Alpha Plus Holdings plc

Annual Report and Financial Statements

31 August 2021

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

Secretary

J C Norton

Registered office

50 Queen Anne Street
London
W1G 8HJ

Bankers

Barclays Bank PLC
One Churchill Place
London E14 5HP

Auditors

BDO LLP
31 Chertsey Street
Guildford
Surrey GU1 4HD

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 activity

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 standalone 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.

Business review

In navigating the hurdles brought by Covid-19, the Group has been guided by one main aim: to give all of the pupils and students in our schools and colleges the very best education possible.

On 4 January 2021 parents, staff and children will remember that the UK Government announced a third national lockdown. All schools and colleges across England were asked to move to remote learning with only one day's notice, with the exception of nursery schools (therefore all of our nurseries in the UK remained open for the whole of the Spring term 2021). These latest lockdown restrictions were finally lifted on 8 March 2021. There were some key differences between this third lockdown and the first lockdown, however. For example, children of critical workers (an expanded list from the key workers named in the lockdown of summer 2020) were able to access face-to-face teaching throughout the lockdown and, as a result, the majority of the Group's schools and colleges remained open in order to teach these pupils throughout this difficult period.

Once again all of our teachers and teaching assistants were retained on the payroll, rather than being furloughed, as we believed that this was necessary in order to provide all the pupils and students in our care with the very best education possible, despite the huge challenges associated with a third national lockdown. It was very encouraging and motivating for the staff to receive such positive feedback and messages of support from parents and children during this very challenging period.

Despite most of our schools remaining open throughout, the Group was able to make some cost savings during this period, most notably in catering and transport. These savings were then passed back to parents in the form of an 8.5% tuition fee rebate for the period of the lockdown restrictions.

The remote teaching and learning offer which, only one year previously, was in its infancy was substantially improved in many ways, and our teachers were pleased to receive overwhelmingly positive feedback on this enhanced remote provision.

As a Group we are determined to build on the new skill set which all our teachers have acquired, and are making full use of the new technology which we have added to our teaching platforms over the past year. We are now evaluating and developing new models of digital education which will be rolled out during the coming 12 months.

As evidence of the success of our schools and colleges in navigating the many challenges of the past 18 months, several schools and colleges within the Group have been nominated for national awards. DLD College London has received eleven nominations for national awards in the past two years, including winner of the Boarding School of the Year (at the Independent Schools of the Year Awards 2020) and winner of the Wellbeing & Mental Health Initiative Award (at the Boarding Schools' Association Awards 2021). Portland Place School was a finalist for the Innovation Award for an Outstanding New Initiative at the Independent Schools of the Year Awards 2021 in recognition of their ground breaking hybrid education offer (where students attend school one day a week and are taught remotely for the other four days). The prestigious Tatler Schools Guide 2021 now contains three Alpha Plus schools: DLD College London, Wetherby Preparatory School and Pembridge Hall. We would like to congratulate the staff at these schools and colleges for gaining recognition at the very highest level.

Pupil and student numbers

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

Number	Schools & nurseries	Colleges	Total
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 / (decrease)	20	(193)	(173)
At 2020/21 academic year start	**3,333**	**854**	**4,187**
Net increase during the year	68	12	80
At 2020/21 academic year end	**3,401**	**866**	**4,267**
Net (decrease)/increase	(107)	1	(106)
At 2021/22 academic year start	**3,294**	**867**	**4,161**

Pupil and student numbers started the 2020/21 academic year at 4,187 but since then grew to 4,267, an increase of 80, driven by recruitment across the schools and nurseries. At the start of the latest 2021/22 academic year, college student numbers remained approximately constant overall, whereas school and nursery numbers decreased by 107. This decrease was driven by short term demographics (particularly in the London market) and the inability to hold open events for reception entry. Nursery recruitment was strong, which is expected to benefit reception entry for 2022/23. The Group is now seeing increased application numbers early in the 2022/23 admissions cycle.

Review of financial performance

The Group's key financial performance indicators are revenue growth and reported EBITDA across the Group's portfolio of schools, nurseries and colleges.

Group revenue for the year ended 31 August 2021 was £104.2m, £3.8m (4%) lower than in the previous year. The principal driver was a £4.0m reduction in accommodation income resulting from the Covid-19 pandemic, as many international students were unable to study in the UK due to travel restrictions. The impact was more pronounced in 2020/21, when Covid-19 was prevalent during the recruitment season and throughout the entire academic year.

Tuition fees of £90.4m were £0.5m (1%) higher than prior year principally due to the £5.1m of nursery and school fee discounts granted in the Summer term of 2020 following the lockdown, which were in excess of the 8.5% school fee rebates offered for the period of lockdown in Spring 2021. Partly offsetting this, pupil and student numbers decreased by 115 between the end of 2019/20 and the end of 2020/21, principally college students which reduced by 181.

Operating expenses were £84.7m, £1.9m (2%) lower than prior year, driven by a reduction in staffing and other direct costs of £1.3m. The Group made cost savings at the colleges in response to these lower student numbers and at the schools, due to lower operational costs such as catering and transportation during the lockdown period.

Adjusted earnings before interest, tax, depreciation, amortisation, impairment and revaluation of properties ('Adjusted EBITDA') of £20.5m was £1.2m lower than prior year (£21.7m), driven by the revenue and operating expense movements discussed above. The Group recorded a loss before tax of £22.4m (2020: £29.9m) after addition of

£0.3m net revaluation movements (2020: £11.9m deduction), £0.5m gains on lease modifications (2020: £nil), £16.2m net finance costs (2020: £16.2m) and £27.5m of depreciation and impairment charges (2020: £23.5m). The tax credit for the year of £3.3m (2020: £3.4m) represents a movement in deferred tax which is a non-cash item.

Net assets were £31.7m, £19.7m lower than in the prior year, driven by the retained loss after tax of £19.1m as discussed above. In other comprehensive income, £8.2m revaluation gains on the Group's freehold land and buildings (2020: £93.5m) were offset by a deferred tax movement of £8.7m (2020: £18.4m).

Cash flow and capital expenditure

Net cash increased by £2.4m during the year to £9.6m (2020: £1.8m decrease to £7.2m). Cash generated by operations was £24.1m (2020: £13.6m), the increase primarily due to an increase in fees received in advance at the end of 2020/21. Interest paid on lease liabilities was £11.0m (2020: £11.3m) and the principal paid in the year was £8.1m (2020: £5.3m), the increase due to rent reviews across the estate. Interest paid was £5.8m (2020: £7.2m) and interest received was £1.8m (2020: £2.4m). The Group received a £5.0m early repayment of its loan to the ultimate parent company, taking the outstanding balance receivable from £23.8m in the prior year to £18.8m.

Capital expenditure during the year was £3.5m (2020: £3.7m). No major capital projects were undertaken during the year; the expenditure comprised smaller projects together with purchases of fixtures, furniture and IT equipment across the 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. This is not the same as routine repair and maintenance expenditure which is expensed as incurred.

Other non-financial key performance indicators

The Group monitors pupil and student numbers, being one of the major drivers for revenue and EBITDA, as described above. Other non-financial key performance indicators 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 or the Independent Schools Inspectorate ('ISI'). 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

Student numbers at the Group's colleges entering the 2021/22 academic year have stabilised. Whilst some international markets continue to be adversely impacted by Covid, others have performed well through the latest recruitment round. Although pupil numbers at the schools have reduced entering 2021/22, the Group has experienced strong recruitment into all of the UK nursery schools, which bodes well for the future. As well as 3 standalone nurseries, the group has 6 nurseries embedded within its schools, and these 9 nurseries feed directly into the group's 12 pre-prep and preparatory schools.

