



ALPHA PLUS HOLDINGS PLC

(incorporated with limited liability in England and Wales with registered number 04418776)

5.75 per cent. Secured Sterling Bonds due December 2019 secured over a portfolio of real estate and other assets of Alpha Plus Holdings plc and certain of its subsidiaries

Issue Price: 100 per cent.

The 5.75 per cent. Secured Sterling Bonds due December 2019 (the “**Bonds**”) of Alpha Plus Holdings plc (the “**Company**”) are proposed to be issued on 18 December 2012 (the “**Issue Date**”). The maximum aggregate principal amount of Bonds that will be issued by the Company is £55 million. The aggregate principal amount of Bonds to be issued within this range will be determined following a process of “bookbuilding” by the Manager as described under “*Subscription and Sale*”, and will be set forth in an announcement which will be published by the Company by Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) on or about 11 December 2012 (the “**Sizing Announcement**”).

The Bonds will rank *pari passu* without any preference among themselves. The Bonds will be secured by way of a first legal mortgage over a portfolio of real estate assets of certain of the Company’s subsidiaries, a first fixed charge over cash, cash equivalents and other assets of the Company and certain of its subsidiaries. The Bonds will also have the benefit of a limited negative pledge. See “*Terms and Conditions of the Bonds - Status of the Bonds and Coupons and – Security; Negative Pledge*”.

The Bonds will not be rated by any rating agency.

Interest on the Bonds is payable in equal instalments in arrear on 18 June and 18 December in each year.

The Bonds mature on 18 December 2019 (the “**Maturity Date**”). The Bonds are subject to redemption in whole, at their principal amount together with accrued interest, at the option of the Company, at any time in the event of certain United Kingdom tax changes. The Bonds may also be redeemed in whole by the Company, at its option, at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the relevant United Kingdom Government Treasury Stock plus a margin of 0.5 per cent., together with accrued interest. See “*Terms and Conditions of the Bonds - Redemption and Purchase*”.

Application will be made after the publication of the Sizing Announcement to the Financial Services Authority (the “**FSA**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**FSMA**”) (the “**UK Listing Authority**”) for the Bonds to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Bonds to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”) and through the electronic order book for retail bonds (the “**ORB**”) of the London Stock Exchange. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (“**MiFID**”).

The denomination of the Bonds shall be £100. The Bonds will initially be represented by a global Bond (the “**Global Bond**”), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/NV (“**Euroclear**”) on or about the Issue Date. The Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of £100 not less than 60 days following the request of the holder in the limited circumstances set out in it. See “*Summary of Provisions relating to the Bonds while represented by the Global Bond*”.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE HEADING “*RISK FACTORS*”.

Manager

Canaccord Genuity Limited

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the “**Prospectus Directive**”).

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In the context of any offer of securities that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive, as amended, (a “**Public Offer**”), the Company accepts responsibility, in the United Kingdom, for the content of this Prospectus in relation to any person (an “**Investor**”) to whom an offer of any Bonds is made by Canaccord Genuity Limited or any financial intermediary where the offer is made pursuant to the conditions in the following paragraph (Canaccord Genuity Limited and any such financial intermediary, each an “**Authorised Distributor**”). However, neither the Company nor the Manager has any responsibility for any of the actions of any Authorised Distributor, including compliance by an Authorised Distributor with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Company consents to the use of this Prospectus in connection with a Public Offer of any Bonds during the period commencing from, and including, 26 November 2012 until 12 (noon) (London time) on 11 December 2012 or such earlier time or date as may be agreed between the Company and the Manager and announced via a Regulatory Information Service (the “**Offer Period**”) in the United Kingdom by any financial intermediary who satisfies the following conditions, that it:

- (a) is a “qualified investor” for the purposes of the Prospectus Directive and an “investment professional” for the purposes of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
- (b) is authorised to make such offers under MiFID;
- (c) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”) in connection with the offering and/or sale of, or the solicitation of interest in, the Bonds, including, but without limiting the generality thereof, the Rules published by the FSA (including its guidance for distributors in “*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor of certain monetary or non-monetary benefits paid and/or received in connection with the offering and/or the sale of the Bonds (if applicable);
- (d) immediately gives notice to the Company if at any time such Authorised Distributor becomes aware or suspects that they are or may be in violation of any Rules or the terms of this paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this paragraph in all respects;
- (e) complies with the restrictions set out under “*Subscription and Sale*” in this Prospectus which would apply as if it were the Manager;
- (f) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;
- (g) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the FSMA;
- (h) complies with and takes appropriate steps in relation to applicable anti-money laundering, anti-bribery, prevention of corruption and “know your client” Rules and policies provided by the Company and/or the Manager and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;

(i) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Manager and the Company or directly to the appropriate authorities with jurisdiction over the Company and/or the Manager in order to enable the Company and/or the Manager to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to the Company and/or the Manager;

(j) does not, directly or indirectly, cause the Company and/or the Manager to breach any Rule or subject the Company or the Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction; and

(k) does not give any information other than that contained in this Prospectus (as may be supplemented by the Company from the date of this Prospectus until the later of the issue of the Bonds or admission of the Bonds to trading on the London Stock Exchange’s regulated market and through the ORB) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds.

For the Public Offer Jurisdictions (as defined in “*Subscription and Sale*”) outside the United Kingdom (being Jersey, Guernsey and the Isle of Man), the Company consents to the use of this Prospectus in connection with an offer of any Bonds by any financial intermediary that satisfies the equivalent of conditions (a) to (k) applicable in those jurisdictions or as otherwise agreed by the Company.

Any Authorised Distributor who wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Company and the conditions attached thereto.

A Public Offer may be made, subject to the conditions set out above, during the Offer Period by any of the Company or any Authorised Distributor (which shall include Canaccord Genuity Limited which, at the date of this Prospectus, is a specified Authorised Distributor).

Other than as set out above, none of the Company or the Manager has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with its offer of any Bonds. Any such offers are not made on behalf of the Company or by the Manager or Authorised Distributors and none of the Company or the Manager or Authorised Distributors has any responsibility or liability for the actions of the persons making such offers.

An Investor intending to acquire or acquiring any Bonds from an Authorised Distributor will do so, and offers and sales of the Bonds to an Investor by an Authorised Distributor will be made, in accordance with any terms and other arrangements in place between such Authorised Distributor and such Investor including as to price, allocations and settlement arrangements (the “*Terms and Conditions of the Public Offer*”). The Company will not be a party to any such arrangements with Investors (other than the Manager) in connection with the offer or sale of the Bonds and, accordingly, this Prospectus will not contain such information. The Terms and Conditions of the Public Offer shall be provided by the relevant Authorised Distributor to the Investor at the relevant time. None of the Company or the Manager or other Authorised Distributors has any responsibility or liability for such information.

As noted under “*Terms and Conditions of the Offer*” below, the issue of the Bonds is conditional upon various matters, including the Subscription Agreement being signed by the Company and the Manager and customary conditions precedent contained therein.

The Company, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Company and the Bonds (including all information which, according to the particular nature of the Company and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company and of the rights attaching to the Bonds), that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Company accepts responsibility accordingly.

Neither the Manager nor the Trustee has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is

accepted by the Manager or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Company in connection with the offering of the Bonds. Neither the Manager nor the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Company in connection with the offering of the Bonds or their distribution.

No person is or has been authorised by the Company, the Manager or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Manager or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Company, the Manager or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company. Each potential investor in the Bonds must determine the suitability of an investment in the Bonds in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Company is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Manager and the Trustee expressly do not undertake to review the financial condition or affairs of the Company during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on distribution of this document, see “*Subscription and Sale*” below.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Company, the Manager or the Trustee to any person to subscribe for or to purchase any Bonds. In particular, this Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Company, the Manager and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken (other than in the United Kingdom) by the Company or the Manager or by the Trustee anywhere which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in

the United States, the Member States of the European Economic Area, Jersey, Guernsey and the Isle of Man, see “*Subscription and Sale*”.

This Prospectus has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) other than offers (the “**Permitted Public Offers**”) which are made prior to the Issue Date, and which are contemplated in this Prospectus in the United Kingdom once this Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive, and in respect of which the Company has consented in writing to the use of this Prospectus, will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Bonds. Accordingly, any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Company or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Company nor the Manager has authorised, nor do they authorise, the making of any offer of the Bonds in circumstances in which an obligation arises for the Company or the Manager to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

In certain circumstances, following the delivery of the Bonds into Euroclear and Clearstream, Luxembourg, investors may hold interests in the Bonds through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) (“**CREST**”) through the issuance of dematerialised depository interests (“**CREST Depository Interests**” or “**CDIs**”) issued, held, settled and transferred through CREST, representing interests in the Bonds underlying the CDIs (the “**Underlying Bonds**”). CREST Depository Interests are independent securities distinct from the Bonds, constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the “**CREST Depository**”) pursuant to the global deed poll dated 25 June 2001 as subsequently modified, supplemented and/or restated (the “**CREST Deed Poll**”). Neither the Bonds nor any rights attached thereto will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. Holders of CREST Depository Interests (“**CDI Holders**”) will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs.

All references in this document to “Sterling”, “GBP” and “£” refer to the currency of the United Kingdom.

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SUMMARY

This summary is comprised of disclosure requirements known as “Elements”. These Elements are numbered in Sections A -E (A.1 -E.7).

This summary contains all the Elements required to be included in a summary relating to the Bonds and the Company. As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary because of the nature of the Bonds and the Company, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary and marked as “Not Applicable”.

Section A -	Introduction and warnings
A.1	<p>This summary should be read as an introduction to this Prospectus.</p> <p>Any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole by the Investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court of an EU Member State, the plaintiff Investor might, under the national legislation of the relevant Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.</p>
A.2	<p>Consent to use this Prospectus</p> <p>The Company has granted a general consent for the use of this Prospectus in connection with a Public Offer of any Bonds during the period commencing from, and including, 26 November 2012 until 12 (noon) (London time) on 11 December 2012 or such earlier time or date as may be agreed between the Company and the Manager and announced via a Regulatory Information Service (the “Offer Period”) in the United Kingdom by any financial intermediary who satisfies certain conditions, including, that it:</p> <p>(a) is a “qualified investor” for the purposes of the Prospectus Directive and an “investment professional” for the purposes of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;</p> <p>(b) is authorised to make such offers under MiFID;</p> <p>(c) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “Rules”) in connection with the offering and/or sale of, or the solicitation of interest in, the Bonds, including, but without limiting the generality thereof, the Rules published by the FSA (including its guidance for distributors in “<i>The Responsibilities of Providers and Distributors for the Fair Treatment of Customers</i>”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor of certain monetary or non-monetary benefits paid and/or received in connection with the offering and/or the sale of the Bonds (if applicable);</p> <p>(d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;</p> <p>(e) holds all licences, consents, approvals and permissions required in connection with</p>

	<p>solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the FSMA; and</p> <p>(f) does not give any information other than that contained in this Prospectus (as may be supplemented by the Company from the date of this Prospectus until the later of the issue of the Bonds or admission of the Bonds to trading on the London Stock Exchange's regulated market and through the ORB) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds.</p> <p>For the Public Offer Jurisdictions outside the United Kingdom (being Jersey, Guernsey and the Isle of Man), the Company consents to the use of this Prospectus in connection with an offer of any Bonds by any financial intermediary that satisfies the equivalent of all such conditions (including, (a) to (f) above) applicable in those jurisdictions or as otherwise agreed by the Company.</p> <p>Any Authorised Distributor who wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Company and the conditions attached thereto.</p> <p>An Investor intending to acquire or acquiring any Bonds from an Authorised Distributor will do so, and offers and sales of the Bonds to an Investor by an Authorised Distributor will be made, in accordance with any terms and other arrangements in place between such Authorised Distributor and such Investor including as to price, allocations and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Company will not be a party to any such arrangements with Investors (other than the Manager) in connection with the offer or sale of the Bonds and, accordingly, this Prospectus will not contain such information. The Terms and Conditions of the Public Offer shall be provided by the relevant Authorised Distributor to the Investor at the relevant time. None of the Company or the Manager or other Authorised Distributors has any responsibility or liability for such information.</p>	
Section B -	The Company	
B.1	The legal and commercial name of the Company:	Alpha Plus Holdings plc
B.2	The domicile and legal form of the Company, the legislation under which the Company operates and its country of incorporation:	<p>The Company was incorporated on 17 April 2002 under the laws of England and Wales as a private limited company (registration number 04418776) under the name of Newincco 162 Limited. The Company changed its name to DLD Holdings Limited on 28 May 2002, and then again on 20 December 2002 to Alpha Plus Holdings Limited. On 15 November 2012, the Company re-registered as a public company and changed its name to Alpha Plus Holdings plc.</p> <p>The principal legislation under which the Company operates is the Companies Act 2006.</p>
B.4b	A description of any known trends affecting the Company and the industries in which it operates:	Not Applicable. There are no known trends affecting the Company and the industry in which it operates.
B.5	Description of the Group and the Company's position within the Group:	The Company is the parent company of a group of companies and directly or indirectly holds all of the issued ordinary share capital of its subsidiaries.

