7,244**

Notes to the condensed Group financial statements

1. Corporate information

The condensed interim financial statements of Alpha Plus Holdings plc and its subsidiaries (“the Group”) for the six months ended 28 February 2021 were authorised for issue in accordance with a resolution of the Directors on 25 May 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.

The summary results for the year ended 31 August 2020 have been extracted from the Group Financial Statements for the year then ended, which were approved by the Board of Directors on 26 January 2021, reported on by the Group’s auditor and subsequently delivered to the Registrar of Companies. The audit report was unqualified and did not contain any statement required under s498 of the Companies Act 2006.

The condensed interim financial statements for the Group for the six months ended 28 February 2021 do not constitute statutory financial statements within the meaning of s435 of the Companies Act 2006.

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

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – “Interim Financial Reporting”. These condensed interim financial statements should be read in conjunction with the Group Financial Statements for the year ended 31 August 2020 which were prepared in accordance with IFRS’s as adopted by the European Union. The comparative figures for the year ended 31 August 2020 are consistent with the Group Financial Statements for the year then ended.

The results for the six months ended 28 February 2021 have not been audited. They have been prepared on the basis of the accounting policies set out in the Group Financial Statements for the year ended 31 August 2020. The condensed interim 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 for each period save for the prior year adjustments and change in accounting policy in respect of freehold land and buildings described below.

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, were identified within the audited financial statements for the year ended 31 August 2020. Taking account of the impact of the transition to IFRS16, the errors resulted in an overstatement of right-of-use assets of £2,180,000 and a corresponding overstatement of equity within the previously presented unaudited results for the six months to 29 February 2020.

Additionally, to reflect the appropriate classification under IFRS 16:

- An unamortised landlord incentive creditor with a value of £2,710,000 as at 29 February 2020 has been reclassified from non-current other payables to right-of-use assets.
- Leased fixtures and equipment with a net book value of £276,000 as at 29 February 2020 have been reclassified from property, plant and equipment (as previously reported) to right-of-use assets. The associated cost and accumulated depreciation as at 29 February 2020 were £1,116,000 and £840,000.
- Deferred lease expenses with a value of £834,000 as at 29 February 2020 have been reclassified from financial assets (as previously reported) to right-of-use assets.

In addition, right-of-use assets of foreign operations were not translated into Sterling at the prevailing exchange rate. This resulted in an overstatement of right-of-use assets at 29 February 2020 of £778,000, and corresponding overstatements of exchange differences on translation of foreign operations and total comprehensive deficit for the six months then ended.

Finally, a number of reclassifications have been made within the statement of comprehensive income for the six month period ended 29 February 2020, with no net impact on total comprehensive deficit for the period.

Notes to the condensed Group financial statements

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

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

	Reported	IAS17 errors	IFRS 16 reclassi-fications	Foreign exchange difference	Other reclassi-fications	Restated
	£000	£000	£000	£000	£000	£000
Impact on statement of financial position at 1 September 2019						
Property, plant and equipment	142,620	-	(270)	-	-	142,350
Right-of-use assets	218,498	(2,180)	(2,416)	-	-	213,902
Non-current financial assets	4,632	-	(864)	-	-	3,768
Trade and other receivables	4,898	-	(242)	-	-	4,656
Current lease liabilities	(6,722)	-	71	-	-	(6,651)
Non-current payables	(2,856)	-	2,856	-	-	-
Non-current lease liabilities	(215,816)	-	865	-	-	(214,951)
Net assets	4,624	(2,180)	-	-	-	2,444
Profit and loss account reserves	4,908	(2,180)	-	-	-	2,728
Equity	4,624	(2,180)	-	-	-	2,444

	Reported	IAS17 errors	IFRS 16 reclassi-fications	Foreign exchange difference	Other reclassi-fications	Restated
	£000	£000	£000	£000	£000	£000
Impact on financial performance for the six months ended 29 February 2020						
Operating expenses	(45,985)	-	-	-	(448)	(46,433)
Depreciation of right-of-use assets	(6,367)	-	-	-	160	(6,207)
Finance income	1,781	-	-	-	(602)	1,179
Exchange differences on translation of foreign operations	94	-	-	(778)	890	206
Total comprehensive deficit	(6,054)	-	-	(778)	-	(6,832)