The outlook for revenue and EBITDA will in part depend on future developments related to Covid-19. Assuming there are no further lockdowns or any significant new restrictions on international travel, revenue for 2021/22 is expected to increase overall, benefiting from the tuition fee increases and from increased take-up of boarding accommodation in the colleges. Correspondingly, EBITDA is also expected to increase as a consequence. Longer term, management remains confident of future growth, as the impact of Covid-19 subsides and as spare capacity is filled.

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; and
- 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; and
- 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; and
- Certain suppliers.

Key decisions during the year

On 4 January 2021 the UK Government announced the third national lockdown. 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. As a result the Group made savings in areas including catering and transportation. Taking account of the needs of the fee payers and to promote the long term success of the company, following a consultation with the shareholders a decision was made to share these cost savings with school parents in the form of an 8.5% tuition fee rebate for the period of the lockdown.

In March 2021 in response to reduced numbers of boarding students, the Group signed an agreement to return a number of rooms at DLD College London to the landlord and thereby protect shareholder value through management of the Group's cost base. This has been accounted for as a lease modification under IFRS 16, as detailed further in the financial statements.

As at 31 August 2021, the Company had loaned £18.8m to the ultimate parent company, having received a partial early repayment of £5.0m on 18 June 2021. 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. On 29 March 2021 and 18 June 2021 respectively, the Company drew down similar £2m bridging loans from its immediate parent company which were fully repaid on 27 April 2021 and 26 August 2021 respectively. These decisions were made taking account of both the Company's debt finance providers and the shareholders.

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 Group has a zero tolerance approach to any form of bribery by, or of, our employees, agents or consultants, or any person or body acting on the Group's behalf. The Group's Anti-Bribery and Corruption Policy sets out the responsibilities of employees and other individuals associated with the Group; clarifies unacceptable conduct; and sets out protocols for record keeping and raising any matters of concern.

Risk Management

Approach to risk management

The Board has established a Risk Committee which meets at least twice a 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; and
- Consider mitigation plans to address key risks and to present solutions for managing those which cannot be eliminated.

A two-part risk register framework has been developed:

- A Group risk register which contains enterprise-wide risks such as strategic, financial and operational risks; and
- 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 Directors who line manage the respective head teachers and college principals.

The Group has adopted a risk management policy 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; and
- Residual risk levels are monitored to ensure that they remain within the Group's risk appetite.

Strategic Report *continued*

Throughout the Covid-19 pandemic, detailed risk assessments have been prepared, approved and regularly updated for all of the Group's schools and colleges. Additionally, the Risk Committee has overseen the implementation of a new risk management tool which will support the active management and monitoring of enterprise-wide risks.

Principal risks and uncertainties

The Group's activities expose it to a number of risks, the most significant of which 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, students and visitors.	Group policies designed to ensure compliance with all regulatory requirements. External annual review of premises to assess building-related health and safety risks and necessary remedial actions taken.
Safeguarding	Child protection and safeguarding regulations not adhered to resulting in reputational damage.	Group policies designed to ensure compliance with all regulatory requirements coupled with internal governance processes to ensure adherence to those policies.
Financing	Insufficient funding for day-to-day activities.	Regularly reviewed cash flow projections and scenario planning. 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.
Major external disruptive event, such as Covid-19	Disruption to the continuity of educational services, potential loss of revenues and increased operational costs.	Business continuity planning. Crisis management response by the Directors and senior management team. Financial modelling and planning encompassing a number of scenarios.

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.

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

J C Norton
Secretary
8 December 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 2021. 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 and to date of signing were:

Sir John Ritblat	Chairman
G G Able	Deputy Chairman
M D Hanley-Browne	Chief Executive Officer
J E B Bowden	Chief Financial Officer (appointed 4 January 2021)
M J Sample	Director of Finance (resigned 4 March 2021)
R D Jones	Director of Property
T H P Haynes	Director of Senior Schools
E M Francis	Director of Governance and Standards
P D Brereton	Director of HR
R Proscia	Director of Sales and Marketing
R G Seaman	Director of ICT
Dame Rosalind Savill	Non-Executive Director
C B Wagman	Non-Executive Director
S M Lancaster	Non-Executive Director

Directors' interests

As at 31 August 2021, the Directors and their connected parties collectively held £12,000 (2020: £12,000) nominal value of the Company's 5% March 2024 secured sterling bonds.

Corporate Governance

Since the ordinary shares of the Company are not listed on any stock exchange, the Company is not required to comply with any UK corporate governance regime. However, certain aspects of the Group's governance are set out below.

Audit Committee

The Audit Committee comprises Mr C B Wagman (Chairman of the Committee), Sir John Ritblat, Mr G G Able and Mr A 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 Chief Financial Officer 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 £48.1m 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 Group held £9.6m of cash at 31 August 2021 and has a committed £5m bank overdraft facility.
- As at 31 August 2021, the Company had loaned £18.8m to the ultimate parent company, having received a partial early repayment of £5.0m on 18 June 2021. 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. On 29 March 2021 and 18 June 2021 respectively, the Company drew down similar £2m bridging loans from its immediate parent company which were fully repaid on 27 April 2021 and 26 August 2021 respectively. These loans demonstrate that the parent has continued to provide ongoing support on request by the Company.
- As at 31 August 2021, the Group had £51.8m net current liabilities (2020: £24.9m). However, the net current liabilities included £32.6m deferred income which is a non-cash item (2020: £28.7m); and £14.8m other payables of which the majority is deposits from parents which are unlikely to be paid within the next twelve months (2020: £14.4m). Additionally, the net current liabilities excluded the £18.8m loan receivable from the parent company.

The Directors have referred to cash flow forecasts for the period ending 31 December 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 December 2022 have also been modelled and reviewed by the Board, including a possible reduction in pupil and student numbers.

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.

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.

Environmental and social matters

During the year the Group established an Environmental, Social and Governance Management Committee, chaired by one of the Directors. The purpose is to oversee the development of the Group's Environmental, Social and Governance strategy, and consider the sustainability and societal impact of the Group's current and future activities.

Charitable donations

The Group made charitable donations of £8,000 (2020: £24,000) during the year. This included £5,000 to support the United World Schools charity. The 2020 comparative included £14,000 to support the music charity The Classical Roadshow.

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 2021, over £500,000 (2020: over £600,000) 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 31 August 2021.

Directors Report *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)	
	2021	**2020**	**2021**	**2020**
Direct emissions - gas and vehicles (scope 1)	6,037	5,836	1,228	1,191
Indirect emissions - electricity (scope 2)	1,792	1,394	381	325
	7,829	**7,230**	**1,609**	**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 15.74 kg of CO2 per £000 of revenue in the year ended 31 August 2021 (2020: 14.31 kg).

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 United Kingdom, 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
8 December 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 Accounting standards in conformity with the requirements of the Companies Act 2006 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 for that period. The Directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006, 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;
- state whether the financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the 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.

Statement of Directors' Responsibilities *continued*

Directors' responsibilities pursuant to DTR4

The Directors confirm that to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

- The annual report includes a fair review of the development and performance of the business and the financial position of the group and company, together with a description of the principal risks and uncertainties that they face.