B.9	Profit forecast or estimate:	Not Applicable. The Company has not made a profit forecast or estimate.																																																									
B.10	Qualifications in the audit report:	Not Applicable.																																																									
B.12	Selected historical key financial information:	<p>The selected financial information set out below has been extracted without material adjustment from the consolidated financial statements of the Company for the years ending 31 August 2012 and 31 August 2011:</p> <p>Group Statement of Comprehensive Income</p> <table> <tr> <th></th><th><i>Year ended 31 August 2012</i></th><th><i>Year ended 31 August 2011</i></th></tr> <tr> <th></th><th><u>£000</u></th><th><u>£000</u></th></tr> <tr> <td>Revenue</td><td>57,875</td><td>52,299</td></tr> <tr> <td>Operating Profit</td><td>4,082</td><td>4,393</td></tr> <tr> <td>Profit before tax</td><td>2,643</td><td>1,226</td></tr> <tr> <td>Profit and total comprehensive income for the year</td><td>5,280</td><td>1,226</td></tr> </table> <p>Group Balance Sheet</p> <table> <tr> <th></th><th><i>Year ended 31 August 2012</i></th><th><i>Year ended 31 August 2011</i></th></tr> <tr> <th></th><th><u>£000</u></th><th><u>£000</u></th></tr> <tr> <td>Non-current assets</td><td>107,226</td><td>96,300</td></tr> <tr> <td>Current Assets</td><td>4,101</td><td>4,896</td></tr> <tr> <td>Current liabilities</td><td>26,100</td><td>21,907</td></tr> <tr> <td>Non-current liabilities</td><td>58,591</td><td>57,933</td></tr> <tr> <td>Net Assets</td><td>26,636</td><td>21,356</td></tr> </table> <p>Group Statement of Cash Flows</p> <table> <tr> <th></th><th><i>Year ended 31 August 2012</i></th><th><i>Year ended 31 August 2011</i></th></tr> <tr> <th></th><th><u>£000</u></th><th><u>£000</u></th></tr> <tr> <td>Net cash inflow from operating activities</td><td>12,308</td><td>6,625</td></tr> <tr> <td>Net cash (outflow) from investing activities</td><td>(12,384)</td><td>(5,023)</td></tr> <tr> <td>Net cash (outflow)/inflow from financing activities</td><td>(971)</td><td>4,041</td></tr> <tr> <td>Net (decrease)/increase in cash and cash equivalents</td><td>(1,047)</td><td>5,643</td></tr> </table> <p>There has been no material adverse change in the prospects of the Company or the Group and no significant change in the financial or trading position</p>		<i>Year ended 31 August 2012</i>	<i>Year ended 31 August 2011</i>		<u>£000</u>	<u>£000</u>	Revenue	57,875	52,299	Operating Profit	4,082	4,393	Profit before tax	2,643	1,226	Profit and total comprehensive income for the year	5,280	1,226		<i>Year ended 31 August 2012</i>	<i>Year ended 31 August 2011</i>		<u>£000</u>	<u>£000</u>	Non-current assets	107,226	96,300	Current Assets	4,101	4,896	Current liabilities	26,100	21,907	Non-current liabilities	58,591	57,933	Net Assets	26,636	21,356		<i>Year ended 31 August 2012</i>	<i>Year ended 31 August 2011</i>		<u>£000</u>	<u>£000</u>	Net cash inflow from operating activities	12,308	6,625	Net cash (outflow) from investing activities	(12,384)	(5,023)	Net cash (outflow)/inflow from financing activities	(971)	4,041	Net (decrease)/increase in cash and cash equivalents	(1,047)	5,643
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		of the Company or the Group since 31 August 2012 (being the end of the last financial period of the Company for which audited or interim financial statements have been published).
B.13	Recent material events particular to the Company's solvency:	Not Applicable. There have been no recent events particular to the Company which are to a material extent relevant to the evaluation of the Company's solvency.
B.14	Extent to which the Company is dependent upon other entities within the Group:	The Company is the parent company of a group of companies (the Company and its subsidiaries together, constitute the " Group ") and is dependent on the performance of the Group for the satisfaction of its obligations.
B.15	Principal activities of the Company:	<p>The Company is the parent company of the Group which provides private education to children in London as well as elsewhere in England.</p> <p>The Group operates 12 independent schools, 2 nurseries and 5 sixth form colleges, many of which have a long and established history.</p> <p>As an integral part of the Group's operations, it manages a portfolio of school properties, comprising 14 freehold properties and 17 leasehold properties. The Group's property portfolio is valued at £130.7 million on the basis of current use (i.e. trading schools, nurseries and colleges having regard to their trading potential) and £75.385 million on the basis of alternative use (such as residential accommodation).</p>
B.16	Extent to which the Company is directly or indirectly owned or controlled:	As at 31 August 2012, all of the issued shares of the Company are owned by DV4 Holdings Alpha Plus Co. Ltd (" DV4 Holdings ") which in turn is owned as to 95.378 per cent. by DV4 Investment Alpha Plus Co. Ltd. DV4 Investment Alpha Plus Co. Limited is owned by DV4 Limited. DV4 Limited, the ultimate holding company, is a private company incorporated in the British Virgin Islands. So far as the Company is aware, DV4 Limited is not controlled by any one investor.
B.17	Credit ratings assigned to the Company on its debt securities:	Not Applicable. Neither the Company nor any of its securities are rated by any ratings agency.
Section C -	Securities	
C.1	Type and class of the Bonds:	The 5.75 per cent. Secured Sterling Bonds due December 2019 will be issued in bearer form in the denomination of £100.
		The ISIN for the Bonds is XS0853358801 and the Common Code is 085335880.
C.2	Currency:	Pounds Sterling ("£").

C.5	A description of any restrictions on the free transferability of the Bonds:	Not Applicable. There are no restrictions on the transferability of the Bonds, however the Company and the Manager have agreed certain customary restrictions on offers, sales and deliveries of Bonds and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Jersey, Guernsey and the Isle of Man.
C.8	Description of the rights attaching to the Bonds:	<p><i>Status of the Bonds:</i></p> <p>The Bonds constitute secured obligations of the Company and at all times shall rank <i>pari passu</i> and without preference among themselves.</p> <p><i>Security:</i></p> <p>As security for the payment and discharge of all present and future obligations of the Company under the Bonds, the Company and its subsidiaries Alpha Plus Group Limited and Alpha Plus Schools Limited (together the “Charging Subsidiaries” and together with the Company, the “Original Chargors”) will create the following security in favour of the Trustee:</p> <p>(a) a first fixed charge granted by the Company over a cash collateral account together with all moneys from time to time standing to the credit thereof (which may, for a limited period of time, include all or part of the proceeds of the issue of the Bonds);</p> <p>(b) a first legal mortgage granted by each Original Chargor with respect to all of its right, title, interest and benefit existing now and in the future, in and to certain properties, being initially (but subject to withdrawal and replacement as described below) the properties with the following title numbers:</p> <p>(i) NGL628561</p> <p><i>(Abingdon House School, Broadley Terrace, London NW1 6LG. Registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ)</i></p> <p>(ii) MX414028</p> <p><i>(Falcons School for Boys, 2 Burnaby Gardens, London W4 3DT. Registered at the Land Registry as Gunnersbury School)</i></p> <p>(iii) TGL170308</p> <p><i>(Falcons Prep School for Boys, Kew Foot Road, Richmond TW9 2PN. Registered at the Land Registry as The Richmond Adult and</i></p>