	Reported	IAS17 errors	IFRS 16 reclassi-fications	Foreign exchange difference	Other reclassi-fications	Restated
	£000	£000	£000	£000	£000	£000
Impact on statement of financial position at 29 February 2020						
Property, plant and equipment	141,202	-	(276)	-	-	140,926
Right-of-use assets	212,131	(2,180)	(1,600)	(778)	-	207,573
Non-current financial assets	4,444	-	(834)	-	-	3,610
Non-current payables	(2,710)	-	2,710	-	-	-
Net assets	(1,430)	(2,180)	-	(778)	-	(4,388)
Foreign currency translation reserve	(206)	-	-	(778)	890	(94)
Profit and loss account reserves	(1,240)	(2,180)	-	-	(890)	(4,310)
Equity	(1,430)	(2,180)	-	(778)	-	(4,388)

Notes to the condensed Group financial statements

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

New standards, interpretations and amendments adopted by the Group

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.

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.

3. Going concern

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

- The 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 £48.1m 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 £2.5m of cash at 28 February 2021 and has a committed £5m bank overdraft facility.
- 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, which was repaid in full on 8 January 2021. On 29 March 2021, the Company drew down a similar £2.0m interest-free bridging loan from its immediate parent company which was repaid in full on 27 April 2021.
- At 28 February 2021, the Company had loaned a principal sum of £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.

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. 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.

Notes to the condensed Group financial statements

4. 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 interim financial statements.

5. Revenue and operating expenses

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

	Six months to		Year to
	28/02/21	**29/02/20**	**31/08/20**
	£000	**£000**	**£000**
Product type:			
Tuition fees	44,104	47,728	89,897
Accommodation income	4,274	7,224	13,868
Other ancillary fees	1,592	2,831	4,264
	49,970	**57,783**	**108,029**
Timing of provision of service:			
Over time	49,456	56,994	106,166
At a point in time	514	789	1,863
	49,970	**57,783**	**108,029**
Geographical analysis:			
UK	48,985	56,685	105,962
USA	970	1,048	2,002
Other	15	50	65
	49,970	**57,783**	**108,029**

	Six months to		Year to
	28/02/21	**29/02/20**	**31/08/20**
	£000	**£000**	**£000**
Other operating income			
Rental income	**408**	**29**	**265**

Operating expenses may be analysed as follows:

	Six months to		Year to
	28/02/21	**29/02/20 restated***	**31/08/20**
	£000	**£000**	**£000**
Staff and other direct costs	30,189	32,855	60,735
Administrative expenses	12,698	13,578	25,843
	42,887	**46,433**	**86,578**

** restated as explained in note 2*

Notes to the condensed Group financial statements

6. Finance costs

	Six months to 28/02/21 £000	Six months to 29/02/20 £000	Year to 31/08/20 £000
Interest on 5% secured sterling bonds	2,000	2,000	4,000
Interest on 5.75% secured sterling bonds	-	832	832
Amortisation of secured sterling bonds issue costs	96	219	386
5.75% secured sterling bonds redemption costs	-	204	156
Interest on loan from parent undertaking	1,728	525	1,611
Bank and other interest	103	31	98
Interest on lease liabilities	5,659	5,511	11,302
	9,586	**9,322**	**18,385**

7. Finance income

	Six months to 28/02/21 £000	Six months to 29/02/20 restated* £000	Year to 31/08/20 £000
Interest receivable from parent undertaking	826	1,083	2,026
Bank interest	9	64	105
Other interest receivable	-	32	65
	835	**1,179**	**2,196**

** restated as explained in note 2*

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

Notes to the condensed Group financial statements

8. Taxation

The major components of the tax credit for the period were:

	Six months to 28/02/21	Six months to 29/02/20	Year to 31/08/20
	£000	£000	£000
Current tax:			
Current tax charge	-	-	(1)
Deferred tax:			
Relating to origination and reversal of temporary differences	-	-	3,397
Tax credit	**-**	**-**	**3,396**
Deferred tax on revaluation included in other comprehensive income	-	-	(18,423)
	-	**-**	**(15,027)**

9. Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Leasehold improvements	Fixtures and equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 September 2020	178,108	13,148	52,580	43,029	286,865
Additions	375	-	290	590	1,255
Foreign exchange movements	-	-	(316)	-	(316)
At 28 February 2021	**178,483**	**13,148**	**52,554**	**43,619**	**287,804**
Depreciation and impairment					
At 1 September 2020	11,893	1,404	17,709	36,364	67,370
Depreciation charge	1,147	-	1,149	1,738	4,034
Foreign exchange movements	-	-	(68)	-	(68)
At 28 February 2021	**13,040**	**1,404**	**18,790**	**38,102**	**71,336**
Net book value					
At 28 February 2021	**165,443**	**11,744**	**33,764**	**5,517**	**216,468**
At 31 August 2020	166,215	11,744	34,871	6,665	219,495
At 29 February 2020 (as restated, see note 2)	83,913	11,851	37,028	8,134	140,926

Notes to the condensed Group financial statements

10. Right-of-use assets

	Land and buildings	Fixtures and equipment	Total
	£000	**£000**	**£000**
Cost			
At 1 September 2020	226,044	1,116	227,160
Lease modification	82	-	82
Foreign exchange movements	(678)	-	(678)
At 28 February 2021	**225,448**	**1,116**	**226,564**
Depreciation and impairment			
At 1 September 2020	15,356	896	16,252
Depreciation charge	6,376	57	6,433
Impairment	4,000	-	4,000
Foreign exchange movements	(20)	-	(20)
At 28 February 2021	**25,712**	**953**	**26,665**
Net book value			
At 28 February 2021	**199,736**	**163**	**199,899**
At 31 August 2020	210,688	220	210,908
At 29 February 2020 (as restated, see note 2)	207,297	276	207,573

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.

During the period, a review was performed to determine whether there were any indicators of impairment, treating each school and college as a cash generating unit. Where there were indicators of impairment, a value in use calculation was performed. The key assumptions were projected pupil/student numbers, annual fees per pupil/student and weighted average cost of capital (WACC). Value in use was calculated based on 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 were extrapolated using a long term growth rate of 2% per annum with a terminal year multiple of 12.75 then applied. These cash flows were then discounted at a post-tax rate of 10.0% per annum which represents the Group's WACC. As a result of this review, a £4.0m impairment charge has been recognised in respect of one school, Wetherby-Pembridge.

Notes to the condensed Group financial statements

11. Investment property

	28/02/21	29/02/20	31/08/20
	£000	£000	£000
At beginning and end of period	**4,292**	**4,292**	**4,292**

Investment property at 28 February 2021 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.

12. Financial assets

	28/02/21	29/02/20 restated*	31/08/20
	£000	£000	£000
Loan to parent company	24,489	28,703	24,574
Deposits receivable	3,396	3,610	3,540
	27,885	**32,313**	**28,114**
Current	24,489	28,703	24,574
Non-current	3,396	3,610	3,540
	27,885	**32,313**	**28,114**

** restated as explained in note 2*

As at 31 August 2019, the Company had advanced loans totalling £33,800,000 to the ultimate parent company. The ultimate parent company repaid £6,000,000 of these loans during the six months ended 29 February 2020 and a further £4,000,000 during the six months 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 £689,000 (29 February 2020: £903,000 and 31 August 2020: £774,000) of accrued interest.

Deposits receivable at 28 February 2021 also include £2,968,000 (29 February 2020: £3,216,000 and 31 August 2020: £3,112,000) representing the fair value of US$5m deposited with the Group's bankers as security for the issuance of a standby letter of credit to the landlord of premises the Group has leased in New York. Of this $5m, $2.5m 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 (29 February 2020: £394,000 and 31 August 2020: £428,000) in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in February 2027.