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

Opinion on the financial statements

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 2021 and of the Group's loss 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 Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Alpha Plus Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2021 which comprise the Group statement of comprehensive income, the Group balance sheet, Group statement of changes in equity, Group statement of cash flows, Company balance sheet, the 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 Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors in July 2020 to audit the financial statements for the year ended 31 August 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 August 2020 to 31 August 2021. We remain 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We have identified going concern as a key audit matter, with the risks most likely to adversely affect the Group's ability to continue as a going concern being the increased uncertainty around the longer-term impact of the pandemic on the economy and specifically on the Group's student numbers and cash flows.

Our evaluation of the Directors' assessment of the Group and the Parent Company's that it is appropriate to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- An assessment of Directors' assessment of going concern income statement budgets covering the period to 31 December 2022. We considered the year on year movements in key assumptions between FY21 audited actuals and forecasts and ensured that income statement movements were consistent with expected movements in student numbers, pricing growth and EBITDA margins.
- A detailed review of monthly cash flow base case and worst case scenarios to 31 December 2022, against audit evidence from our review of relevant income statement budgets and FY21 audited actuals.
- Consideration of the FY22 budget against actual student numbers in October 2021.
- A comparison of the cash requirements shown by the forecasts above to the available facilities of the Group against available cash and liquid assets.
- An assessment of FY21 results and cash flows against forecasts as an indicator of budgeting accuracy.
- An assessment of the loan covenant valuation of the security portfolio prepared by management's property expert and recalculation of covenant headroom to confirm compliance. This included a review of the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions. We also assessed the expertise and independence of the external property expert.
- Comparison of Management's disclosures on the Group's going concern position within the financial statements against best practice guidance per the regulators and accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

Overview

Coverage	*96% (2020: 95%) of Group loss before tax* *98% (2020: 98%) of Group revenue* *96% (2020: 87%) of Group net liabilities*
Key audit matters	

	2021	2020
Revenue recognition	✓	✓
Recoverability of goodwill and non-financial assets – Group Recoverability of Parent Company investments in subsidiaries	✓	✓
Going concern	✓	✓
Revaluation of freehold property (FY20: Adoption of revaluation policy)	✓	✓
Transition to IFRS 16 lease accounting	X	✓

Transition to IFRS 16 lease accounting was specific to FY20 as this was the year that this accounting standard was implemented. There have not been a significant number of movements within the Group's lease portfolio in FY21 and therefore IFRS 16 is not considered a key audit matter in the current year.

Materiality	*Group financial statements as a whole* £525,000 (2020: £545,000) based on 0.5% (2020: 0.5%) of revenue

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 in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

Specific audit 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.

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

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. In addition to the matter referred to in the conclusions relating to going concern section we identified the following as key audit matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue recognition (Notes 2.3b and 6)	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, due to increased risk of error or manipulation to year end adjustments. 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 the expected lock down discount provided for the Spring Term against the approved policy and relevant tuition fee value. 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 ancillary 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 observations:** We did not identify any indicators to suggest that revenue has not been recognised appropriately in accordance with the applicable accounting standards.

Recoverability of goodwill and non-financial assets - Group (Note 2.3a, 11,12) ***Recoverability of Parent Company Investment in subsidiaries –*** Parent Company (Note 2.1a, 4)	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 an assessment of cash generating units (CGUs), 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. Where an impairment is raised, Management must also allocate this between the CGU assets. Management are required to disclose details and sensitivity of calculations relating to key assumptions and estimates, as well as further detail of any impairment raised. 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 reviewed key inputs including discount rate, forecasting period and terminal value against externally available data, best practice and applicable accounting standard requirements. • We assessed management's determination of cash generating units (CGUs) against the requirements of applicable accounting standards. • We assessed management's consideration of impairment indicators against accounting standard requirements. • 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 challenged and assessed sensitivity analysis performed by management over the key assumptions used by management, specifically the discount rate, long term growth rate and EBITDA. • We have assessed the allocation of the impairment charge raised within the US subsidiary between non-financial assets against accounting standard requirements. • 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 observations:** 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.
Revaluation of freehold and investment property (Note 2.3d, 2.3f, 12 and 14)	The Group's freehold and investment property is revalued annually. As a result a fair value assessment was required as at 31 August 2021, with movements in value recognised within the statement of comprehensive income.	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 for freehold property and comparative market methodology for investment property.

	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 significant judgements and estimates involved in the calculation, we consider the valuation of freehold and investment property to be a key audit matter.	• 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. • We reviewed management's updated accounting policies and disclosures against accounting standard requirements in relation to the valuation process. **Key observations:** We did not identify any indicators to suggest that the judgements applied by management in the valuation of the freehold and investment property were unreasonable.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	£525,000	£545,000	£394,000	£363,000
Basis for determining materiality	0.5% Revenue	75% Group materiality		67% Group materiality
Rationale for the benchmark applied	Revenue is a key performance indicator for the Group and was considered to be the most stable and reliable indicator of underlying performance.		Capped to reduce standalone materiality below Group materiality in accordance with auditing standards and to address the aggregation risk across components. Increased in 2021 from 2020 as 2020 was first year audit.	
Performance materiality	£289,000	£300,000	£217,000	£200,000
Basis for determining performance materiality	55% materiality, considering 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.			

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

Component materiality

Where financial information of components was audited separately, component materiality level was set for this purpose at a lower level of £382,000 (2020: £363,000), being 75% (2020: 67%) of Group materiality, based on our assessment of the risk of material misstatement of the components. We further applied performance materiality levels of 55% (2020: 55%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,000 (2020: £11,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of non-compliance or fraud by the Group through discussions with management and an assessment of relevant laws and regulations.
- We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, IFRS, UK GAAP, Companies Act 2006 and certain requirements from UK and US tax legislation.
- Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of any relevant correspondence with tax authorities, Company regulators and legal advisors, enquiries of management and review of board minutes.
- We designed audit procedures at both the Group and significant component levels to detect material misstatements due to fraud and error. We considered these risks to be highest within areas of material estimation, including impairment of goodwill and non-financial assets and property valuation as detailed in the key audit matters above, as well as calculation of provisions against inventory and receivables and valuation of deferred tax assets. Our tests on estimates included obtaining supporting calculations, agreeing relevant inputs to source documents and sensitivity analysis where appropriate.

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

- We tested transactions around the year-end and manual journals at component and consolidation level.
- 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.
- To address the risk of fraud due to revenue recognition through our journals testing we obtained a list of journal entries to revenue and reviewed manual postings with values greater than predetermined thresholds. Refer to revenue recognition key audit matter above.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner made an assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify non compliance and utilised internal experts as appropriate.

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. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.

DocuSigned by:

Nick Poulter

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

	Notes	2021 £000	2020 £000
Revenue	**6**	**104,242**	**108,029**
Other operating income	6	943	265
Operating expenses	6	(84,722)	(86,578)
Adjusted EBITDA*		**20,463**	**21,716**
Amortisation of intangible assets	11	(32)	-
Depreciation and impairment of property, plant & equipment	12	(11,654)	(8,062)
Depreciation and impairment of right-of-use assets	13	(15,869)	(15,428)
Lease modification	20	530	-
Net revaluation movement	12,14	334	(11,893)
Loss before interest and tax		**(6,228)**	**(13,667)**
Finance costs	8	(18,187)	(18,385)
Finance income	9	1,984	2,196
Loss before tax		**(22,431)**	**(29,856)**
Tax credit	10	3,326	3,396
Loss for the year		**(19,105)**	**(26,460)**
Other comprehensive (deficit) / income			
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		8,213	93,532
Deferred tax relating to property revaluation		(8,684)	(18,423)
Other comprehensive (loss) / income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange (losses)/gains on translation of foreign operations		(107)	254
Total comprehensive (deficit) / income for the year		**(19,683)**	**48,903**

The notes on pages 29 to 59 form part of these financial statements.

** Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation, impairment and revaluation of properties.*

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Group balance sheet

as at 31 August 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Intangible assets	11	2,206	2,238
Property, plant and equipment	12	219,737	219,495
Right-of-use assets	13	176,764	210,908
Investment property	14	4,200	4,292
Financial assets	15	22,319	3,540
		425,226	440,473
Current assets			
Trade and other receivables	16	2,836	3,554
Financial assets	15	943	24,574
Cash	17	9,625	7,244
		13,404	35,372
Total assets		**438,630**	**475,845**
Current liabilities			
Trade and other payables	18	52,612	49,698
Loans and borrowings	19	2,814	1,729
Lease liabilities	20	9,818	8,801
		65,244	60,228
Non-current liabilities			
Loans and borrowings	19	127,398	127,378
Lease liabilities	20	191,978	219,903
Deferred tax liabilities	10	22,346	16,989
		341,722	364,270
Total liabilities		**406,966**	**424,498**
Net assets		**31,664**	**51,347**
Equity attributable to equity shareholders			
Share capital	21	16	16
Revaluation reserve		74,001	75,109
Foreign currency translation reserve		(153)	(46)
Retained earnings		(42,200)	(23,732)
Total equity		**31,664**	**51,347**

The notes on pages 29 to 59 form part of these financial statements.

Group balance sheet *continued*

The financial statements were approved by the Board and authorised for issue on 8 December 2021.

J E B Bowden
Chief Financial Officer

Group statement of changes in equity

for the year ended 31 August 2021

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
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 gain on translation of foreign operations	-	-	254	-	254
At 31 August 2020	16	75,109	(46)	(23,732)	51,347
Loss for the year	-	-	-	(19,105)	(19,105)
Other comprehensive income:					
Gain on property revaluation	-	8,213	-	-	8,213
Transfer of depreciation relating to property revaluation	-	(637)	-	637	-
Deferred tax relating to property revaluation	-	(8,684)	-	-	(8,684)
Exchange loss on translation of foreign operations	-	-	(107)	-	(107)
At 31 August 2021	**16**	**74,001**	**(153)**	**(42,200)**	**31,664**

The notes on pages 29 to 59 form part of these financial statements.

Group statement of cash flows

for the year ended 31 August 2021

	Notes	2021 £000	2020 £000
Cash generated from operations	27	**24,139**	**13,559**
Investing activities			
Additions of property, plant and equipment	12	(3,450)	(3,709)
Interest received		1,823	2,392
Loan repaid by parent undertaking		5,000	10,000
Net cash inflow from investing activities		**3,373**	**8,683**
Financing activities			
Interest paid on loan and borrowings		(5,094)	(6,944)
Other interest paid		(738)	(254)
Repayment of 5.75% secured sterling bonds		-	(48,500)
New loans drawn from parent undertakings	19	6,500	48,300
Repayment of loans drawn from parent undertakings	19	(6,700)	-
Interest paid on lease liabilities	20	(11,039)	(11,294)
Principal paid on lease liabilities	20	(8,056)	(5,316)
Net cash outflow from financing activities		**(25,127)**	**(24,008)**
Net increase / (decrease) in cash and cash equivalents		**2,385**	**(1,766)**
Foreign exchange differences on cash		(4)	84
Cash and cash equivalents at 1 September		7,244	8,926
Cash and cash equivalents at 31 August	17	**9,625**	**7,244**

The notes on pages 29 to 59 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 2021 were authorised for issue in accordance with a resolution of the Directors on 8 December 2021. The Company is a public company limited by shares and is incorporated and domiciled in England and Wales. 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 Accounting Standards in conformity with the requirements of the Companies Act 2006, and as regards the Group Financial statements, in accordance with the international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union.

The consolidated financial statements are presented in Sterling which is the functional currency of the parent company and the primary operating subsidiary. 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.

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 £48.1m 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 Group held £9.6m of cash at 31 August 2021 and has a committed £5m bank overdraft facility.
- As at 31 August 2021, the Company had loaned £18.8m to the ultimate parent company, having received a partial early repayment of £5.0m on 18 June 2021. 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. On 29 March 2021 and 18 June 2021 respectively, the Company drew down similar £2m bridging loans from its immediate parent company which were fully repaid on 27 April 2021 and 26 August 2021 respectively. These loans demonstrate that the parent has continued to provide ongoing support on request by the Company.
- As at 31 August 2021, the Group had £51.8m net current liabilities (2020: £24.9m). However, the net current liabilities included £32.6m deferred income which is a non-cash item (2020: £28.7m); and £14.8m other payables of which the majority is deposits from parents which are unlikely to be paid within the next twelve months (2020: £14.4m). Additionally, the net current liabilities excluded the £18.8m loan receivable from the parent company.

The Directors have referred to cash flow forecasts for the period ending 31 December 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 December 2022 have also been modelled and reviewed by the Board, including a possible reduction in pupil and student numbers.

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.

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 2021.

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.

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.

Notes forming part of the accounts (continued)

Interest income

Interest income is recognised using the effective interest rate approach.

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. Donations received from parents as a contribution towards the costs of new equipment are deducted against the initial cost of the asset. Freehold land and buildings are measured using the revaluation model, under which, assets are revalued to fair value annually as at 31 August by an external professional valuer. 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. When disposing of an asset measured using the revaluation model, any remaining balance in the revaluation reserve relating to the asset is transferred directly to retained earnings. All other assets are measured at cost.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Freehold land — Not depreciated
- Freehold buildings — Depreciated over their useful life of either 50 or 100 years
- 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 continued

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.

Depreciation is charged on freehold properties subject to revaluation. The portion of the charge not related to the historic cost of the properties is transferred to retained earnings from the revaluation reserve.

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 lease modifications and 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.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

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.

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.

Where a modification is made due to a reduction in the scope of a lease, the lease liability and right-of-use asset are decreased by their relative amounts compared to the original lease, with any difference included within the income statement.

Lease remeasurement for change in term

Where there is a change to the lease term, the lease liability is remeasured using a revised estimate of the resultant cashflows using the current discount rate, with the right-of-use asset adjusted by the same amount (see Note 20).

Lease remeasurement for change in index or discount rate affecting payments

Where there is a change in index or discount rate affecting payments, the lease liability is remeasured to reflect the revised cashflows using the original discount rate, with the right-of-use asset adjusted by the same amount.

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 annually by an external professional valuer. 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.

Notes forming part of the accounts (continued)

2.3 Summary of significant accounting policies *continue*d

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 (see note 16).

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.

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.

Notes forming part of the accounts (continued)

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

Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Group financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Recognition of deferred tax assets 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 over a seven year period, being the period over which there is sufficient certainty as to the expected utilisation of the losses. The Directors have also assessed unrealised capital gains which would on realisation give rise to taxable gains against which the losses could be utilised. As a result, a deferred tax asset has been recognised to the extent that losses are considered likely to be utilised (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).