		<p><i>Community College)</i></p> <p>(iv) NGL551069</p> <p><i>(10 and 11 Pembridge Square, London W2 4ED. Also referred to as Wetherby School, The Minors Nursery School and Pembridge Hall School)</i></p> <p>(v) NGL344664</p> <p><i>(18 Pembridge Square, London W2 4EH. Also referred to as Pembridge Hall School)</i></p> <p>(vi) LN53335</p> <p><i>(90 Fitzjohn's Avenue, London NW3 6NP. Also referred to as St Anthony's School)</i></p> <p>(vii) LN26910;</p> <p><i>(1 Arkwright Road, London NW3 6AA. Also referred to as St Anthony's School)</i></p> <p>(c) a first fixed charge granted by each Original Chargor over insurance policies relating to the secured properties;</p> <p>(d) a first fixed charge granted by the Company over certain cash equivalent investments, if any; and</p> <p>(d) a first fixed charge granted by each Original Chargor over intellectual property rights relating to the secured properties, including over the following trademarks with the following registration numbers:</p> <p>(i) PEMBRIDGE HALL (App/Reg No. 2498630)</p> <p>(ii) WETHERBY SCHOOL (App/Reg No. 2498632).</p> <p><i>Covenants:</i></p> <p>The Conditions and/or the Trust Deed contain covenants in favour of holders of Bonds including the following:</p> <p><u>Insurance</u></p> <p>The Company and each Charging Subsidiary will maintain insurance of the secured properties against all risks (but to the extent commercially available in the London insurance market) and to a standard that is customary for companies carrying on a business that is the same or substantially the same to that</p>
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		<p>carried on by the Charging Subsidiaries.</p> <p><u>Property Valuation</u></p> <p>The Company will deliver to the Trustee a valuation report in respect of the secured properties at least annually.</p> <p><u>Charged Assets</u></p> <p>The Company will ensure that cash and cash equivalent investments represent not more than 30 per cent. by value of all assets charged by the Company and the Charging Subsidiaries at any time; provided that for the period ending on the earlier of: (i) 3 months from (and including) the issue date of the Bonds; and (ii) the date on which security is created over the initially secured properties (the title numbers in respect of which are set out above), cash (which may include all or part of the proceeds of the issue of the Bonds) and cash equivalent investments may represent 100 per cent. by value of all assets charged by the Company and the Charging Subsidiaries.</p> <p><u>Value of Charged Assets</u></p> <p>The Company will undertake to procure that, for as long as the Bonds remain due and payable, the Group must provide security over its property assets for the benefit of the Bondholders, having an aggregate market value of the individual freehold and leasehold properties as fully equipped trading entities having regard to their trading potential as part of the business of the Group as determined by reference to the most recent valuation prepared pursuant to the Trust Deed (the “Trading Value”) of at least 1.5 times the nominal amount of the Bonds from time to time outstanding (after deducting from such nominal amount of Bonds outstanding from time to time the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, provided as security from time to time).</p> <p><u>Additional Charged Assets</u></p> <p>From the period beginning on the earlier of: (i) 3 months from (and including) the issue date of the Bonds; and (ii) the date on which security is created over the initially secured properties (the title numbers in respect of which are set out above), the Company and/or the Charging Subsidiaries will provide further security in the form of further property, cash or equivalents of cash (broadly Government or European Investment Bank securities) if a valuation report should demonstrate that the Trading Value of the secured properties is less than 1.5 times the nominal amount of Bonds</p>
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		<p>then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security), so that the secured properties have a Trading Value of at least 1.5 times the nominal amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security).</p> <p><u><i>Withdrawal of Charged Assets</i></u></p> <p>The Company and/or the Charging Subsidiaries will have the right to withdraw properties (or any cash or cash equivalent) from the security package if: (i) a valuation report should demonstrate that the Trading Value of the secured properties is greater than 1.667 times the nominal amount of Bonds then outstanding; or (ii) Bonds have been purchased and cancelled by the Company and a valuation report should demonstrate that the Trading Value of the secured properties is greater than 1.5 times the nominal amount of Bonds then outstanding (in each case, after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments then provided as security).</p> <p>The Group is entitled at any time to withdraw any charged asset from the security package and replace it with another charged asset provided that the value or, where the charged asset to be substituted is a secured property, the Trading Value, of the substituted charged asset is at least equal to the value or, where the charged asset to be withdrawn is a secured property, the Trading Value, of the charged asset withdrawn or, if a valuation has been delivered within sixty days prior to the substitution, the substitution does not result in the Trading Value of the secured properties falling to less than 1.5 times the nominal amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments, each as provided as security at that time).</p> <p><u><i>Release of existing security</i></u></p> <p>Where the Company and/or the Charging Subsidiaries provide further security in the form of additional property and any such property is subject to a security interest, the Company shall procure the release of such security so that any security interest subsequently created in favour of the Trustee</p>
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		<p>pursuant to the terms of the Security Deed will not be subject to any prior ranking or <i>pari passu</i> ranking security interest.</p> <p><u>Negative Pledge</u></p> <p>The Company and the Charging Subsidiaries may not create or permit to subsist any security interest over the charged assets (or over any of the fixtures, fittings, plant, machinery and other moveable property contained in or attached to the secured properties) provided that the Company and the Charging Subsidiaries may grant in favour of DV4 Holdings:</p> <p>(i) first ranking security interests over any assets (other than the charged assets but including fixtures, fittings, plant, machinery and other moveable property contained in or attached to the secured properties) of the Company and the Charging Subsidiaries; and</p> <p>(ii) second ranking security interests over any of the charged assets; and</p> <p>If the Company or any Charging Subsidiary creates any security interest (other than in favour of DV4 Holdings as described above) which under any law in force while the Bonds are outstanding gives any party the right to appoint an administrative receiver of the Company or such Charging Subsidiary then the same security interest will at the same time be granted equally and rateably to the Trustee for the benefit of, <i>inter alia</i>, the Bondholders.</p> <p><u>Further Issues</u></p> <p>The Company may from time to time, without the consent of the Bondholders or Couponholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further securities shall be consolidated and form a single series with the outstanding Bonds (the “Further Issues”), provided that no Further Issues may be created or issued unless the most recent valuation prepared pursuant to the Trust Deed shows that the aggregate Trading Value of the secured properties will be not less than 1.667 times the nominal amount of Bonds then outstanding and such proposed Further Issue (after deducting from such nominal amount of Bonds then outstanding and such proposed Further Issue the sum of (a) any cash and (b) the market value of any cash equivalent investments then provided as security).</p> <p><u>Events of Default:</u></p> <p>The Conditions contain Events of Default, including</p>
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		<p>those relating to (a) non-payment of principal or interest, (b) breach of other obligations under the Conditions or the Transaction Documents, (c) cross-acceleration of other indebtedness, (d) enforcement proceedings, (e) security enforcement, (f) insolvency, (g) winding-up and (h) a Charging Subsidiary ceasing to be a wholly-owned, direct or indirect, subsidiary of the Company. The provisions include certain minimum thresholds and grace periods. In addition, Trustee certification that certain events would be materially prejudicial to the interests of the Bondholders is required before certain events will be deemed to constitute Events of Default.</p> <p><i>Withholding tax:</i></p> <p>Payments of principal and interest by the Company in respect of the Bonds and the Coupons shall be made free and clear of withholding or deduction for tax by or within the United Kingdom unless such withholding or deduction is required by law. In that event, the Company shall pay such additional amounts as will result in receipt by Bondholders and/or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain customary exemptions.</p> <p><i>Meetings of Bondholders:</i></p> <p>The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not vote on the relevant resolution and Bondholders who voted in a manner contrary to the majority.</p> <p><i>Modification, waiver and substitution:</i></p> <p>The Trustee may, without the consent of Bondholders, agree to (i) any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) the substitution of another company as principal debtor under any Bonds in place of the Company.</p> <p><i>Governing law:</i></p> <p>English law.</p>
C.9	Interest rate, maturity and early redemption provisions, yield and representatives of the Bondholders:	<p><i>Interest rate:</i></p> <p>The Bonds will bear interest from (and including) the Issue Date to (but excluding) the Maturity Date (as defined below) at a fixed rate of 5.75 per cent. per annum, payable semi-annually in equal instalments in arrear on 18 June and 18 December in</p>

		<p>each year.</p> <p><i>Maturity:</i></p> <p>Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Bonds will mature and become due and payable at their principal amount on 18 December 2019.</p> <p><i>Optional Early Redemption by Company for tax reasons:</i></p> <p>The Company may, at its option, redeem all, but not some only, of the Bonds at any time at par plus accrued interest in certain circumstances in the event that the Company is obliged to pay additional amounts in respect of the Bonds as a result of any changes in, or amendments to, the tax laws or regulations of the United Kingdom, or the application or official interpretation of such laws or regulations on or after the Issue Date.</p> <p><i>Optional Early Redemption by Company at any time:</i></p> <p>The Bonds may also be redeemed in whole by the Company, at its option, at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the 3.75 per cent. United Kingdom Government Treasury Stock due 7 September 2019 (or, where for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as may be recommended by a financial adviser for such purpose) plus a margin of 0.5 per cent., together with accrued interest.</p> <p><i>Indication of Yield:</i></p> <p>5.75 per cent. The yield is calculated as at the Issue Date on the basis of the Issue Price (being 100 per cent. of the principal amount of the Bonds). It is not an indication of future yield.</p> <p><i>Trustee:</i></p> <p>Prudential Trustee Company Limited</p>
C.10	Derivative component in interest payments:	Not Applicable; the Bonds bear interest at a fixed rate and there is not a derivative component in the interest payment.
C.11	Listing and Admission to Trading:	Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for the Bonds to be admitted to trading on its regulated market and through the electronic order book for retail bonds (the “ORB”) market. Admissions are expected to be granted on or about 19 December

		2012, subject only to the issue of the Global Bond.
Section D-	Risks	
D.2	Information on the key risks that are specific to the Company:	<p>The Group's ability to attract pupils to its schools, colleges and nurseries is affected by a number of factors, including:</p> <ul style="list-style-type: none"> • deteriorating economic conditions in the United Kingdom, such as increased levels of unemployment and increasing levels of inflation, which may have an adverse effect on the disposable income that parents have available to spend on education; • a fall in the academic reputation of a school, college or nursery, which may have an adverse effect on the popularity of the Group's schools, colleges or nurseries, and • fluctuating exchange rates which make it increasingly difficult for families with incomes denominated in currencies other than the British pound to afford to pay the levels of tuition fees charged by the Group. <p>A consequent fall in the number of pupils attending the Group's schools, colleges or nurseries may result in a reduction in or inability to maintain or increase its level of fees which could have a material adverse effect on the business, results of operations and financial condition of the Group.</p> <p>The Group's policy is to aim to increase the already significant number of non-UK/EU students who attend the Group's colleges. However, the implementation of further stringent UK Government policies on immigration or the revocation of the Group's licences from the UK Border Agency which affects the Group's ability to obtain visas for overseas students, may result in a downturn in the number of non-UK/EU students attending the Group's colleges. This may, in turn, have an adverse effect on the Group's fee income and accordingly its results of operations and financial condition.</p> <p>The Group's schools, colleges and nurseries compete for pupils with a wide variety of other education establishments in England and Wales. Continuing and increased competition, as well as a failure by the Group to successfully differentiate itself could affect the Group's ability to attract pupils, or maintain or increase its levels of fees.</p> <p>The Group's schools, colleges and nurseries are subject to regulations and standards applicable in the United Kingdom. Any legal or regulatory changes could result in additional costs for the Group.</p>

		<p>A number of the Group's schools reside in leasehold properties which benefit from a variety of leases that expire between 2013 and 2032. A failure to extend such leases or find replacement sites for schools, nurseries and colleges occupying short leasehold properties may hinder the Group's growth and reduce student numbers.</p>
D.3	Information on the key risks that are specific to the Bonds:	<p>There are also risks associated with the Bonds including a range of risks relating to the structure of the Bonds, market risks and risks relating to the Bonds generally.</p> <p>Firstly, due to the fact that, unlike a bank deposit, the Bonds are not protected by the Financial Services Compensation Scheme, upon the failure of the Company, there is a risk that Bondholders may lose all or part of their investment.</p> <p>There is also the risk of an early redemption of the Bonds by the Company due to a change in law or at its option which may result in an investor not being able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds. Furthermore, the realisation from a sale of the Bonds at any time prior to their stated maturity may be below the investment price.</p> <p>Finally, the conditions of the Bonds contain provisions for calling meetings of Bondholders which permit defined majorities to bind all Bondholders including Bondholders who did not vote on the relevant resolution and Bondholders who voted in a manner contrary to the majority.</p>
7Section E -	Offer:	
E.2b	Reason for the offer and use of proceeds:	<p>The net proceeds of the offer of the Bonds (the "Offer"), estimated at the date of this Prospectus to be between £40 million and £55 million (less total expenses incurred in connection with the transaction, estimated at the date of this Prospectus to be £552,975 and the Manager's management and distribution fee of 0.9 per cent. of the total principal amount of the Bonds subscribed and paid for which will be deducted from the subscription moneys payable by the Manager to the Company in respect of the Bonds) will be determined following completion of the Offer Period and set forth in the Sizing Announcement.</p> <p>The net proceeds of the issue of the Bonds will be:</p> <ul style="list-style-type: none"> • used as to all amounts raised up to £40 million, by the Company to repay shareholder debt owed to DV4 Holdings; and • in respect of any proceeds in excess of £40 million, used (i) as to all amounts raised up

		<p>to £5 million, by the Company for general corporate purposes; and (ii) thereafter, to pay down further shareholder debt owed to DV4 Holdings (the “Remaining Shareholder Debt”).</p>
E.3	Terms and Conditions of the Offer:	<p>The aggregate principal amount of the Bonds to be issued following the Offer will depend partly on the amount of Bonds for which indicative offers to subscribe are received during the Offer Period and will be specified in the Sizing Announcement. The Bonds will be issued at the Issue Price.</p> <p>An offer of the Bonds may be made by the Manager or any Authorised Distributor in the United Kingdom, Jersey, Guernsey and/or the Isle of Man during the Offer Period.</p> <p>Any investor intending to acquire any Bonds from a bank, financial intermediary or other entity (including an Authorised Distributor) will do so in accordance with any terms and other arrangements in place between the seller or distributor and such investor, including as to price, allocations and settlement arrangements.</p> <p>The minimum subscription per investor is £2,000 in principal amount of the Bonds. There is no maximum amount of the Bonds per investor which can be subscribed for or that may be issued. There is no minimum aggregate principal amount of Bonds that will be issued by the Company. The maximum aggregate principal amount of Bonds that will be issued by the Company is £55 million.</p> <p>Investors will be notified by the Manager or their relevant Authorised Distributor (as applicable) of their allocations of Bonds (if any) in accordance with the arrangements in place between the relevant investor and the Manager or Authorised Distributor. Investors may not be allocated all the Bonds for which they apply.</p> <p>In the event that the issue is oversubscribed, there will be no refund as investors will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds allotted.</p> <p>The issue of the Bonds will be conditional upon the subscription agreement expected to be dated on or about 14 December 2012 between the Company and the Manager (the “Subscription Agreement”) being signed and will be made further to the terms of the Subscription Agreement which will in certain circumstances entitle the Manager to be released and discharged from its obligations under the Subscription Agreement prior to the issue of the Bonds.</p>

E.4	Interests of natural and legal persons involved in the offer and issue of the Bonds, including conflicts of interest:	So far as the Company is aware, no person involved in the offer of the Bonds has an interest material to the offer. There are no conflicts of interest which are material to the offer of the Bonds.
E.7	Estimated expenses charged to investors by the Company or the Authorised Distributors:	<p>Neither the Company nor Canaccord Genuity Limited in its capacity as a specified Authorised Distributor will charge any expenses to any investor.</p> <p>Expenses may be charged by an Authorised Distributor who is unknown at the date of this Prospectus; however, such expenses are unknown as at the date hereof as they are beyond the control of the Company and are not set by the Company. They may vary depending on the size of the amount subscribed for and the investor's arrangements with the Authorised Distributor.</p> <p>Whilst the Bonds are being issued at the Issue Price and offered at the offer price as described above, the Company will not receive the entire Issue Price in respect of the aggregate nominal amount of Bonds to be issued because it will pay a management and distribution fee of 0.9 per cent. of the total principal amount of the Bonds subscribed and paid for. These fees will be payable by the Company to the Manager (who may share such fees with the other Authorised Distributors and any other financial intermediaries that are appointed by the Manager to procure placees for and/or to distribute the Bonds) and will be deducted from the subscription moneys payable by the Manager to the Company in respect of the Bonds.</p>

RISK FACTORS

The Company believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Company believes may be material for the purpose of assessing the market risks associated with Bonds are also described below.