Notes to the condensed Group financial statements

13. Trade and other receivables

	28/02/21	29/02/20	31/08/20
	£000	£000	£000
Trade receivables	3,691	2,811	763
Other receivables	327	284	336
Prepayments	3,836	5,984	2,455
	7,854	**9,079**	**3,554**

14. Trade and other payables

	28/02/21	29/02/20	31/08/20
	£000	£000	£000
Current			
Trade payables	1,468	2,677	833
Other payables	15,272	15,027	14,444
Social security and other taxes	1,766	1,222	2,369
Accruals	4,030	3,079	3,317
Deferred income	34,066	36,356	28,735
	56,602	**58,361**	**49,698**

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.

15. Loans and borrowings

	28/02/21	29/02/20	31/08/20
	£000	£000	£000
Current loans and borrowings			
5% secured sterling bonds	1,666	1,666	1,666
Loan from parent company	54	525	63
	1,720	**2,191**	**1,729**
Non-current loans and borrowings			
5% secured sterling bonds	79,174	78,911	79,078
Loan from parent company	48,100	48,300	48,300
	127,274	**127,211**	**127,378**

Notes to the condensed Group financial statements

15. Loans and borrowings (continued)

The Company issued £80m 5% secured sterling bonds on 31 March 2016. The current amount shown above of £1,666,000 represents accrued interest. The non-current amount is net of unamortised issue costs of £826,000 (29 February 2020: £1,089,000 and 31 August 2020: £922,000) 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. 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 on 18 December 2019. 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.

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.

The Company has entered into 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.

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, which was repaid in full on 8 January 2021.

At 28 February 2021, the Group had £5m (29 February 2020 and 31 August 2020: £5m) of undrawn committed borrowing facilities.

16. Lease liabilities

	28/02/21	29/02/20	31/08/20
	£000	£000	£000
Current	8,162	6,185	8,801
Non-current	214,723	211,311	219,903
	222,885	**217,496**	**228,704**

Notes to the condensed Group financial statements

17. Financial instruments

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

	Fair value			Carrying amount		
	28/02/21	29/02/20 restated*	31/08/20	28/02/21	29/02/20 restated*	31/08/20
	£000	£000	£000	£000	£000	£000
Financial assets held at amortised cost						
Trade and other receivables	4,018	3,095	1,099	4,018	3,095	1,099
Loan to parent company	24,489	28,703	24,574	24,489	28,703	24,574
Other financial assets	3,396	3,610	3,540	3,396	3,610	3,540
Cash	2,529	6,413	7,244	2,529	6,413	7,244
Total	**34,432**	**41,821**	**36,457**	**34,432**	**41,821**	**36,457**
Financial liabilities held at amortised cost						
Trade and other payables and accruals	20,770	20,783	18,594	20,770	20,783	18,594
5% secured sterling bonds	79,944	81,397	73,864	80,840	80,577	80,744
Loan from parent company	48,154	48,825	48,363	48,154	48,825	48,363
Lease liabilities	222,885	217,496	228,704	222,885	217,496	228,704
Total	**371,753**	**368,501**	**369,525**	**372,649**	**367,681**	**376,405**

** restated as explained in note 2*

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

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

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

Notes to the condensed Group financial statements

18. Operating cash flow

	Six months to 28/02/21	Six months to 29/02/20 restated*	Year to 31/08/20
	£000	£000	£000
Loss before tax	(15,727)	(7,038)	(29,856)
Adjustments to reconcile loss before tax to cash generated from operations:			
Foreign exchange translation differences	313	288	576
Depreciation of property, plant and equipment	4,034	4,067	8,062
Depreciation of right-of-use assets	6,433	6,207	12,928
Impairment	4,000	-	14,393
Finance income	(835)	(1,179)	(2,196)
Finance costs	9,586	9,322	18,385
Working capital adjustments:			
(Increase) / decrease in trade and other receivables	(4,301)	(4,290)	1,061
Increase / (decrease) in trade and other payables	6,261	(1,091)	(9,793)
Income tax paid	-	-	(1)
Cash generated from operations	**9,764**	**6,286**	**13,559**

** restated as explained in note 2*

19. Events after the reporting date

On 29 March 2021, the Company drew down a £2.0m interest-free bridging loan from its immediate parent company to supplement working capital resources. This loan was repaid in full on 27 April 2021.