

Company Registration No. 5290340

Alpha Plus Education Limited

Report and Financial Statements

31 August 2006



Alpha Plus Education Limited

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Alpha Plus Education Limited

Officers and professional advisers

Directors

R N Bird
P D Brett
N V Pinn
R J H Robson

Secretary

R N Bird

Registered office

50 Queen Anne Street
London
W1G 8HJ

Bankers

Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Solicitors

Mariott Harrison
12 Great James Street
London
WC1N 3DR

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Alpha Plus Education Limited

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 August 2006

Activities

The principal activity of the group in the year under review was the ownership, management of and supply of educational services to schools in the United Kingdom

Review of business and future developments

The financial performance of the company and group for the year ended 31 August 2006 is set out on page 6. The directors are optimistic about the long-term prospects for growth.

The group's business has continued to develop during the year. The re-organization of Cliff and Silkstone schools was completed and investment has been made to enable the group to grow in the future.

The group's turnover fell by 24% during the year, following the closures of the school clubs business and the baby unit at Cliff Nursery and the conversion of Silkstone to being solely a nursery. Pupil numbers across the group fell from 250 in 2004-5 to 205 in 2005-6 following these measures, but have subsequently grown. The retained loss for the year rose from £243,000 in 2004-5 to £668,000 in 2005-6.

Details of the group's employees are provided in note 3 to the accounts.

Restructuring

On 15 December 2006 the company and the group became wholly-owned subsidiaries of Alpha Plus Holdings Limited. The ultimate controlling party continues to be Sovereign Capital Partners LLP. The restructuring was carried out to improve the company's and the group's financial position and to bring them into line with the arrangement under the bank facilities provided. Following the restructuring, the Alpha Plus Education Limited group is compliant with its banking covenants. The Alpha Plus Holdings Limited debt facilities provide finance of up to £37.1m in respect of term loans over periods from 7 to 10 years, bank overdraft facilities and vendor loan notes.

The group has hedged its exposure to interest rate rises, which would otherwise pose a significant risk to the business.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in interest rates. The group uses an interest rate collar to hedge this exposure.

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables.

The group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Alpha Plus Education Limited

Directors' report

Directors and their interests

The directors who served throughout the year were

R N Bird
P D Brett
A S J Fraser (resigned 8 January 2007)
N V Pinn
R J H Robson

The beneficial interests of the directors holding office on 31 August 2006 in the issued share capital of the company were as follows

	Preferred Ordinary shares of £1 each at 31 August 2006	Ordinary shares of £1 each at 31 August 2006
P D Brett	-	2,625
R J H Robson	1,180	-

Staff policies

Employment policies do not discriminate between employees or potential employees on the grounds of disability

The company undertakes systematically to provide employees with information of concern to them that is likely to affect their interests

Audit information

Each of the directors at the date of approval of this report confirms that

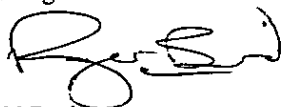
- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the next Annual General Meeting

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



R N Bird
Director
5 June 2007

Alpha Plus Education Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the company and of the group and of the profit or loss of the company and group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the members of Alpha Plus Education Limited

We have audited the group and parent company financial statements (the 'financial statements') of Alpha Plus Education Limited for the year ended 31 August 2006 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the notes to the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

- We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. We discuss with the directors' report and consider the implications for our report if we become aware of any apparent misstatements or any material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 August 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

S June 2007

Alpha Plus Education Limited

Consolidated profit and loss account For the year ended 31 August 2006

		2006 £'000	Period from 18 November 2004 to 31 August 2005 £'000
Turnover	1,2	1,554	2,044
Cost of sales		(1,338)	(1,434)
Gross profit		216	610
Administration expenses		(966)	(555)
Operating (loss)/profit	4	(750)	55
Interest receivable and similar income		2	18
Interest payable and similar charges	5	(420)	(316)
Loss on ordinary activities before taxation		(1,168)	(243)
Tax charge on loss on ordinary activities	6	-	-
Retained loss for the financial year after taxation	19	(1,168)	(243)

All amounts derive from continuing operations

The group has no recognised gains or losses other than the amounts shown in the profit and loss account for both years. Accordingly, no statement of total recognised gains and losses is presented