The Company believes that the factors described below represent the principal risks inherent in investing in Bonds, but the Company may be unable to pay interest, principal or other amounts on the Bonds for other reasons and the Company does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Further risk factors that are currently not known, or that are currently not considered significant, could also affect the Group's future operations, results and financial position and therefore the Company's ability to meet its obligations under the Bonds. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The ability of the Group to attract pupils and the willingness to pay fees may be adversely affected by deteriorating economic conditions

Deteriorating economic conditions in the United Kingdom could adversely affect the Group's business.

Recessionary pressures and other negative economic factors in the United Kingdom and elsewhere such as increased levels of unemployment, redundancies, increasing levels of inflation, declining incomes, rising interest rates, tax increases and falling house prices may have an adverse effect on the disposable income that parents have available to spend on education and accordingly on the ability of the Group to attract pupils to its schools, colleges and nurseries. The occurrence of such negative economic factors may also affect the ability of the Group to increase or maintain its current fee levels.

A consequent fall in the number pupils attending the Group's schools, colleges or nurseries, or a reduction in or inability to maintain or increase its level of fees, could have an adverse effect on the business, results of operations and financial condition of the Group.

The ability of the Group to attract pupils and the willingness to pay fees may be adversely affected by events that affect the academic reputation and popularity of the Group's schools, colleges and nurseries

The Group's ability to attract and retain pupils is to a large extent dependent on the academic reputation and popularity of its schools, colleges and nurseries. A fall in the academic reputation of a school, college or nursery or some other event such as an individual teacher's inappropriate behaviour, could impact negatively on the reputation of the affected school, college or nursery or in certain circumstances on the reputation of the schools, colleges and nurseries of the Group as a whole.

A reduction in the number pupils attending the Group's schools, colleges or nurseries, or a reduction in or inability to increase the level of fees as a result of a fall in reputation of any of the Group's schools, colleges and nurseries or in the schools, colleges and nurseries of the Group as a whole, could have an adverse effect on the Group's business, results of operations and financial condition.

Changes to the United Kingdom Government's immigration policy may reduce the number of non-UK/EU students who can attend the Group's colleges

A significant number of non-UK/EU students attend the Group's colleges and the Group's policy is to aim to increase the numbers of such students. The Group's ability to maintain or grow current levels of non-UK/EU student recruitment is dependent upon a number of factors including the UK government's immigration policy, the growth of international higher education in other countries and international political and economic developments.

The Group's colleges all hold a UK Border Agency (the "UKBA") 'Highly Trusted' Tier 4 Sponsor's Licence (the "Licences") which is the highest rating awarded to institutions that sponsor overseas students who enter the UK for their studies. The rating conveys that the colleges have been complying with immigration laws to a high standard. The Licences have to be renewed every 12 months and may be suspended or revoked by UKBA for a number of reasons before their expiry date. Renewal of the Licences may be refused on various grounds.

Suspension or revocation of and refusal to renew the Licences may all have an adverse effect on the Group's ability to obtain visas for overseas students.

The implementation of increasingly stringent UK Government policies on immigration or the availability of student visas may result in fewer non-UK/EU students being able to obtain the necessary permissions to be able to study at the Group's colleges in the UK.

Any downturn in the number of non-UK/EU students attending the Group's colleges by reason of the loss of any of the Licences, increasingly stringent UK Government policies on immigration or because of international political or economic uncertainties or events, may have an adverse effect on the Group's fee income and accordingly on its results of operations and financial condition.

The Group faces competition in the UK education sector which may have an adverse effect on the Group's business and financial condition

The Group's schools, colleges and nurseries compete for pupils with a wide variety of other education establishments in England and Wales. Such establishments may offer higher facility levels or lower fees and may be backed by greater financial and operational resources.

Continuing and increased competition and a failure by the Group to differentiate itself successfully from its competitors could affect the Group's ability to attract pupils or maintain or increase its level of fees and so may adversely affect the Group's operating results, financial condition and prospects.

The ability of non-UK pupils to pay the Group's fees which are charged in British pounds may be affected by fluctuating exchange rates

The Group's fees for attending its schools and colleges are charged in British pounds. A significant proportion of the Group's sixth form college pupils come from overseas, in particular from Asia and Africa.

In these cases, the incomes of the pupils' families are likely to be in currencies other than British pounds. If the British pound appreciates against such currencies, the families of pupils making such payments may find it increasingly difficult to afford to pay the levels of tuition fees charged by the Group's schools and colleges.

The Group may be adversely affected by the loss of its senior management and other key personnel

The Group's future success may be adversely affected by the loss of the services and continuing contribution of its Directors, senior managers and other key personnel. Head teachers are of particular importance to the schools and colleges and the loss of the services of any such persons as well as of any senior management could have an adverse effect on the Group's business. The Group has not taken out key man insurance for all of its Directors, senior managers or key personnel. Loss of certain key personnel may have an adverse effect on the Group's operating results and prospects.

Valuations of the Group's properties may not reflect actual sale prices

Valuations of property are subject to uncertainty and cash generated on disposal may be different from the value of the asset previously carried on the balance sheet. There is no assurance that valuations of the Group's properties, when made, will reflect actual sale prices even where those sales occur shortly after the valuation date. This may mean that the value ascribed by the Company and the Group to the properties held by it may not reflect the value realised on sale (whether at the option of the Company or as a result of the Trustee enforcing a security interest over any such property as created, evidenced or conferred by or under the Security Deed), and that the returns generated by the Group on disposals of properties are less than anticipated, which may have an adverse effect on the ability of the Company to fulfil its commitments under the Bonds.

The value of the Group's properties may also be affected by other factors specific to the real estate market, including competition from other property owners, the perceptions of prospective buyers of the attractiveness and suitability of the properties. A reduction in the value of the properties owned by the Group may have an adverse effect on the ability of the Company to fulfil its commitments under the Bonds.

Health and safety

There is a risk of accidents at the premises owned and/or operated by the Group which places great importance on health and safety.

The Group has approved policies and procedures applicable to all of its premises. In addition, the Group has insurance in place which the Company considers provides an adequate level of protection against third party claims.

Should an accident occur which is of a nature that is not adequately covered by insurance, the resulting adverse publicity and costs could have a material adverse effect on the Group's reputation as well as on its business and financial condition.

Regulation of schools

The Group's schools, colleges and nurseries are subject to regulations and standards applicable in the United Kingdom.

Each school must be registered with the Department for Education (formerly the Department for Children, School and Families) and is subject to independent inspections, carried out either by the Office for Standards in Education ("Ofsted") or by the Independent Schools Inspectorate ("ISI").

Any adverse inspection reports by Ofsted or ISI in respect of any of the Group's colleges, schools or nurseries could adversely affect the reputation of that school, college or nursery or of the Group's schools, colleges and nurseries as a whole, and accordingly could have a material adverse effect on the Group's business and financial condition.

Any changes in the relevant legal framework may result in further costs for the Group in ensuring any additional compliance.

Failure to extend leases or find replacement sites for schools, nurseries and colleges occupying short leasehold properties may hinder growth and reduce student numbers

A number of the Group's schools reside in leasehold properties which benefit from a variety of leases that expire between 2013 and 2032. As part of their day-to-day operations, the Group manages this aspect of the business by either proactively engaging with landlords to discuss lease extensions or finding replacement sites. Finding replacement sites can involve either (a) moving into new sites which already have planning for educational use, (b) acquiring sites which have planning for educational use and constructing a school, college or nursery, or (c) acquiring sites and changing the existing use of the buildings on such to that of a school, college or nursery. The acquisition of such sites may also enable schools, colleges or nurseries to expand or to relocate to improved or larger premises.

The Group may not be able to agree terms with their landlords to extend existing leases or identify sufficient suitable new, additional or replacement sites for its needs. In addition, even if suitable sites are identified, the Group may be unable to obtain planning permission for the use of such site as a school, college or nursery, or any planning permission that is forthcoming may be subject to conditions that do not permit the site to be operated profitably within the Group's financial requirements.

A failure by the Group to extend their leases and/or identify and acquire sufficient new or replacement sites for schools, colleges or nurseries that currently reside in leasehold properties may restrict the Group's ability to continue operations of certain of its schools, colleges and nurseries and therefore may restrict the Group's ability to maintain or increase the number of pupils attending its schools, colleges and nurseries students and so may adversely affect its revenue and profits.

Uninsured losses

The Company believes that the Group's properties and other assets are adequately insured to cover all appropriate losses.

However, the Group's properties could suffer physical damage by fire or other causes, resulting in losses (including business interruption and consequent loss of fees) to the extent not covered by third-party insurers. There are also certain types of losses that may be uninsurable or are not economically insurable. In addition, insurance proceeds may be insufficient to repair or replace properties that are damaged or destroyed.

Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future fee revenue from the schools, colleges or nurseries that operate from those properties. In addition, the Group could be liable to repair damage caused by uninsured risks and/or remain liable for any debt or other financial obligation related to those properties.

RISKS RELATING TO THE BONDS

The Bonds are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Bonds are not protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, the FSCS will not pay compensation to an investor in the Bonds upon the failure of the Company. If the Company and the Charging Subsidiaries go out of business or become insolvent, Bondholders may lose all or part of their investment in the Bonds.

Interest rate risks

The Bonds bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on the Bonds might become less attractive and the price that investors could realise on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income investors receive on maturity of the Bonds if the investor holds the Bonds until the maturity date. Further, inflation will reduce the real value of the Bonds over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that investors could realise on a sale of the Bonds.

Modification, waivers and substitution

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not vote on the relevant resolution and Bondholders who voted in a manner contrary to the majority.

The Trust Deed also provides that the Trustee may without the consent of Bondholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the Transaction Documents or (ii) determine that any Event of Default or potential Event of Default should not be treated as such or (iii) agree to the substitution of another company as principal debtor under the Bonds in place of the Company, in the circumstances described in Condition 11 (*Meeting of Bondholders, Modification and Waiver, and Substitution*).

Change of law

The Terms and Conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

The Bonds may be redeemed prior to maturity

If a change in law results in the Company becoming obliged to increase the amounts payable under the Bonds pursuant to Condition 7, the Company may, at its option, redeem the Bonds early in whole, but not in part, pursuant to Condition 5(b). If the Company redeems the Bonds under such circumstances, the redemption price will be the principal amount of the Bonds plus any accrued interest. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for taxation reasons". The Bonds may also be redeemed early at the

option of the Company in whole, but not in part, at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the 3.75 per cent. United Kingdom Government Treasury Stock due 7 September 2019 (or, where for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as may be recommended by a financial adviser for such purpose) plus a margin of 0.5 per cent. together with accrued interest. See “Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Company”.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment to an individual were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Company nor any Paying Agent (as defined in the Terms and Conditions of the Bonds) nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Company is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive.

Holding CREST Depository Interests

Investors may hold interests in the Bonds through CREST through the issuance of dematerialised depository interests (“**CREST Depository Interests**” or “**CDIs**”) issued, held, settled and transferred through CREST, representing interests in the Bonds underlying the CDIs. CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Bonds. The rights of CDI Holders to the Underlying Bonds are represented by the relevant entitlements against the CREST Depository which (through the CREST Nominee (as defined under “*Clearing and Settlement*”)) holds interests in the Underlying Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians. The enforcement of rights under the Underlying Bonds will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Company, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Bonds which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Bonds through the CREST International Settlement Links Service.

Potential investors should note that none of the Company, the Manager, the Trustee or any Paying Agents has any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations. For further information on the issue and holding of CDIs see the section “*Clearing and Settlement*”.