Notes forming part of the accounts (continued)

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

A rate of 5% (2020: 5%) has been used as the incremental borrowing rate used to determine the present value of future lease rental payments for existing leases within the Group's portfolio. There was one new lease which commenced in the year ended 31 August 2021; a rate of 4.5% has been used as the incremental borrowing rate to reflect the shorter duration of the lease. The incremental borrowing rate for new leases is calculated by reference to the risk free rate for instruments of similar tenures. Where lease modifications have occurred in the year, the incremental borrowing rate has been adjusted to account for the change in risk free rate for instruments of similar tenures.

4.1 New standards and interpretations

There were no new standards adopted in the year to 31 August 2021.

Other new standards and interpretations

The Group early adopted IFRB 2020/08 Amendments to IFRS 16: Covid-19 related rent concessions in the year ended 31 August 2020, which provided relief for lessees accounting for rent concessions granted as a direct consequence of Covid-19. It provides lessees with a potential exemption from the requirement to determine whether a Covid-19 related rent concession was a lease modification. On 31 March 2021 the IASB extended the relief by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.

4.2 Standards issued but not yet effective

The IASB has not issued any new standards or amendments that are not yet effective and that are expected to have a material effect on the Group.

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.

Notes forming part of the accounts (continued)

6. Revenue and operating expenses

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

	2021	2020
	£000	£000
Product type:		
Tuition fees	90,383	89,897
Accommodation income	9,861	13,868
Other ancillary fees	3,998	4,264
	104,242	**108,029**
Timing of provision of service:		
Over time	102,714	106,166
At a point in time	1,528	1,863
	104,242	**108,029**
Geographical analysis:		
UK	102,207	105,962
USA	2,020	2,002
Other	15	65
	104,242	**108,029**

Deferred income (contract liability) balance of £28.7m as at 31 August 2020 (note 18) has all been recognised as revenue in the year to 31 August 2021. Deferred income of £32.6m at 31 August 2021 is all expected to be recognised as revenue in the year ending 31 August 2022.

Other operating income	2021	2020
	£000	£000
Rental income	**943**	**265**

Notes forming part of the accounts (continued)

6. Revenue and operating expenses *continued*

Operating expenses may be analysed as follows:

	2021	2020
	£000	£000
Staff and other direct costs	59,423	60,735
Administrative expenses	25,299	25,843
	84,722	**86,578**

	2021	2020
	£000	£000
Operating expenses include:		
Auditors remuneration – audit of the financial statements	105	75
Auditors remuneration – statutory audits of subsidiaries	153	110
Auditors remuneration – agreed upon procedures	12	-
Other fees paid to the previous auditors	-	12

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

7. Information regarding directors and employees

	2021	2020
	£000	£000
Wages and salaries	41,060	41,762
Social security costs	4,334	4,563
Other pension costs	3,222	3,409
	48,616	**49,734**

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

	Number	Number
Directors	8	9
Head teachers	20	20
Teachers and tutors	723	776
Office administration	156	149
Others	97	101
	1,004	**1,055**

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:

	2021	2020
	£000	£000
Short-term employment benefits	1,396	1,270
Post-employment benefits (including pension contributions)	46	33
Employer's national insurance	175	161
	1,617	**1,464**

Six Directors, defined as key management personnel in accordance with IFRS, accrued pension benefits under defined contribution schemes in 2021 (2020: 6).

As at 31 August 2021, the Directors and their connected parties collectively held £12,000 (2020: £12,000) nominal value of the Company's secured sterling bonds and interest of £600 per annum (2020: £600) was receivable by them thereon.

Information regarding the highest paid Director is as follows:

	2021	2020
	£000	£000
Remuneration including benefits	220	209

8. Finance costs

	2021	2020
	£000	£000
Interest on 5% secured sterling bonds	4,000	4,000
Interest on 5.75% secured sterling bonds	-	832
Amortisation of secured sterling bonds issue costs	220	386
5.75% secured sterling bonds redemption costs	-	156
Interest on loan to parent undertaking	2,179	1,611
Bank and other interest	749	98
Interest on lease liabilities (note 20)	11,039	11,302
	18,187	**18,385**

Notes forming part of the accounts (continued)

9. Finance income

	2021	2020
	£000	£000
Interest receivable from parent company (note 15)	1,595	2,026
Bank interest	78	105
Other interest receivable	311	65
	1,984	**2,196**

10. Taxation

The major components of the tax expense for the year ended 31 August 2021 were:

	2021	2020
	£000	£000
Current tax:		
Current tax charge	(1)	(1)
Deferred tax:		
Relating to origination and reversal of temporary differences	3,327	3,397
Tax credit	**3,326**	**3,396**
Deferred tax on revaluation included in other comprehensive income	(8,684)	(18,423)
Tax charge reported in the Statement of Comprehensive Income	**(5,358)**	**(15,027)**

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2021 and 2020 is as follows:

	2021	2020
	£000	£000
Loss before tax	**(22,431)**	**(29,856)**
At UK corporation tax rate of 19% (2020: 19%)	4,262	5,672
Movements in recognition of deferred tax assets	(925)	239
Expenses not deductible	(2,228)	(2,923)
Effect of different rates of tax	2,174	275
Other tax adjustments	43	133
Tax credit	**3,326**	**3,396**

Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

	Consolidated balance sheet		Consolidated statement of changes in equity	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
Accelerated depreciation for tax purposes	3,278	2,474	804	972
Unutilised tax losses	5,680	3,177	2,503	2,427
Difference between carrying value of property and tax base cost	(31,405)	(22,721)	(8,684)	(18,423)
Other timing differences	101	81	20	(2)
Deferred tax	**(22,346)**	**(16,989)**	**(5,357)**	**(15,026)**

Reconciliation of net deferred tax liabilities	**2021**	**2020**
	£000	**£000**
Opening balance	(16,989)	(1,963)
Recognised in profit and loss:		
Tax credit	3,327	3,397
Recognised in other comprehensive income:		
Revaluation of property	(8,684)	(18,423)
Closing balance	**(22,346)**	**(16,989)**
Deferred tax split between assets and liabilities:		
Deferred tax assets	9,059	5,732
Deferred tax liabilities	(31,405)	(22,721)
Net deferred tax liabilities	**(22,346)**	**(16,989)**

Notes forming part of the accounts (continued)

10. Taxation *continued*

Deferred tax

The carrying value of properties owned by the Group is £133.9m (2020: £127.4m) 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 £31.4m (2020: £22.7m) is recognised.

In addition, at 31 August 2021, the Group had tax losses of £22.9m (2020: £16.7m) 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 £5.7m, all of which have been recognised (2020: £3.2m, all of which recognised).

At 31 August 2021, the Group had unrecognised deferred tax assets in respect of unutilised losses and depreciation in excess of capital allowances and losses of £1.2m (2020: £1.7m) which have not been recognised because, in the opinion of the Directors and based on a review of projected taxable profits in the next seven years, it is not sufficiently certain that taxable profits will arise against which to offset them.

Change in Corporation Tax rate

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The Finance Bill was substantively enacted on 24 May 2021 and therefore the deferred tax liabilities have been recognised using a rate of 25% (2020: calculated using 19%).