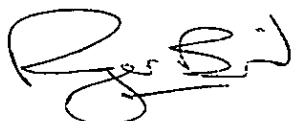
Alpha Plus Education Limited

Balance sheets 31 August 2006

	Note	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Fixed assets					
Intangible assets	8	993	1,574	-	-
Tangible assets	9	3,143	3,058	-	-
Investments	10	-	-	1,672	4,720
		<u>4,136</u>	<u>4,632</u>	<u>1,672</u>	<u>4,720</u>
Current assets					
Debtors	11	66	108	2,434	4
Cash at bank and in hand		<u>51</u>	<u>69</u>	<u>-</u>	<u>-</u>
		117	177	2,434	4
Creditors: amounts falling due within one year	12	<u>(1,308)</u>	<u>(591)</u>	<u>(1,260)</u>	<u>(661)</u>
Net current assets/ (liabilities)		<u>(1,191)</u>	<u>(414)</u>	<u>1,174</u>	<u>(657)</u>
Total assets less current liabilities		2,945	4,218	2,846	4,064
Creditors, amounts falling due after more than one year	13	(4,311)	(4,416)	(4,311)	(4,416)
Provisions for liabilities and charges	17	<u>(3)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Net liabilities		<u>(1,369)</u>	<u>(201)</u>	<u>(1,465)</u>	<u>(352)</u>
Capital and reserves					
Called up share capital	18	42	42	42	42
Profit and loss account	19	<u>(1,411)</u>	<u>(243)</u>	<u>(1,507)</u>	<u>(394)</u>
Equity shareholders' deficit	19	<u>(1,369)</u>	<u>(201)</u>	<u>(1,465)</u>	<u>(352)</u>

These financial statements were approved by the Board of Directors on 5 June 2007

Signed on behalf of the Board of Directors



R N Bird

Director

Alpha Plus Education Limited

Consolidated cash flow statement For the year ended 31 August 2006

			Period from 18 November 2004 to 31 August
	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	II	579	349
Returns on investments and servicing of finance	III	(418)	(297)
Capital expenditure	III	(167)	(82)
Acquisitions and disposals	V	-	(4,464)
		<hr/>	<hr/>
Cash outflow before financing		(6)	(4,494)
Financing	III	(105)	4,563
		<hr/>	<hr/>
Decrease in cash		(111)	(69)
		<hr/>	<hr/>

Alpha Plus Education Limited

Notes to the consolidated cash flow statement For the year ended 31 August 2006

I. Reconciliation of net cash flow to movement in net debt

	2006 £'000	Period from 18 November 2004 to 31 August 2005 £'000
(Decrease)/increase in cash in the year	(111)	69
Cash inflow from increase in debt and lease financing	105	4,521
Change in net debt resulting from cash flows	(6)	4,452
Net debt at start of year	4,452	-
Net debt at end of year	4,458	4,452

II Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	Period from 18 November 2004 to 31 August 2005 £'000
Operating (loss)/profit	(250)	55
Depreciation charges	82	140
Amortisation of goodwill	81	60
Decrease in debtors	42	31
Increase in creditors	624	64
Net cash inflow from operating activities	579	349

Alpha Plus Education Limited

Notes to the consolidated cash flow statement (continued) For the year ended 31 August 2006

III. Analysis of cash flows for headings netted in the cash flow statement

	2006 £'000	Period from 18 November 2004 to 31 August 2005 £'000
Returns on investments and servicing of finance		
Interest received	2	18
Interest paid	(420)	(315)
Net cash outflow from returns on investments and servicing of finance	(418)	(297)
Capital expenditure		
Payments to acquire tangible fixed assets	(167)	(82)
Net cash outflow from capital expenditure	(167)	(82)
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(4,720)
Cash acquired with subsidiary	-	256
Net cash outflow from acquisitions and disposals	-	(4,464)
Financing		
New loans taken out in year	-	4,573
Repayment of loans	(105)	(53)
Issue of share capital	-	42
Net cash inflow from financing	(105)	4,563

Alpha Plus Education Limited

Notes to the consolidated cash flow statement (continued) For the year ended 31 August 2006