No formal credit ratings

The Bonds will not be assigned a credit rating by any rating agency on issue and nor does the Company currently have any intention of applying for a credit rating from any credit rating agency. However, one or more independent credit rating agencies may assign credit ratings to some or all of the Bonds prior to their redemption. Any such ratings may not reflect the potential impact of all risks relating to the market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

Negative pledge and appointment of an administrative receiver

Condition 3(b) provides that the Company, the Charging Subsidiaries and any of their respective Subsidiaries (as defined in the Terms and Conditions of the Bonds) may create security interests over their assets (but may not create security interests over the charged assets and any of the fixtures, fittings, plant, machinery and other moveable property contained in or attached to the secured properties) subject to the exceptions in relation to the security interests granted to DV4 Holdings set out in the given Condition and provided that if the Company or any Charging Subsidiary creates any security interest (other than in favour of DV4 Holdings) which under any law in force while the Bonds are outstanding gives any party the right to appoint an administrative receiver of the Company or such Charging Subsidiary, then the same security interest will at the same time be granted equally and rateably to the Trustee for the benefit of, *inter alia*, the Bondholders.

An administrative receiver may only be appointed by the holder of certain floating charges over the whole (or substantially the whole) of the property of the company. The Insolvency Act 1986 (the “**Insolvency Act**”) restricts the right of the holder of (a) a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003) or (b) the holder of a qualifying floating charge (as defined in the Insolvency Act) to appoint an administrative receiver (unless an exception applies) and instead gives primacy to collective insolvent procedures (in particular, administration).

The Insolvency Act contains provisions that allow for the appointment of an administrative receiver in relation to, *inter alia*, certain transactions in the capital markets (the “**capital markets exception**”). The capital markets exception provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency Act) under which a party incurs or, when such agreement was entered into was expected to incur, a debt of at least £50,000,000 and if the arrangement involves the issue of capital market investments (also defined in the Insolvency Act, but generally a rated, listed or traded debt instrument). To date there is as yet no case law on how the capital markets exception will be interpreted.

Therefore, if the Company, the Charging Subsidiaries or any of their respective Subsidiaries were to create a qualifying floating charge over their respective assets other than by way of a qualifying floating charge in relation to which an exception applies under the Insolvency Act, the holder of such qualifying floating charge would not be entitled to appoint an administrative receiver. As a result, the Company, the Charging Subsidiaries or, as the case may be, any of their respective Subsidiaries would not be required to grant a qualifying floating charge in favour of the Trustee for the benefit of the Bondholders. If the holder of a qualifying floating charge were not able to appoint an administrative receiver in respect of one or more of the Company, the Charging Subsidiaries or any of their respective Subsidiaries, such companies would in all likelihood, respectively, be subject to administration if they were to become insolvent. In these circumstances, the relevant Chargor (as defined in the Security Deed) would be subject to an automatic statutory moratorium which would prevent the Trustee from enforcing the Security (as defined in the Terms and Conditions of the

Bonds) without the prior consent of the administrator or the consent of the court. As a result, the proceeds of enforcement of the Security may not be readily available to repay the Bonds.

If the Company, the Charging Subsidiaries or any of their respective Subsidiaries were to create a qualifying floating charge over their respective assets in relation to which an exception applies under the Insolvency Act, the holder of such qualifying floating charge would be entitled to appoint an administrative receiver. As a result, the Company, the Charging Subsidiaries or, as the case may be, any of their respective Subsidiaries would be required to grant a qualifying floating charge in favour of the Trustee for the benefit of the Bondholders. However, because the aggregate principal amount of Bonds issued by the Company may be less than £50,000,000, the capital markets exception would not be available and the Trustee would not be able to appoint an administrative receiver in respect of the relevant Chargor.

Security may constitute a transaction at an undervalue or preference

A liquidator or administrator of a Chargor could apply to the court to unwind the granting of security pursuant to the Security Deed (as defined in the Terms and Conditions of the Bonds) if such liquidator or administrator believed that granting of security pursuant to the Security Deed constituted a transaction at an undervalue. The Chargors believe that the security granted pursuant to the Security Deed will not be a transaction at an undervalue and that the security will be provided in good faith for the purposes of carrying on the business of each Chargor and that there are reasonable grounds for believing that the transactions will benefit each Chargor. However, there can be no assurance that the provision of the security will not be challenged by a liquidator or administrator or that a court would support the Chargors' analysis.

If the liquidator or administrator can show that any of the Chargors has given a "preference" to any person within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person") and, at the time of the preference, that Chargor were technically insolvent or became so as a result of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of the Chargors during the relevant period prior to the liquidation or administration of such Chargor.

In addition, if it can be shown that a transaction was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person, who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction. The Chargors do not believe that they have entered into any transaction which may be regarded as being for less than fair value or to shield assets from their creditors.

Fixed security interests may be recharacterised as floating security interests due to the degree of control exercised over certain underlying assets, including over bank accounts, and as a result of the full proceeds of enforcement may not be available to repay the Bonds

There is a possibility that a court could find that the fixed security interests expressed to be created by the Security Deed could take effect as floating charges as the description given to them as first fixed charges is not determinative. Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Trustee has the requisite degree of control over the relevant assets and exercises that control in practice.

The Company has, in accordance with the terms of the Security Deed, established a Cash Collateral Account into which, among other things, certain payments may (or in the case of the proceeds of issuance of the Bonds must) be made. The Company, pursuant to the terms of the Security Deed, will grant security over the Cash Collateral Account and certain Cash Equivalent Investments, which security is expressed to be by way of a first fixed charge.

Although the Cash Collateral Account and the Cash Equivalent Investments are stated to be subject to various degrees of control, there is a risk that, if the Trustee does not exercise the requisite degree of control over the Cash Collateral Account and the Cash Equivalent Investments, in practice, a court could determine that the security interests granted in respect of the Cash Collateral Account and the Cash Equivalent Investments take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, moneys credited to the Cash Collateral Account or the proceeds of realisation of Cash Equivalent Investments could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the Company.

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the Company in respect of that part of its net property which is ring-fenced as a result of the Enterprise Act 2002 and (ii) certain statutorily defined preferential creditors of the Company, may have priority over the rights of the Trustee to the proceeds of enforcement of such security in accordance with s176A of the Insolvency Act 1986. To the extent that the assets of the Company are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Security Deed may be first used to satisfy any claims of unsecured creditors, up to an amount equal to £600,000. As a result, the full amount of the proceeds of enforcement of the security may not be available to repay the Bonds.

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Buchler & Another v Talbot & Ors* [2004] UKHL 9. Accordingly, it is now the case that the costs and expenses of a liquidation (including corporation tax on capital gains) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. As a result of the changes described above, upon the enforcement of the floating charge security granted by the Company, floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Security Deed will be reduced by at least a significant proportion of any liquidation expenses.

Insufficiency of security and structural subordination

If there is an event of default under the Bonds, the holders of the Bonds will be secured by certain of the assets of the Company and the Charging Subsidiaries in accordance with the terms of the Security Deed. To the extent that the claims of the holders of the Bonds exceed the value of the security (including the property secured pursuant to the Security Deed) securing the Bonds, those claims will rank equally with the claims of the holders of all other existing and future unsecured indebtedness of the Company. In such event, holders of the Bonds will be structurally subordinated to any creditor (including secured creditors such as DV4 Holdings) of the Company's subsidiaries. See "*Valuations of Group's properties may not reflect actual sale prices*" for a description of the uncertainty of property valuations which may, when made, not reflect actual sale prices even where sales occur shortly thereafter.

The Trustee may be liable to third parties if it is recharacterised as a mortgagee in possession

The Trustee may be deemed to be a mortgagee in possession if there is physical entry into possession of any secured property, a step-in enforcement of security or an act of control or influence which may amount, in effect, to possession. A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Trustee has the absolute discretion, at any time, to refrain from taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of a secured property unless it is satisfied at that time that it is adequately indemnified and/or secured and/or prefunded. The Trustee ranks senior to the Bondholders in respect of the payments due to it by the Company under the Transaction Documents (including under any indemnity by the Company described in this paragraph) following enforcement of the Security. The Trustee may require indemnification and/or security and/or prefunding in addition to that provided by the Company under the Transaction Documents as a pre-condition to taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of a secured property.

Certain of the Chargors may fall within the 'small companies' threshold allowing them the right to seek a moratorium which could restrict the Trustee's ability to enforce the Security

Certain small companies, as part of the company voluntary arrangement procedure in England, may seek court protection from their creditors by way of a moratorium (which will, amongst other things, restrict a creditor's

ability to enforce security, prevent the appointment of an administrator or liquidator and restrict proceedings being commenced or continued against the company) for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the UK Secretary of State for Business, Enterprise and Regulatory Reform may, by order, extend or reduce the duration of either period).

A “small company” is defined for these purposes by reference to whether the company meets certain tests contained in Section 382(3) of the Companies Act 2006, relating to a company’s balance sheet, total turnover and average number of employees in a particular period. The position as to whether or not a company is a small company may change from period to period, depending on its financial position and average number of employees during that particular period. The UK Secretary of State for Business, Enterprise and Regulatory Reform may by regulations also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a small company. Accordingly, any of the Chargors may, at any given time, come within the ambit of the small companies provisions, such that any such Chargor may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may, nonetheless, be excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment. The definitions of capital market arrangement and capital market investment are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The UK Secretary of State for Business, Enterprise and Regulatory Reform may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Trustee’s ability to enforce the Security to the extent that, first, any of the Chargors falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; second, if the directors of any such Chargor seeks a moratorium in advance of a company voluntary arrangement; and, third, if any such Chargor is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Bondholders.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Absence of prior public markets

The Bonds constitute a new issue of securities by the Company. Prior to such issue, there will have been no public market for the Bonds. Although applications have been made for the Bonds to be listed, there can be no assurance that an active public market for the Bonds will develop and, if such a market were to develop, neither the Manager nor any other person is under any obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Company and the Group generally and other factors that generally influence the market prices of securities.

Realisation from sale of the Bonds

If investors choose to sell the Bonds at any time prior to their maturity, the price received from such could be less than the original investment made by such investors and may be less than the amount due to be repaid at maturity of the Bonds. Factors that will influence the price may include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Company.

Yield

The indication of yield stated within this Prospectus applies only to investments made at (as opposed to above or below) the Issue Price of the Bonds. If an investor invests in the Bonds at a price other than the Issue Price of the Bonds, the yield on the investment will be different from the indication of yield on the Bonds as set out in this Prospectus.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Sterling as the value of the principal cash interest may, when converted to the investor's functional currency, fluctuate in line with movements in exchange rates, affecting the value of the Bonds as reported by the investor. There is a risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Inflation

Inflation will reduce the real value of the Bonds over time which may affect the investors' purchasing power in other investments in the future and which may make the fixed interest rate on the Bonds less attractive in the future.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings “*Summary*”, “*Risk Factors*” and “*Description of Alpha Plus Holdings plc*” and regarding the Group’s strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company’s control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Group’s actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on their behalf, may issue. Factors that may cause the Group’s actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under “*Risk Factors*”.

These forward-looking statements reflect the Company’s judgement at the date of this document and are not intended to give any assurances as to future results. Save as required by the rules of the UK Listing Authority, the Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, estimated at the date of this Prospectus to be between £40 million and £55 million (less (i) total expenses incurred in connection with the offer and issue of Bonds and (ii) the Manager's management and distribution fee of 0.9 per cent. of the total principal amount of Bonds subscribed and paid for as set out in "*Subscription and Sale*" which will be deducted from the subscription moneys payable by the Manager to the Company in respect of the Bonds) will be determined following completion of the Offer Period (as defined in "*Terms and Conditions of the Offer*") and set forth in the Sizing Announcement. The net proceeds will be:

- used as to all amounts raised up to £40 million, by the Company to repay shareholder debt owed to DV4 Holdings Alpha Plus Co. Ltd. ("**DV4 Holdings**"); and
- in respect of any proceeds in excess of £40 million, used (i) as to all amounts raised up to £5 million, by the Company for general corporate purposes; and (ii) thereafter, to pay down further shareholder debt owed to DV4 Holdings (the "**Remaining Shareholder Debt**").