11. Intangible assets

	Goodwill	Other	Total
	£000	£000	£000
Cost			
At 1 September 2019 and at 31 August 2020 and 2021	**7,923**	**32**	**7,955**
Amortisation and impairment			
At 1 September 2019 and at 31 August 2020	5,717	-	5,717
Amortisation for the year	-	32	32
At 31 August 2021	**5,717**	**32**	**5,749**
Net book value			
At 31 August 2021	**2,206**	**-**	**2,206**
At 1 September 2019 and at 31 August 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 £2,206,000 at 31 August 2021, £1,808,000 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 £398,000 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	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 September 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
Additions	739	6	1,185	1,520	3,450
Revaluation	8,213	-	-	-	8,213
Foreign exchange movements	-	-	(195)	(19)	(214)
At 31 August 2021	**187,060**	**13,154**	**53,570**	**44,530**	**298,314**
Depreciation and impairment					
At 1 September 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
Depreciation charge for the year	1,614	271	2,590	3,394	7,869
Revaluation	(426)	-	-	-	(426)
Impairment	-	-	3,785	-	3,785
Foreign exchange movements	-	-	(9)	(12)	(21)
At 31 August 2021	**13,081**	**1,675**	**24,075**	**39,746**	**78,577**
Net book value					
At 31 August 2021	**173,979**	**11,479**	**29,495**	**4,784**	**219,737**
At 31 August 2020	166,215	11,744	34,871	6,665	219,495

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

Security portfolio

Since December 2019, freehold land and buildings with a carrying value of £155.4m (2020: £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 £90.2m (2020: £87.9m) by an external professional valuer as at 31 August 2021.

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 £65.2m (2020: £60.5m) at 31 August 2021 being the difference between the Group value of £155.4m (2020: £145.4m) and the security value of £90.2m (2020: £87.9m) referred to in the paragraph above.

In addition to the above, freehold land and buildings with a carrying value of £18.6m (2020: £17.8m) 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 £143.8m (2020: £141.4m) represented by the £65.2m and £18.6m referred to above together with £8.9m, (2020: £9.1m) relating to the fair value of a long leasehold property (see below) and £51.0m, relating to the fair value of right-of-use assets (2020: £54.0m; see note 13).

Long leasehold land and buildings relate to two properties which the Group leases which have 981 years and 106 years respectively unexpired as at 31 August 2021. 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 £8.9m (2020: £9.1m), is subject to a first charge to secure the Company's secured sterling bonds.

Fair value of freehold land and buildings

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 (9% to 12%)	The higher the discount rate the lower the present value of discounted cash flows
	Exit yield / yield in perpetuity (7.0% to 13.0%)	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 3.0% to 4.0% (management view)	Lower rate of growth reduces fair value

Notes forming part of the accounts (continued)

12. Property, plant and equipment *continued*

The fair value of one school's freehold land and buildings, Hilden Grange School, was assessed to be less than carrying value and a loss on revaluation of £1.9m has been recognised accordingly as at 31 August 2021. Additionally, the fair value of three schools' freehold land and buildings (Falcons Pre-Prep, Falcons School for Girls and Falcons Preparatory School for Boys) were assessed to be greater than their carrying values, and accordingly the partial reversal of £2.2m of a previous impairment provision was recognised as at 31 August 2021.

For the year ended 31 August 2021, a revaluation gain of £8.2m (2020: £93.5m) was recognised in other comprehensive income relating to the freehold land and buildings of five schools (The Minors Nursery, Wetherby School, Pembridge Hall, Davenport Lodge and St Anthony's School for Boys).

In the previous year, a loss on revaluation of £11.9m was recognised for the following schools: Falcons Pre-Prep, Falcons School for Girls, Falcons Preparatory School for Boys and Hilden Grange School.

The net book value of freehold land and buildings as measured on a historic cost basis at 31 August 2021 was £83.7m (2020: £84.6m).

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 the carrying value is higher than the 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 (2020: 2%) with a terminal year multiple of 14.57 then applied (2020: 12.75). These cash flows are then discounted at a pre-tax rate of 10.1% (2020: pre-tax 12.0%) per annum which represents the Group's WACC.

These value in use calculations have identified one school, Wetherby-Pembridge School , where the carrying value was higher than the value in use. A £7.2m impairment has been recognised accordingly, of which £3.8m has been charged to Leasehold improvements and £3.4m to Right-of-use assets. Impairment provisions totalling £2.5m in the year to 31 August 2020 related to Portland Place School.

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 £1.5m would be required on this basis. Each value in use calculation has also been sensitised by using a pre-tax discount rate of 11%. An additional impairment charge of £0.8m would be required on this basis.

Notes forming part of the accounts (continued)

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 1 September 2020	226,044	1,116	227,160
Additions	1,695	-	1,695
Foreign exchange movements	(571)	-	(571)
Lease modification	(9,866)	-	(9,866)
Lease remeasurement	(9,560)	-	(9,560)
At 31 August 2021	**207,742**	**1,116**	**208,858**
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 1 September 2020	15,356	896	16,252
Foreign exchange movements	(27)	-	(27)
Depreciation charge	12,398	66	12,464
Impairment	3,405	-	3,405
At 31 August 2021	**31,132**	**962**	**32,094**
Net book value			
At 31 August 2021	**176,610**	**154**	**176,764**
At 1 September 2020	210,688	220	210,908

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 £7.2m impairment has been recognised in respect of Wetherby-Pembridge School, of which £3.4m was charged to Right-of-use assets (see note 12).

Right-of-use assets in respect of land and buildings with a carrying value of £51.0m (2020: £54.0m) are subject to a first charge to secure the Company's secured sterling bonds (see note 19).

14. Investment property

	£000
At 1 September 2019 and 31 August 2020	4,292
Revaluation	(92)
At 31 August 2021	**4,200**

Investment property at 31 August 2021 represented a residential property in Hampstead, London NW3.

The investment property is held at fair value based on an external valuation performed by a professional valuer.

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 £945 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 £4.292m.

	2021	2020
	£000	£000
Rental income derived from investment properties	**29**	**38**

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

	2021	2020
	£000	£000
Loan to parent company	19,436	24,574
Deposits receivable	3,826	3,540
	23,262	**28,114**
Current	943	24,574
Non-current	22,319	3,540
	23,262	**28,114**

As at 31 August 2020, the Company had advanced loans totalling £23,800,000 to the ultimate parent company. The ultimate parent company repaid £5,000,000 of these loans during the year ended 31 August 2021. The outstanding loans of £18,800,000 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, however the Company is not currently forecasting to make any such requests within the next twelve months and so the balance has been presented as a non-current asset. In the prior year the loan balance was presented as a current asset to reflect the greater uncertainty in light of Covid, although ultimately the Group's cash needs were met by a series of short-term bridging loans from the ultimate parent company and the £5,000,000 loan repayment. Interest of 7% per annum is receivable by the Company in respect of this loan and the figures in the table above include £636,000 (2020: £774,000) 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 2021 include £3,376,000 (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 US$5m, US$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 expected lease term. The current amount receivable at 31 August 2021 is therefore $0.5m, with a non-current balance receivable of $4.5m.

Non-current deposits receivable also include £428,000 (2020: £428,000) in respect of premises at Hannah House, Manchester Street, London W1 which is repayable in February 2027, and £22,000 (2020: nil) in respect of the premises at Oxford Gardens, London W10.

16. Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	294	763
Other receivables	243	336
Prepayments	2,299	2,455
	2,836	**3,554**

As at 31 August 2021, specific loss provisions totalling £554,000 (2020: £570,000) had been made. A general expected loss provision of £100,000 (2020: £100,000) 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	30-60 days past due	60-90 days past due	Over 90 days past due	Total
	£000	£000	£000	£000	£000
31 August 2021					
Gross carrying amount	107	160	44	637	948
Specific provisions	-	-	-	(554)	(554)
Carrying value after specific provisions	107	160	44	83	394
Expected loss rate	12%	17%	23%	60%	
Loss provision	(13)	(27)	(10)	(50)	(100)
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)

The expected credit loss has increased during the year, reflecting the greater uncertainty in light of Covid-19. Movements in the expected credit loss provision are shown below:

	£000
At 1 September 2019	**755**
Charge for the year	482
Debts written off in the year	(410)
Unused amounts released	(157)
At 31 August 2020	**670**
Charge for the year	232
Debts written off in the year	(38)
Unused amounts released	(210)
At 31 August 2021	**654**

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

	2021	2020
	£000	£000
Cash at bank and in hand	9,625	7,244

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

	2021	2020
	£000	£000
Current		
Trade payables	1,203	833
Other payables	14,822	14,444
Social security and other taxes	1,117	2,369
Accruals	2,893	3,317
Deferred income	32,577	28,735
	52,612	**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.

19. Loans and borrowings

	2021	2020
	£000	£000
Current loans and borrowings		
5% secured sterling bonds	1,666	1,666
Loan from parent company	1,148	63
	2,814	**1,729**
Non-current loans and borrowings		
5% secured sterling bonds	79,298	79,078
Loan from parent company	48,100	48,300
	127,398	**127,378**

Further details regarding the loan from parent company are disclosed in note 24.

The Company issued £80m 5% secured sterling bonds on 31 March 2016. The current amount shown above of £1,666,000 (2020: £1,666,000) represents accrued interest. The non-current amount is net of unamortised issue costs of £702,000 (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.

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. At the most recent valuation date, 31 August 2021, for the purpose of testing compliance with the Group's secured sterling bonds, the security portfolio was valued at £151.5m (1 November 2020: £141.8m) which is 1.89 times (1 November 2020: 1.77 times) the principal amount of the bonds in issue.

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 2020	-	80,744	48,363	**129,107**
Cash Flows				
New loans drawn	-	-	6,500	**6,500**
Loans repaid	-	-	(6,700)	**(6,700)**
Interest paid	-	(4,000)	(1,094)	**(5,094)**
Non-cash movements				
Interest accruing in the year	-	4,000	2,179	**6,179**
Amortisation of issue costs	-	220	-	**220**
At 31 August 2021	**-**	**80,964**	**49,248**	**130,212**
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**

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

At 31 August 2021, the Group had £5 million (2020: £5 million) of undrawn committed borrowing facilities. The Group made several draw-downs and repayments during the year.

Notes forming part of the accounts (continued)

20. Lease liabilities

	2021	2020
	£000	£000
Current	9,818	8,801
Non-current	191,978	219,903
	201,796	**228,704**

Movements in lease liabilities is summarised below:

	2021	2020
	£000	£000
Brought forward	228,704	90
Arising on transition to IFRS 16	-	221,512
	228,704	**221,602**
Cash flows		
Payment of lease liabilities - interest	(11,039)	(11,294)
Payment of lease liabilities - principal	(8,056)	(5,316)
Non-cash movements		
Lease modifications	(10,444)	128
Additions in the year	1,695	13,938
Lease remeasurement	(9,560)	-
Interest accruing in the year	11,039	11,302
Foreign exchange translation differences	(543)	(1,656)
Carried forward	**201,796**	**228,704**

The lease modification of £10.4m in the year related to the reduction in the scope of a lease for college boarding accommodation. The re-measurement of £9.6m reflects a re-assessment by management that a lease break for one of the schools 10 years prior to the lease expiry date would be reasonably certain to be exercised, following a reduction in the school's projected financial performance versus the prior year.

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 £312.3m (2020: £360.3m) could potentially be reduced by £69.1m (2020: £100.1m) if the Group decided to exercise all break options at the earliest opportunity. Total undiscounted lease liabilities would increase by £18.9m (2020: £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:

	2021	2020
No rent increments	1%	1%
Fixed rent increments	15%	18%
Inflation-linked increments	11%	14%
Fixed and inflation-linked increments	47%	41%
Market rent based increments	20%	21%
Fixed and market rent based increments	6%	5%
	100%	**100%**

The following have been included in operating expenses:

	2021	2020
	£000	**£000**
Short term lease expenses	2,606	2,529
Low value lease expenses	81	7
Variable lease credits	(129)	(105)

Variable lease credits relate to rent deferral arrangements 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	
	2021	2020
	£000	**£000**
Not later than one year	644	636
After one year but not more than five years	2,575	2,544
After five years	2,145	2,760
	5,364	**5,940**

Notes forming part of the accounts (continued)

21. Share capital

	2021	2020
	£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 2021, the Company had advanced loans totalling £18.8m (2020: £23.8m) 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 Company entered into 4.5% five year term loan agreements with its parent companies in the year ended 31 August 2020, with an aggregate principal amount of £48.1m and accrued interest of £1,148,000 as at 31 August 2021 (2020: £48.3m and £63,000). 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. This loan was repaid in full on 8 January 2021. On 29 March 2021 and 18 June 2021 respectively, the Company drew down similar £2m bridging loans from its immediate parent company which were fully repaid on 27 April 2021 and 26 August 2021 respectively.

On 30 March 2020, the Group signed an overriding lease with DV4 Properties (Pembridge Villas) Limited in respect of premises at 21-23 Pembridge Villas, London W11 adjacent to freehold premises owned by the Group at 19 Pembridge Villas 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 2021 of £640,000 (2020: £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. The superior lease was signed in December 2020 but the sub-lease was yet to be completed as at 31 August 2021. In the period from September 2020 to December 2020, £43,000 was collected from the sub-tenant and remitted to the landlord (year ended 31 August 2020: £96,000). These amounts were not reflected in the income statement.

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 2021, the Group had no committed capital expenditure (2020: £nil).

Contingent liabilities

Four (2020: 4) 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 2020 (the most recent date for which information is available) in the event of the Group withdrawing from the scheme, an amount of £523,000 (30 September 2019: £626,000) 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 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 movements 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 year 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 2021, the Company had loaned £18.8m to the ultimate parent company (2020: £23.8m). 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 in current accounts or short term deposits 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 2021 and 2020 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 months £000	3-12 months £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
At 31 August 2021						
5% secured sterling bonds	2,000	2,000	4,000	84,000	-	**92,000**
Loan from parent company	2,136	1,632	2,176	51,062	-	**57,006**
Lease liabilities	5,293	13,191	18,635	55,631	219,572	**312,322**
Trade and other payables and accruals	4,856	14,062	-	-	-	**18,918**
Total	**14,285**	**30,885**	**24,811**	**190,693**	**219,572**	**480,246**
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**

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.

	2021	2020
	£000	£000
5% secured sterling bonds	80,964	80,744
Loan from parent company	49,248	48,363
Lease liabilities	201,796	228,704
Less: cash and short-term deposits	(9,625)	(7,244)
Net debt	**322,383**	**350,567**
Equity	**31,664**	**51,347**
Total capital	**354,047**	**401,914**

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 material debt instruments in order to assess the appropriate redemption or refinancing options that may be available.