IV. Analysis of changes in net debt

	At 1 September 2005 £'000	Cash flow £'000	At 31 August 2006 £'000
Net cash			
Cash at bank and in hand	69	(18)	(51)
Overdraft	-	(93)	(93)
	<u>69</u>	<u>(111)</u>	<u>(42)</u>
Debt			
Debts falling due within one year	(105)	-	(105)
Debts falling due after one year	(4,416)	105	(4,311)
	<u>(4,521)</u>	<u>105</u>	<u>(4,416)</u>
Total	<u>(4,452)</u>	<u>(6)</u>	<u>(4,458)</u>

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

1 Accounting policies

The financial statements are prepared in accordance with United Kingdom law and applicable accounting standards which have been applied consistently throughout the current and prior period. The particular accounting policies adopted are described below.

Going concern

The ultimate controlling party, Sovereign Capital LLP, has indicated its willingness to continue to fund the group for the foreseeable future.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

Turnover

Turnover is the total amount, excluding value added tax, receivable by the group in the ordinary course of business for services provided.

Goodwill

Goodwill, being the amount arising in connection with the acquisition of subsidiary undertakings, is being written off on a straight line basis over its economic useful life, which is twenty years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and provision for any impairment.

Depreciation is provided on cost in monthly instalments over the estimated useful life of the assets, with no charge in the year of disposal. Depreciation is provided at the following annual rates:

Freehold property	2% on cost or valuation
Fixtures, fittings and equipment	25% on cost
Motor Vehicle	25% on cost

Freehold land is not depreciated. Major refurbishment expenditure on freehold buildings and long leaseholds is depreciated over seven years.

Revaluation of freehold property

Individual freehold properties are revalued in full every five years with an interim valuation in year three, with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit in excess of any previously recognised surplus over depreciated costs relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

1. Accounting policies (continued)

Taxation

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, and on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which they are included in financial statements

Deferred tax assets and liabilities are not discounted

Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred

Finance costs

Costs incurred in arranging debt finance are capitalised, set off against the relevant creditor and amortised over the life of the debt instrument in accordance with FRS 4, Capital Instruments

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account

Investments

In the company balance sheet, fixed asset investments are shown as cost less provision for impairment

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method

2 Turnover

The turnover and loss before taxation are attributable to the one principal activity of the group, the ownership, management of and provision of educational services to schools in Great Britain

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

3 Information regarding directors and employees

Group

	2006 £'000	Period from 18 November 2004 to 31 August 2005 £'000
Wages and salaries	1,097	1,220
Social security costs	81	72
Other pension costs	4	9
	<u>1,182</u>	<u>1,301</u>

The average monthly number of employees during the year was as follows

	No	No
Directors	2	3
Office administration	5	7
Teachers and tutors	29	39
Others	9	14
	<u>45</u>	<u>63</u>

	2006 £'000	Period from 18 November 2004 to 31 August 2005 £
Directors' emoluments	<u>38</u>	<u>-</u>

Information regarding the highest paid director is as follows

Emoluments	<u>30</u>	<u>-</u>
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No directors accrued retirement benefits under money purchase schemes during the period

Company

The company had no employees throughout the year to 31 August 2006

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

4. Operating (loss)/profit

	Period from 18 November 2004 to 31 August	
	2006 £'000	2005 £'000
The operating (loss)/profit is stated after charging		
Depreciation – owned assets	82	140
Goodwill amortisation	81	60
Auditors' remuneration – audit	14	13
Auditors' remuneration – non audit	-	1
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	Period from 18 November 2004 to 31 August	
	2006 £'000	2005 £'000
Bank interest	4	2
Loan note interest	297	219
Bank loan interest	119	95
	<u> </u>	<u> </u>
	420	316
	<u> </u>	<u> </u>

6 Tax on (loss)/profit on ordinary activities

The group has made losses in the year. No tax asset has been recognised due to the uncertainty of the company making profits in the foreseeable future.

Tax reconciliation

Loss on ordinary activities before tax	(1,168)	(243)
Tax charge at 19% thereon	222	46
Creation of tax losses	(222)	(46)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

7. Loss of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £1,113,000.

8. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 September 2005	1,634
Additions	-
At 31 August 2006	1,634
Amortisation	
At 1 September 2005	60
Charge for the year	81
Impairment losses	500
At 31 August 2006	641
Net book value	
At 31 August 2006	993
At 31 August 2005	1,574

On 6 December 2004 the group acquired 100% of the issued share capital of Chapman Child Education Limited, School Clubs UK Limited, Agnes Educational Enterprises Limited and 4Kidz Recruitment Limited.