See "*Description of Indebtedness*".

The estimated total expenses incurred in connection with the transaction will be determined following completion of the Offer Period. However, at the date of this Prospectus, the estimated total expenses to be incurred in connection with the offer and issue of Bonds is £552,975. This figure is calculated on the basis of the following estimates: (i) £350,000 of legal expenses, (ii) £110,000 of marketing and PR expenses, (iii) £25,000 of auditor expenses, (iv) £2,975 of regulatory fees (including those related to listing and admission to trading) and (v) £65,000 of valuation expenses.

SELECTED FINANCIAL INFORMATION

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August

	2012	2011
	£000	£000
Revenue	57,875	52,299
Operating expenses	(49,698)	(44,172)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	8,177	8,127
Depreciation and amortisation	(4,095)	(3,734)
Operating profit	4,082	4,393
Profit on sale of property, plant and equipment	-	539
Finance costs	(1,444)	(3,708)
Finance income	5	2
Profit before tax	2,643	1,226
Tax credit	2,637	-
Profit and total comprehensive income for the year	5,280	1,226

GROUP BALANCE SHEET

as at 31 August

	2012	2011
	£000	£000
Assets		
Non-current assets		
Property, plant and equipment	102,351	94,062
Intangible assets	2,238	2,238
Deferred tax assets	2,637	-
	107,226	96,300
Current assets		
Trade and other receivables	2,469	2,217
Cash	1,632	2,679
	4,101	4,896
Total assets	111,327	101,196
Current liabilities		
Trade and other payables	26,005	20,183
Loans and borrowings	95	1,724
	26,100	21,907
Non-current liabilities		
Loans and borrowings	58,591	57,933
Total liabilities	84,691	79,840
Net assets	26,636	21,356
Equity attributable to equity shareholders		
Share capital	5	5
Retained earnings	26,631	21,351
Total equity	26,636	21,356

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 August

	2012	2011
	£000	£000
Operating activities		
Profit before tax	2,643	1,226
<i>Adjustments to reconcile profit before tax to net cash flow from operating activities:</i>		
Depreciation of property, plant and equipment	4,095	3,734
Gain on disposal of property, plant and equipment	-	(539)
Finance income	(5)	(2)
Finance costs	1,444	3,708
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	(252)	197
Increase in trade and other payables	5,822	2,007
Cash generated from operations	13,747	10,331
Interest received	5	2
Interest paid	(1,444)	(3,708)
Net cash inflow from operating activities	12,308	6,625
Investing activities		
Proceeds from sale of property, plant and equipment	-	5,841
Additions of property, plant and equipment	(12,384)	(10,864)
Net cash outflow from investing activities	(12,384)	(5,023)
Financing activities		
Payment of finance lease liabilities	(185)	(192)
Proceeds from loans and borrowings	714	5,366
Repayment of loans and borrowings	(1,500)	(1,133)
Net cash (outflow)/inflow from financing activities	(971)	4,041
Net (decrease)/increase in cash and cash equivalents	(1,047)	5,643
Cash and cash equivalents at 1 September	2,679	(2,964)
Cash and cash equivalents at 31 August	1,632	2,679

DESCRIPTION OF ALPHA PLUS HOLDINGS PLC

Information on the Company

Alpha Plus Holdings Limited (the “**Company**”) was incorporated on 17 April 2002 under the laws of England and Wales as a private limited company (registration number 04418776) under the name of Newincco 162 Limited. The Company changed its name to DLD Holdings Limited on 28 May 2002, and then again on 20 December 2002 to Alpha Plus Holdings Limited. On 15 November 2012, the Company re-registered as a public company and changed its name to Alpha Plus Holdings plc. The Company’s objects and purposes are unrestricted.

The principal legislation under which the Company operates is the Companies Act 2006. The Company’s shares are not admitted to trading on any stock exchange or otherwise publicly traded.

The Company’s registered office and principal place of business is at 50 Queen Anne Street, Marylebone, London W1G 8HJ. The Company’s telephone number is +44 (0) 20 7487 6000.

Overview

The Company and its subsidiaries (the “**Group**”) provide private education to children primarily in London as well as elsewhere in England.

The Group operates 12 independent schools, 2 nurseries and 5 sixth form colleges. Many of these schools have a long and established history. For example, Wetherby School was founded in 1951 as a pre-preparatory school for boys aged 4 to 8, and Davies Laing and Dick College, commonly known as DLD, was founded in 1931 to provide tutoring for Oxford and Cambridge and Colonial Service entrance exams.

The majority of the schools and nurseries operated by the Group are located in Central London (Notting Hill, Marylebone and Hampstead in particular). Delivering the Group’s “Gold Standard” education coupled with the Group’s record of successful exam results and placements at follow-on schools, many of the Group’s schools are oversubscribed and have waiting lists. Parents who wish to enrol their children at Wetherby School and Pembroke Hall School, for example, are encouraged to register their children within the first few days of birth in order to secure a place for attendance at the age of 4.

The nature of the Group’s turnover is predictably stable. Once enrolled in a school, children generally stay through graduation from that school, and therefore school fees are generated from each student for several years. Also, since the Group offers education at various levels, students often move from one Group school to another, creating an even longer cashflow profile. For example, many of the boys who attend Rolfe’s or Minors nurseries will move on to Wetherby School and thereafter will attend Wetherby Preparatory School, thereby remaining a Group student from the age of 2 ½ through 13 years of age. Furthermore, the Group has been able to increase school fees on average across the portfolio by 5.4% per annum for the last 5 years, thereby increasing operating margin in the business.

The Group has used strategic acquisitions and a policy of “Build and Expand” to grow its portfolio of schools, nurseries and colleges. The Group’s management team look for opportunities in the market to acquire both existing schools that will enhance the overall portfolio and also sites where the Group’s schools may move to increase capacity or sites where new schools may be opened. Pupil numbers have grown 29% from 2,800 to 3,625 over the last 5 years.

With 19 schools within the portfolio, the Group has benefitted from its portfolio size and centralisation through sharing common costs and back office functions, see further, the “*Group’s Business – Benefit of Scale*” below.

As an integral part of its operations, the Group manages a portfolio of school properties with 15 of the properties being located in Central London. Due to their locations, many of the properties have significant value, both as trading premises and also as vacant assets. The Group’s property portfolio comprises 14 freehold properties and 17 leasehold properties. The Group’s property portfolio is valued at £130.7 million on the basis of current use (i.e. trading schools, nurseries and colleges having regard to their trading potential) and £75.385 million on the basis of alternative use (such as residential accommodation).

History and Development

Founded in 1931, the Group's business grew rapidly from the 1970s through both acquisitions and organic growth. The business was bought in 2002 by private equity company Sovereign Capital. DV4 Limited, advised by Delancey Real Estate Asset Management Limited, acquired the Company in 2007. Since then, the Group has acquired St Anthony's School and Hilden Grange. It has also moved Wetherby Preparatory School to Marylebone and Abingdon House School to St John's Wood, in both cases to increase capacity. Chepstow House School, a co-ed school in Notting Hill, and Falcons Prep School for Boys, a boy's prep school in Richmond, are two schools that were newly opened by the Group to fill what they perceived to be a gap in an undersupplied market. Rolfe's Nursery was recently moved to new and improved premises, and now benefits from a new 20-year lease with a mutual break at the expiry of 14 years with 12 months prior written notice.

The Group's Business

The Group owns and manages 12 independent schools, 2 nurseries and 5 sixth form colleges. Each of the Group's individual schools have strong brands in their own local markets which have often been developed over several decades. There are philosophical values and overall business approaches however that are intrinsic across the portfolio, see in particular "*The Gold Standard*" below.

Financial and pupil growth

In the 12 month period to 31 August 2012, the Group's turnover was £57.9 million, an increase of 10.7 per cent. compared to its turnover of £52.3 million for the corresponding period in 2010/2011. The increase was attributable both to increased fee levels and to an increased number of pupils and students. The Group's EBITDA for the 12 month period to 31 August 2012 was £8.18 million, an increase of 0.6 per cent. compared to its EBITDA of £8.13 million in the corresponding period in 2010/2011. Growth in EBITDA was negatively impacted by the Group's decision to incur additional expenditure to secure the scalability of its ICT infrastructure.

Looking back over a 5-year period comparing the 12 month periods ending 31 August 2008 and 31 August 2012, the Group's turnover has increased by 62.2% from £35.7 million to £57.9 million. For the same period, EBITDA has increased by 64.9% from £4.96 million to £8.18 million.

The above financial growth is the result of increasing pupil numbers and fees. Again for the 5-year period comparing the 12 month periods ending 31 August 2008 and 2012, the number of pupils attending the Group's schools, colleges and nurseries increased by 29.5% from 2,800 pupils to 3,625 pupils. During the same period, average fees per pupil attending the Group's schools, colleges and nurseries increased by 25.2% from £12,748 to £15,966 per annum.

The Gold Standard

The Group has developed a "Gold Standard" as a benchmark of the level of education it aims to deliver in its schools. Implementation of the Gold Standard is important to enable schools within the Group's education platform to provide high levels of education to pupils and to enhance the reputation of the Group's schools and so attract increasing numbers of pupils.

This Gold Standard comprises:

- Achieving high success rates in exam results and school placement: the Group focuses on delivering an education that will enable pupils to have the best chances to join top independent secondary schools and preparatory ("**prep**") schools. For example, the number of pupils graduating from the Group's schools in 2012 accepted by their first choice school was as follows: 93% of Wetherby School pupils, 100% of Falcons School for Boys pupils, 85% of Falcons School for Girls pupils, 90% of St. Anthony's pupils, 100% of Hilden Grange pupils aged 13+, 93% of Hilden Grange pupils aged 11+, 100% of Wetherby Prep pupils and 96% of Pembridge Hall School pupils. For the Group's college pupils, many of which are international pupils, their goal is to attain placement in a UK university. Of all A levels taken across the Group's colleges including Portland Place School, 45.99% were A*/A grades compared to the national average of 18.9%. Of the Group's 2012 graduating class of college pupils, 97% went on to enrol in UK universities.

- High performance in external inspections: all of the Group's schools are focused on, and achieve, high gradings in Ofsted and the ISI reports. All of the Group's schools have achieved Excellent/Outstanding or Good ratings across all areas from Ofsted or ISI resulting from inspections carried out during the period 2010 – 2012.
- First class facilities: educational facilities are provided according to age group including music rooms, libraries and gymnasiums. The Group invests significant amounts in real estate facilities, computers and IT equipment in order to maintain the Group gold standard of teaching.
- “Best in Class” head teachers and staff: as teachers gain experience they are encouraged to seek new opportunities and enhanced leadership roles within the Group's schools and colleges. The Group aims to retain key members of its teaching staff (especially head teachers) as well as benefiting from availability of new head teachers, required for new schools and colleges developed through the Group's organic growth.
- Head teacher autonomy: head teachers are given autonomy over the day-to-day operations of their schools to ensure they can respond quickly to the needs of the pupils and their parents. However financial controls and key strategic decisions are led by the central management team, to reduce costs and increase effectiveness and efficiency.

Build and Expand

The Group's policy of “Build and Expand” has been followed since 2002, which has resulted in increasing total student capacity. Individual strategic moves have included the following:

- Wetherby Preparatory School opened in Notting Hill in 2004. Its popularity necessitated a move to larger premises in Bryanston Square in 2009. It has now reached its capacity of 300.
- Abingdon House School opened in Kensington in 2005 as a school for children with learning difficulties. Having outgrown the Kensington premises, which had a capacity of 45, the school was moved to St John's Wood in 2011. It currently has over 50 pupils and the Group estimates that this could rise to up to 90 pupils by 2016.
- Falcons Prep School for Boys opened in Richmond in 2008 as a follow-on school to Falcons School for Boys. It continues to grow and is predicted to reach capacity of 220 within the next six years.
- St. Anthony's School, Hampstead, was acquired by the Group in 2009. The school is now operating at its full capacity.
- Chepstow House School opened in Notting Hill in 2010 as a co-ed school, in the former Wetherby Preparatory School building. The school is now operating at its full capacity with a waiting list to 2016.
- Hilden Grange School was acquired for a nominal amount from a charitable institution, subject to the condition that the Group invested £2 million in the school. The Group has since invested £6 million in development of new and improved education facilities.
- Any future expansion and acquisitions by the Group are likely to be focused in London and the South East of England. It is in these areas that high quality independent schools recover a level of fees that properly reflect the levels of education being provided to pupils and it is the area in which the Group has its core operations.