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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial assets held at amortised cost				
Trade and other receivables	537	1,099	537	1,099
Loan to parent company	19,436	24,574	19,436	24,574
Deposits receivable	3,826	3,540	3,826	3,540
Cash	9,625	7,244	9,625	7,244
Total	**33,424**	**36,457**	**33,424**	**36,457**
Financial liabilities held at amortised cost				
Trade and other payables and accruals	18,918	18,594	18,918	18,594
5% secured sterling bonds	81,986	73,864	80,964	80,744
Loan from parent company	49,248	48,363	49,248	48,363
Lease liabilities	201,796	228,704	201,796	228,704
Total	**351,948**	**369,525**	**350,926**	**376,405**

Notes forming part of the accounts (continued)

24. Financial risk management objectives and policies *continued*

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.

The Group is looking to further improve pension provision for all employees. An increase in the minimum employer contribution to the GPPP from 5% to 6% was implemented with effect from 1 September 2021. A salary exchange scheme was also introduced during the prior year for all staff.

In addition, 4 (2020: 4) 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 2020 (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 £523,000 (30 September 2019: £626,000) would be payable into this scheme. Estimated employer contributions to this scheme in the year ending 31 August 2021 total £24,000 (2020: £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 2021, 7 Awards had been granted with an aggregate value equal to 2.1% of the increase in the enterprise value of the Group (2020: 7). 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 2021.

Notes forming part of the accounts (continued)

27. Operating cash flow

	2021	2020
	£000	£000
Loss before tax	(22,431)	(29,856)
Adjustments to reconcile loss before tax to cash generated from operations:		
Foreign exchange translation differences	140	576
Depreciation of property, plant and equipment (note 12)	7,869	8,062
Amortisation of intangible assets (note 11)	32	-
Depreciation of right-of-use assets (note 13)	12,464	12,928
Impairment, loss and reversal of loss on revaluation (notes 12 to 14)	6,856	14,393
Lease modification	(530)	-
Finance income (note 9)	(1,984)	(2,196)
Finance costs (note 8)	18,187	18,385
Decrease in trade and other receivables	621	1,061
Increase / (decrease) in trade and other payables	2,916	(9,793)
Income tax paid	(1)	(1)
Cash generated from operations	**24,139**	**13,559**

28. Subsequent events

On 29 October 2021, the Group entered into an overriding lease with DV4 Properties Fulham Co. Limited, a subsidiary of DV4 Limited, in respect of a building at 49 Hugon Road, Fulham, London SW6 and in doing so became landlord to the occupational tenant, Thomas's London Day Schools (Thomas's Fulham). The initial rent payable on the overriding lease of £1,093,000 per annum is equal to the rent receivable by the occupational tenant. The lease expires in 2025.

On 8 December 2021, the Company resolved to issue Deep Discount Bonds to its parent companies and to use the proceeds to repay the £48.1m 4.5% loans from parent companies, with effect from 2 August 2021. The Deep Discount Bonds have a subscription price of £48.1m, nominal value of £55.3m and a redemption date of 4 December 2024.

Alpha Plus Holdings plc

Company Financial Statements

31 August 2021

Company Registration No. 04418776

Alpha Plus Holdings plc

Company Financial Statements - No. 04418776

Company balance sheet

as at 31 August 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Investments	4	24,058	24,058
Deferred tax assets	5	1,239	1,020
		25,297	**25,078**
Current assets			
Debtors	6	159,803	158,837
Cash at bank and in hand		143	61
		159,946	**158,898**
Creditors: amounts falling due within one year	7	(60,854)	(57,705)
Net current assets		**99,092**	**101,193**
Total assets less current liabilities		**124,389**	**126,271**
Creditors: amounts falling due after more than one year	8	(127,398)	(127,378)
Net liabilities		**(3,009)**	**(1,107)**
Equity attributable to equity shareholders			
Share capital	9	16	16
Retained reserves		(3,025)	(1,123)
Total equity		**(3,009)**	**(1,107)**

The Company's loss for year was £1,902,000 (2020: loss of £2,058,000).
The notes on pages 63 to 69 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 8 December 2021.

J E B Bowden
Chief Financial Officer

Company statement of changes in equity

for the year ended 31 August 2021

	Issued share capital	Retained reserves	Total equity
	£000	£000	£000
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)
Loss and total comprehensive deficit for the year	-	(1,902)	(1,902)
At 31 August 2021	**16**	**(3,025)**	**(3,009)**

The notes on pages 63 to 69 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 8 December 2021. 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 balance sheet.

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

Going concern

See note 2.1 to the Group financial statements for details of the Company's going concern assessment.

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.

See note 2.3 to the Group financial statements for details of other significant accounting policies.

Notes forming part of the accounts (continued)

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. 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 2019, 31 August 2020 and at 31 August 2021	**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 2021. The Directors have therefore concluded that no indicators of impairment existed as at either 31 August 2021 or 31 August 2020.

Subsidiary companies

The Company directly held ordinary share capital of the following subsidiaries as at 31 August 2021 and 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 2021 and 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%
5-7 Cheapside Manchester 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

	2021	2020
	£000	£000
Unutilised tax losses	1,239	1,020
Reflected in the balance sheet as follows:		
Deferred tax assets	1,239	1,020

Reconciliation of net deferred tax assets	2021	2020
	£000	£000
Opening balance	1,020	750
Tax credit recognised during the year	219	270
Closing balance	**1,239**	**1,020**

At 31 August 2021, the Company had tax losses of £5.3m (2020: £5.4m) that are available indefinitely for offset against future taxable profits of the Company. The tax value of these losses is £1.2m (2020: £1.0m), all of which have been recognised (see also note 10 to the Group financial statements).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The Finance Bill 2021 was substantively enacted on 24 May 2021 and therefore the deferred tax asset has been recognised using a rate of 25% due to the expected timing of the loss utilisation falling after 1 April 2023 (2020: calculated using 19%).

6. Debtors

	2021	2020
	£000	£000
Amounts owed by parent company	19,426	24,574
Amounts owed by Group companies	140,377	134,263
	159,803	**158,837**

As at 31 August 2021, the Company had advanced loans totalling £18,800,000 (2020: £23,800,000) to the ultimate parent company. The amounts shown above include accrued interest receivable of £626,000 (2020: £774,000). See note 15 of the Group financial statements for further details.

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 £nil (2020: £0.8m) 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 £5.0m reduction in the assumed sale proceeds of those assets, net of purchaser's costs, would result in an impairment charge of £3.7m.

Notes forming part of the accounts (continued)

7. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
5% secured sterling bonds	1,666	1,666
Amounts owed to parent companies	1,148	63
Amounts owed to other Group companies	58,040	55,976
	60,854	**57,705**

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

	2021	2020
	£000	£000
5% secured sterling bonds	79,298	79,078
Amounts owed to parent companies	48,100	48,300
	127,398	**127,378**

The Company issued £80m 5% secured sterling bonds on 31 March 2016. The non-current amount is net of unamortised issue costs of £702,000 (2020: £922,000) which are being amortised over the eight year life of the bonds. See note 19 of the Group financial statements for further details.

The amount owed to parent companies comprises 4.5% five year term loan agreements which mature on 4 December 2024.

Notes forming part of the accounts (continued)

9. Share capital

	2021	2020
	£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 (2020: £5,000). This is paid by Alpha Plus Group Limited on behalf of the Company.

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.

13. Subsequent events

On 8 December 2021, the Company resolved to issue Deep Discount Bonds to its parent companies and to use the proceeds to repay the £48.1m 4.5% loans from parent companies, with effect from 2 August 2021. The Deep Discount Bonds have a subscription price of £48.1m, nominal value of £55.3m and a redemption date of 4 December 2024.