Alpha Plus Education Limited

Notes to the accounts For the year ended 31 August 2006

9 Tangible fixed assets

Group	Freehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 September 2005	3,063	519	7	3,589
Additions	88	78	1	167
At 31 August 2006	3,151	597	8	3,756
Accumulated depreciation				
At 1 September 2005	37	487	7	531
Charge for the period	43	39	-	82
At 31 August 2006	80	526	7	613
Net book value				
At 31 August 2006	3,071	71	1	3,143
At 31 August 2005	3,026	32	-	3,058

Freehold land and buildings are held at valuation. All such assets were given a full valuation on 31 March 2004 on the basis of existing use value by Colliers, Chartered Surveyors. Included in freehold property is freehold land valued at £1,200,000 which is not depreciated. The net book value of freehold land and buildings determined according to the historical cost convention is £1,420,100.

Alpha Plus Education Limited

Notes to the accounts For the year ended 31 August 2006

10 Fixed asset investments

Company	£'000
Cost and net book value	
At 1 September 2005 and 31 August 2006	4,720
Disposals	(3,048)
	<hr/>
At 31 August 2006	1,672
	<hr/>

As at 31 August 2006, the company held directly more than 20% of the nominal value of the ordinary share capital of the following

Name of company	Country of registration	Proportion held	Nature of business
Cliff School Limited	England and Wales	100%	Education
Agnes Educational Enterprises Limited	England and Wales	100%	Education
4Kidz Recruitment Limited	England and Wales	100%	Education

On 31 March 2006, the company transferred the entire share capital of its subsidiary Chapman Child Limited to its subsidiary Cliff School Limited. The consideration of £2,430,000 represented the book value of the assets of Chapman Child Limited at the transfer date resulting in a loss on transfer of £618,000.

11 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade debtors	48	64	-	-
Amounts owed by subsidiary companies	-	-	2,430	4
Other debtors	-	2	-	-
Prepayments and accrued income	18	42	4	-
	<hr/>	<hr/>	<hr/>	<hr/>
	66	108	2,434	4
	<hr/>	<hr/>	<hr/>	<hr/>

All amounts fall due within one year

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

12. Creditors amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank overdraft	93	-	93	44
Bank loans (note 15)	105	105	105	105
Trade creditors	20	30	-	-
Other taxes and social security	-	49	-	-
Other creditors	690	203	625	299
Accruals and deferred income	400	204	349	-
Amounts owed to subsidiary companies	-	-	88	213
	<u>1,308</u>	<u>591</u>	<u>1,260</u>	<u>661</u>

13 Creditors' amounts falling due after more than one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank loans (note 15)	1,838	1,943	1,838	1,943
Investor loan notes (note 14)	2,473	2,473	2,473	2,473
	<u>4,311</u>	<u>4,416</u>	<u>4,311</u>	<u>4,416</u>

14. Guaranteed secured 12% loan notes

On 6 December 2004 the company issued 2,473,000 guaranteed secured loan notes ("notes"), the notes being guaranteed by Alpha Plus Education Limited. All notes shall rank pari passu as a secured obligation of the company. Interest is payable quarterly, in arrears, at 12% per annum. Repayment is due to take place on 6 December 2009 but the notes may be repaid earlier at the option of the company.

Alpha Plus Education Limited

Notes to the accounts For the year ended 31 August 2006

15. Borrowings

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Investor loan notes	2,473	2,473	2,473	2,473
Bank loans	1,943	1,943	2,048	2,048
	<u>4,416</u>	<u>4,416</u>	<u>4,521</u>	<u>4,521</u>
Due within one year	105	105	105	105
Due after more than one year	4,311	4,311	4,416	4,416
	<u>4,416</u>	<u>4,416</u>	<u>4,521</u>	<u>4,521</u>

The bank loans are secured by a debenture over the whole assets and undertakings of the company including capital and first charges over the freehold and leasehold school properties