New school development

In addition to acquiring existing schools which the Group's management believe will enhance the overall portfolio, the Group also evaluates opportunities to grow through acquiring empty sites or premises and opening new schools. When a new school is opened it is typically filled from the bottom up, one year group at a time. This ensures the achievement of high academic standards in line with best educational practice. Profitability is reached and increased as additional year groups join. Profitability is maximised when the school reaches capacity and is increased thereafter by fee inflation, cost savings and/or further increases in capacity.

The selection, recruitment and retention of high quality head teachers and other staff is critical in ensuring each school maintains its reputation in its locality. The Group believes that its focus, which is to provide a premium education service with a high level of autonomy given to individual schools, helps it to attract and retain high quality teaching staff.

Benefits of scale

With 19 schools within the portfolio, the Group has benefitted from its portfolio size and centralisation through sharing common costs and back office functions. While school fee collection is administered by school bursars on location at each school, all other administrative activities such as payroll and annual accounts are administered by head office on a centralised basis. Contracts for expenses such as food catering, maintenance, and IT support are also obtained on a portfolio basis, thereby enabling the Group to benefit from discounted rates and create cost savings for the Group as a whole.

Size also enables the Group to retain talented teachers. Teachers who have been with a school for a number of years will look for better opportunities as head teachers or management. In an individual school, these upward movement opportunities may not exist, however the Group is better placed to find new opportunities for teachers who show interest in upward movement through its portfolio by movement from school to school. The Group has also invested in the professional development of staff and the collaboration of educational best practice across its schools, nurseries and colleges. The approach has ensured the Group is able to maintain consistency of staff and quality standards at an optimal cost base.

Schools

Some of the schools in the Group have long waiting lists for enrolment. Parents who seek a place for their children at Wetherby School or Pembridge Hall School for example, are encouraged to put their child's name on the list within the first week of birth. The following table sets out the schools owned and operated by the Group:

School	Location	Approximate number of pupils	Description
Wetherby School	Notting Hill, West London	250 aged 4 to 8	Pre-preparatory all-boys school founded in 1951. Wetherby School prepares pupils for entry into the preparatory school of their choice, which in many cases is Wetherby Preparatory School.
Falcons School for Boys	Chiswick, West London	185 aged 3 to 7	Established in 1956, it is one of the few private all-boys schools in the area.
Wetherby Preparatory School	Marylebone, Central London	300 aged 7 to 13	An all-boys school opened in 2004 to meet the demand from boys leaving Wetherby School. It was relocated to new and bigger premises in Marylebone in 2009.
Falcons Prep School for Boys	Richmond, West London	105 aged 7 to 13	Opened in September 2008 the all-boys school has capacity for up to 250 boys and enables boys from Falcons School for Boys to continue their education with the Group until the age of 13.

Pembridge Hall School	Notting Hill, West London	400 aged 4 to 11	The all-girls school was significantly expanded in 2004 to allow for a three class a year entry instead of two. A number of girls join having previously attended one of the Group's local nurseries in the area.
Falcons School for Girls	Ealing, West London	70 aged 3 to 11	Falcons School for Girls is one of the few all-girls schools in the area.
Davenport Lodge	Coventry	85 aged 6 weeks to 8 years	Davenport Lodge is a co-education school with its own nursery attached.
Abingdon House School	Central London	50 aged 5 to 14	Abingdon House School, a co-education school, was opened in 2005 and provides teaching to pupils demonstrating delayed development or learning difficulties.
Portland Place School	Central London	370 aged 11 to 18	Portland Place School, a co-education school, was founded in 1996 to cater for the growing demand for private mixed day schools in Central London. The school prepares students for GCSE and A Levels.
Chepstow House School	Notting Hill, West London	115 aged 4 to 7	Chepstow House School is a co-education school for children from Reception to Year 2. It opened in January 2010.
Hilden Grange Preparatory School	North Tonbridge, Kent	260 aged 3 to 13	The school was founded in 1929 and is a co-education preparatory school incorporating its own nursery school and pre-preparatory.
St. Anthony's School	Hampstead, London	290 aged 4 to 13	St. Anthony's School is a preparatory all-boys school that has been operating in Hampstead since the 1950s. The school is Roman Catholic but welcomes boys of other faiths.

Nurseries

The Group operates two standalone nurseries which are each well established in its local marketplace. Small nurseries also operate in three other schools (Falcons School for Boys, Falcons School for Girls, and Davenport Lodge).

The following table sets out the nurseries owned and operated by the Group:

Nursery	Location	Approximate number of pupils	Description
Rolfe's Nursery	Notting Hill, West London	55 aged 2 ½ to 5	The co-education school operates in school term periods to prepare girls and boys for entry into premium London day schools. In 2011, approximately 24% of Rolfe's Nursery's pupils joined other schools in the Group on leaving Rolfe's Nursery, principally Wetherby School and Pembridge Hall School.
The Minors Nursery School	Notting Hill, West London	40 aged 2 ½ to 5	The Minors Nursery School is a co-education feeder school for a number of premium London day schools. In 2011, approximately 60% of The Minors Nursery School's pupils joined Wetherby School or Pembridge Hall School on leaving.

Colleges

The Group owns and operates five independent colleges located in Central London, Cambridge, Manchester and Birmingham. The colleges specialise in preparing students for GCSE's (ages 14+) and A-levels (ages 16-18). Of all A levels taken in 2012 across the Group's colleges including Portland Place School, 45.99% were A*/A grades compared to 18.9% nationally. 97% of the Group's 2012 graduating college students went on to enrol in UK universities.

The following table sets out the colleges owned and operated by the Group:

College	Location	Approximate number of pupils	Description
Davies Laing & Dick College	Marylebone, Central London	330 aged 16 and above	The college was established in 1931. The college was relocated in 2004 to larger premises to further improve facilities and increase capacity.
Abbey College Birmingham	Birmingham	150 aged 16 and above	Abbey College Birmingham is situated close to Birmingham City Centre.
Abbey College	Cambridge	250 aged 16 and above	The College is located in the centre of Cambridge. Since

College	Location	Approximate number of pupils	Description
Cambridge		above	opening in 1994 98.2% of students have received A-C's in their A-Levels. The college is focused on preparing students for vocational qualifications and professions such as Medicine and Law. The college has attracted significant numbers of students from China and Vietnam since specific marketing began in the region in 2002-3.
Abbey College London	Belgravia, London	120 aged 16 and above	The college, the first college of the Abbey Group, was founded in 1985 and is a specialist A-Level College. It has frequently been placed amongst the top four independent sixth form colleges in the UK based on public examinations. In 2005, the college was relocated to larger premises in Belgravia which increased its capacity to up to 140. The college has also started offering University of Buckingham degree courses.
Abbey College Manchester	Manchester	200 aged 16 and above	The college was originally established in 1990 as a dedicated facility for Science and Maths A-Levels. The college now offers a full range of courses and is the only independent sixth form college in Manchester. The college moved to a new, larger, state-of-the-art building in the heart of Manchester in 2004.

The Group's Property Assets

As at 1 September 2012, the Group's property assets were valued at £130.7 million on the basis of current use (i.e. trading schools, nurseries and colleges having regard to their trading potential) by Gerald Eve LLP. Set out below is a table providing details of the Group's properties:

School	Address	Area (square feet)	Freehold or Leasehold	Lease Term (years)	Lease Expiry Date
Pembridge Hall School	10 Pembridge Square, London W2 4ED (incl. annex)	8,860	F/H	-	-

School	Address	Area (square feet)	Freehold or Leasehold	Lease Term (years)	Lease Expiry Date
	18 Pembridge Square, London W2 4EH	9,027	F/H	-	-
The Minors Nursery School	10 Pembridge Square, London W2 4ED	2,120	F/H	-	-
Wetherby School	11 Pembridge Square, London W2 4ED	6,217	F/H	-	-
Abingdon House School	Broadley Terrace, London NW1 6LG Registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ	8,000	F/H	-	-
St Anthony's School	1 Arkwright Road, London NW3 6AA	8,000	F/H	-	-
	90 Fitzjohn's Avenue, London NW3 6NP	9,000	F/H	-	-
Chepstow House School	19 Pembridge Villas, London W11 3EP	4,083	F/H	-	-
Hilden Grange Preparatory School	62 Dry Hill Park Road, Tonbridge, Kent TN10 3BX	35,000	F/H	-	-
Davenport Lodge	21 Davenport Road, Coventry CV5 6QA	4,169	F/H	-	-
Falcons School for Boys	2 Burnaby Gardens, London W4 3DT Registered at the Land Registry as Gunnersbury School	5,570	F/H	-	-
Falcons Prep School for Boys	Kew Foot Road, Richmond TW9 2PN Registered at the Land Registry as The Richmond Adult and Community College	17,000	F/H	-	-
Falcons School for Girls	15 Gunnersbury Avenue, London W5 3XD	4,914	F/H	-	-
Abbey College Birmingham	6-10 St Paul's Square, Birmingham B3 1QU	11,340	F/H	-	-

School	Address	Area (square feet)	Freehold or Leasehold	Lease Term (years)	Lease Expiry Date
Abbey College Cambridge	227 Milton Road, Cambridge CB4 1XJ	2,123	F/H		
Abbey College Manchester	5-7 Cheapside, Manchester M2 4WG	12,221	L/H	999	3002
Portland Place School	56 Portland Place, London W1B 1NJ	10,596	L/H	25	2021
	58 Portland Place, London W1B 1NJ	incl. above	L/H	25	2021
	101-105 Great Portland Street, London W1W 6QE	8,007	L/H	15	2017
	143-149 Great Portland Street, London W1W 6QN	10,707	L/H	13	2017
Wetherby Preparatory School	48 Bryanston Square & 41 Bryanston Mews, London W1H 2EA	15,121	L/H	20	2028
Abbey College Cambridge	17 Station Road, Cambridge CB1 2JB	3,469	L/H	10	2018
	3 Glisson Road, Cambridge CB1 2HA	1,531	L/H	10	2015
	12 & 13 Regent Terrace, Cambridge CB2 1AA	2,401	L/H	15	2013
	3 Cambridge Place & 25 Hills Road, Cambridge CB2 1NS	3,196	L/H	4	2013
	Norman House, Hills Road, Cambridge CB2 1NS	1,500	L/H	3	2014
Abbey College London	22 Grosvenor Gardens, London SW1W 0DH	6,399	L/H	10	2015
Davies Laing & Dick College	100 Marylebone Lane, London W1U 2QV	12,729	L/H	25	2028
	9 Bulstrode Street, London W1U 2QB	8,993	L/H	24	2028
Rolfe's Nursery	34A Oxford Gardens, London W10 5UG	3,842	L/H	20	2032
Head Office	50 Queen Anne Street W1G 8HJ	4,276	L/H	10	2015

The Trust Deed provides that the Group must provide security over its property assets for the benefit of holders of the Bonds, having an aggregate Trading Value (as defined below) of at least 1.5 times the amount of Bonds from time to time outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security).

The Group will initially provide security in favour of the Trustee for the benefit of Bondholders over the following of its properties:

	<u>Trading Value (£)</u>	<u>Alternative Use Value (£)</u>
The Minors Nursery School, 10 Pembridge Square, London W2 4ED ¹	2,440,000	-
Wetherby School, 11 Pembridge Square, London W2 4ED ²	20,530,000	25,900,000
Pembridge Hall School, 10 Pembridge Square, London W2 4ED (incl. annex) and 18 Pembridge Square, London W2 4EH	30,250,000	10,000,000
Abingdon House School, Broadley Terrace, London NW1 6LG <i>(registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ)</i>	6,420,000	2,800,000
Falcons School for Boys, 2 Burnaby Gardens, London W4 3DT <i>(registered at the Land Registry as Gunnersbury School)</i>	7,390,000	2,000,000
Falcons Prep School for Boys, Kew Foot Road, Richmond TW9 2PN <i>(registered at the Land Registry as The Richmond Adult and Community College)</i>	7,720,000	5,750,000
St. Anthony's School, 1 Arkwright Road, London NW3 6AA and 90 Fitzjohn's Avenue, London NW3 6NP	9,690,000	16,300,000
Totals	84,440,000	62,750,000

The Group's properties were valued by Gerald Eve LLP as at 1 September 2012 by way of a market valuation of the individual freehold and leasehold properties as fully equipped trading entities having regard to their trading

¹ Alternative use value for Minors Nursery School is included in the Wetherby School valuation figure as they share physical premises.