16 Loans and overdrafts

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
An analysis of the maturity of loans and overdrafts is given below				
Amounts falling due between one year and two years				
Investor loan notes	-	-	-	-
Bank loans	105	105	105	105
Amounts falling due between two years and five years				
Investor loan notes	2,473	2,473	2,473	2,473
Bank loans	315	315	315	315
Amounts falling due in more than five years				
Repayable by instalments				
Bank loans	1,418	1,418	1,523	1,523

Alpha Plus Education Limited

Notes to the accounts For the year ended 31 August 2006

17 Provisions for liabilities and charges

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Deferred taxation	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>

Deferred taxation for which provision has been made in the financial statements and the amounts for which no provision has been made, are as follows

Group	2006 £'000	2005 £'000
Capital allowances in excess of depreciation	<u>-</u>	<u>3</u>
Movement in deferred tax balance		
At start of year	3	-
Acquired during the year	-	3
Charged/(credited) to the profit and loss account	<u>-</u>	<u>-</u>
At end of year	<u>3</u>	<u>3</u>

18 Called up share capital

	2006 £'000	2005 £'000
Authorised:		
10,000 ordinary shares of £1 each	10	10
40,000 preferred ordinary shares of £1 each	<u>40</u>	<u>40</u>
	<u>50</u>	<u>50</u>
Called up, allotted and fully paid:		
2,625 ordinary shares of £1 each	3	3
39,375 preferred ordinary shares of £1 each	<u>39</u>	<u>39</u>
	<u>42</u>	<u>42</u>

The ordinary shares entitle the holder to one ordinary vote for each share held. The preferred ordinary shares entitle the holder to one vote pro rata to the holding if not less than five per cent of the issued preferred ordinary shares are held.

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

18 Called up share capital (continued)

Holders of preferred ordinary shares have the right on winding-up to receive, in priority to other classes of shares, an amount equal to the subscription price (including any premium) paid for such shares, in proportion to the number of shares held

Holders of ordinary shares have the right on winding-up to receive, an amount equal to the subscription price (including any premium) paid for such shares, in proportion to the number of shares held

19. Reconciliation of movements in equity shareholders' deficit and movements on reserves

Group	Share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
At 1 September 2005	42	(243)	(201)
Loss for the period	-	(1,168)	(1,168)
	<hr/>	<hr/>	<hr/>
At 31 August 2006	42	(1,411)	(1,369)
	<hr/>	<hr/>	<hr/>
Company			
At 1 September 2005	42	(394)	(352)
Loss for the period	-	(1,113)	(1,113)
	<hr/>	<hr/>	<hr/>
At 31 August 2006	42	(1,507)	(1,465)
	<hr/>	<hr/>	<hr/>

20 Related party transactions

The group owes Ryan Robson and Paul Brett £73,705 and £12,375 respectively as at 31 August 2006 and 31 August 2005 in relation to investor loan notes held by these directors of the company

The aggregate amounts of the transactions between related party Sovereign Capital Partners LLP and the company and the group in the year were

(a) management charge £34,000 (2005 £32,000)

(b) loan note interest £297,000 (2005 £218,000)

The above transactions were on normal terms

Other than loan notes of £2,473,000 no balances were outstanding with Sovereign Capital as at 31 August 2006

The group owes Alpha Plus Holdings Limited £625,000 (2005 £200,000) Alpha Plus Holdings Limited is a related party as these companies are under common control by Sovereign Capital Partners LLP

21. Contingent liabilities

The company has entered into cross guarantees with its subsidiary undertakings with respect to obligations relating to investor loan notes and bank borrowings

Following the group restructuring on 15 December 2006 (see note 23), the company has also entered into cross guarantees with respect to investor loan notes and bank borrowings with Alpha Plus Holdings Limited and its subsidiaries

Alpha Plus Education Limited

Notes to the accounts

For the year ended 31 August 2006

22 Ultimate controlling party

The directors believe Sovereign Capital Partners LLP to be the ultimate controlling party of the group, as they hold 85% of the preferred ordinary shares of the company

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

23 Post Balance Sheet Event

On 15 December 2006 the company and the group became wholly-owned subsidiaries of Alpha Plus Holdings Limited. The ultimate controlling party continues to be Sovereign Capital Partners LLP. The restructuring was carried out to improve the company's and the group's financial position and to bring them into line with the arrangement under the bank facilities provided.