² Alternative use value for Wetherby School includes the alternative use value for Minors Nursery School as they share physical premises.

potential and as part of the business of the Group (the “**Trading Value**”). A copy of the valuation report is set out in “*Valuation Report*” below.

Under the Trust Deed, the Group is obliged to value such secured properties at least annually and deliver to the Trustee a market valuation of any cash equivalent investments at the time of any such property valuation. If any such valuation demonstrates that the Trading Value of the secured properties is less than 1.5 times the amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security), then the Group is obliged to provide further security, within three months of such valuation, in the form of further property, cash or equivalents of cash (broadly Government or European Investment Bank securities) so that the secured properties have a Trading Value of at least 1.5 times the amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security).

In addition, if (i) any such valuation demonstrates that the Trading Value of the secured properties is greater than 1.667 times the nominal amount of Bonds then outstanding or (ii) Bonds have been purchased and cancelled by the Company and the valuation demonstrates that the Trading Value of the secured properties is greater than 1.5 times the nominal amount of Bonds then outstanding (in each case, after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security), the Group is entitled to withdraw secured properties (or any cash or cash equivalent investments) from the security package provided that the Trading Value of the remaining secured properties is not less than 1.5 times the nominal amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security).

The Group is entitled at any time to withdraw any charged asset from the security package and replace it with another charged asset provided that the value or, where the charged asset to be substituted is a secured property, the Trading Value of the substitute charged asset is at least equal to the value (determined on the basis described in the Trust Deed) or, where the charged asset to be withdrawn is secured property, the Trading Value of the charged asset withdrawn or, if a valuation has been delivered within sixty days prior to the substitution, the substitution does not result in the Trading Value of the secured properties falling to less than 1.5 times the nominal amount of Bonds then outstanding (after deducting from such nominal amount of Bonds then outstanding the sum of (a) any cash and (b) the market value of any cash equivalent investments then provided as security). Where the Group provides further security in the form of additional property and any such property is subject to a security interest, the Company shall procure the release of such security so that any security interest subsequently created in favour of the Trustee in accordance with the terms of the Security Deed will not be subject to any prior ranking or *pari passu* ranking security interest.

The Group will make available to the Trustee copies of the Company’s consolidated annual and interim report and accounts, and a list of all substitutions to, withdrawals from, and additions to, the secured properties each year, in addition to notifying the Trustee of any shortfall in security as well as when any such shortfall has been made good.

The Group must also:

- maintain insurance over the secured properties against all risks (but to the extent commercially available in the London insurance market) and to a standard that is customary for companies carrying on a business the same or substantially the same as the Charging Subsidiaries;
- comply with all applicable laws and regulations;
- maintain all authorities necessary for the secured properties to be operated as schools, colleges or other educational premises; and
- ensure that any cash and cash equivalent investments represent not more than 30 per cent. by Trading Value of all assets charged by the Company and the Charging Subsidiaries at any time; provided that for the period ending on the earlier of: (i) 3 months from (and including) the Issue Date; and (ii) the date on which security is created over the initial Specifically Mortgaged Properties, cash (which may

include all or part of the proceeds of the issue of the Bonds) and cash equivalent investments may represent 100 per cent. by value of all assets charged by the Company and the Charging Subsidiaries.

Save as described above and under the Trust Deed, the Group is free to deal with its assets, including its properties that are not secured in favour of Bondholders as it wishes and in particular is free to sell such assets and properties or to grant security over them in favour of other lenders.

The Company may from time to time, without the consent of the Bondholders or Couponholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further securities shall be consolidated and form a single series with the outstanding securities of the Bonds (the “**Further Issues**”), provided that no Further Issues may be created or issued unless the most recent valuation prepared pursuant to the Trust Deed shows that the aggregate Trading Value of the secured properties will be not less than 1.667 times the nominal amount of Bonds then outstanding and such proposed Further Issue (after deducting from such nominal amount of Bonds then outstanding and such proposed Further Issue the sum of (a) any cash and (b) the market value of any cash equivalent investments reported in the most recent valuation prepared pursuant to the Trust Deed, then provided as security).

Strategy and Objectives

The Group believes that there is significant scope for the private education sector to grow in the UK and that the Group is in a strong position to participate in resulting growth opportunities.

Market Characteristics

The UK day schools market is highly fragmented and dominated by charitable organisations who account for the majority of all independent day schools. Individual day schools operate competitively on the basis of their own individual marketplace. There are only two private national school providers other than the Group in the UK: Cognita (42 UK schools) and Gems (10 UK schools). Together, the three platforms operate only 71 of the 2000+ independent day schools in the UK.

As an immature and fragmented market, there are opportunities for consolidation. Many independent schools are owned and operated by charitable trusts, some of which are no longer able to financially support their schools and therefore are looking for an exit. Other schools have been owned and operated by families for generations, but are finding themselves without successors to take over the business. Either situation opens the door for a discussion regarding a sale to the Group. The quality and reputation of the buyer is often a critical consideration of vendors in these situations.

Geographically, a significant proportion of all independent schools are situated in London and the South East driven by the concentration of wealth in these areas. According to the Independent School Census, 45% of their 1,223 member schools are located in Greater London and the South East. The Group should be well placed to take advantage of any acquisition opportunities in these areas. It should be noted that the Group is selective in its assessment of potential acquisitions as the Group’s management will only consider schools which will enhance the overall business.

Competition in the independent day school market is local to each individual school, and it would be difficult for a new operator to gain entry to a local market if the market is already well supplied due to significant barriers to entry for a new school operator. These include:

- (i) Location and planning permission – Buildings suitable for school use are in scarce supply. This problem is only exacerbated in premium property areas where residential values far exceed the value of a school building. Even if a suitable site is found, it is necessary to apply for D1 planning permission. Both location and planning permission are particularly difficult to obtain in Central London, the Group’s core market.
- (ii) Reputation and brand – As detailed above, reputation and brand play a strong part in a parents’ decision-making process for choosing a school for their child. It is also crucial to attracting the best headteachers and staff teachers.

- (iii) Management – As a result of the fragmented nature of the sector and high proportion of independent schools which are charitable trusts or privately owned, there are very few management teams who have both educational and commercial experience, both of which are necessary for platform expansion.

Predictable and stable cashflow

Independent schools account only for approximately 7% of all students in England (source: *Department for Education School Census*). The Department for Education reports that, in London, the Group's core market, 10.6% of pupils attend independent schools (source: *Department for Education School Census*). The Group believes that there is therefore significant opportunity for the private education sector in the UK – particularly in London – to continue to grow.

The Group also believes that revenue generated from its education platform is relatively predictable, since pupils who enrol in a school will typically stay in the same school until they graduate from that school and may continue their education within other Group schools. Turnover and profits have been robust even in times of economic downturn or recession due to parents generally being willing to make other savings before cutting back on their children's education.

Independent school fees have grown in the UK at an average of 6.3% per annum between 1997 and 2012 (source: *Independent Schools Council Census 2012*). Overall fees for the 1,232 independent schools in the UK and Republic of Ireland which participated in the Independent Schools Council Census increased by 4.6% in 2010/11 and by 4.5% during 2011/12 (source: *The Independent Schools Council report 2011 and 2012*). The 2011/12 average fee increase is lower than the education component of the consumer price index which was 5.1% for the 12 months to January 2012. However, it should be noted that these average figures are affected by the relative strength of local economies, for example, fees rose by an average of 5.2% at schools within Central and Greater London. This is coupled with an increase in pupil numbers of 1.3%. The Group believes that school fees in the UK are likely to continue to increase steadily in the future.

Based on the above factors, the Group has developed a strategy to increase capacity by focusing on organic growth, strategic acquisitions and delivering a 'Gold Standard' education offering for pupils. As a result, the Group has been able to increase fees steadily, ahead of inflation, enhancing profitability even in the Group's mature schools.

Reputation

The reputation of a school is one of the most important factors in parents' decisions as to which school their children should attend. The Group believes that the elements by which parents measure a school are principally results and destination of leaving pupils.

Results

The Group's schools have a reputation for securing places within prestigious schools, colleges and universities in the UK. More than 90% of all 2012 graduating pupils from the Group's schools were accepted by their first choice follow-on school. The Group's colleges also performed well. For example, Abbey College Cambridge secured 26 places at Cambridge University and seven places at Oxford University over the past 5 years. In 2011, 38% of A-Level students at Abbey College Cambridge joined the top five universities in the United Kingdom, namely, Oxford, Cambridge, Imperial College London, University College London and The London School of Economics.

Regulation

All schools (state and independent) in the UK are subject to regulation. Each school must be registered with the Department for Education which specifies the permitted maximum number of pupils and is subject to independent inspections, carried out either by the Ofsted or by the ISI. These inspections ensure compliance with all relevant regulations and make judgments on standards. All of the Group's schools have had inspections carried out during the period 2010 – 2012, and all have achieved Excellent/Outstanding or Good ratings across all areas from Ofsted or ISI.

Group Structure

The Company is the holding company of the Group and directly or indirectly holds all of the issued ordinary share capital of its subsidiaries, being:

- Alpha Plus Group Limited which is the entity which owns all of the Group's nurseries, schools and colleges other than St. Anthony's School.
- Alpha Plus Education Limited which provides accommodation services for colleges within the Group.
- Alpha Plus Schools Limited owns St Anthony's School in Hampstead, London.
- Abbey College Limited and AW&P Patton Limited - both of these entities are dormant.

The issued share capital of the Company comprises 5,000 ordinary shares of £1 each and 1 preference share of £1. 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.

All of the issued shares of the Company are owned by DV4 Holdings which in turn is owned as to 95.378 per cent. by DV4 Investment Alpha Plus Co. Limited ("**DV4 Investment**"). DV4 Investment is owned by DV4 Limited. DV4 Limited, the ultimate holding company, is a private company incorporated in the British Virgin Islands. So far as the Company is aware, DV4 Limited is not controlled by any one investor.

DESCRIPTION OF INDEBTEDNESS

The Group's Indebtedness

The Group finances its operations through (i) bank overdrafts; (ii) shareholder loans from DV4 Holdings; and (iii) revenue generated by the business.

As at the date of this Prospectus, amounts owed to DV4 Holdings pursuant to the shareholder loans are unsecured. However, the Company and its subsidiaries are (i) obligors and guarantors of DV4 Holdings' bank loan facility and have granted first ranking security over their assets and undertakings to secure such bank loan facility; and (ii) obligors of DV4 Holdings' shareholder loans from DV4 Investment (the "**DV4 Investment Shareholder Loans**") and have granted second ranking security over their assets and undertakings to secure the DV4 Investment Shareholder Loans.

The net proceeds of the issue of the Bonds will be:

- used as to all amounts raised up to £40 million, by the Company to repay shareholder debt owed to DV4 Holdings; and
- in respect of any proceeds in excess of £40 million, used (i) as to all amounts raised up to £5 million, by the Company for general corporate purposes; and (ii) thereafter, to pay down further shareholder debt owed to DV4 Holdings (the "**Remaining Shareholder Debt**").

DV4 Holdings will use the net proceeds paid to it by the Company (as to all amounts up to £40 million) to pay down in full its bank loan facility and the Company and its subsidiaries will be released as obligors and guarantors and the security granted over their assets and undertakings will be released.

Upon completion of the issue of the Bonds:

- the Company and its subsidiaries will also be released as obligors of the DV4 Investment Shareholder Loans and the security granted over their assets and undertakings will be released; and
- the Group's indebtedness under its principal debt facilities will comprise the following:
 - the Bonds; and
 - the Remaining Shareholder Debt, which, assuming Bonds are issued in an aggregate principal amount of at least £40 million, immediately following the issue of the Bonds will not exceed £20 million.

Security Provided to DV4 Holdings

The Remaining Shareholder Debt will be secured by way of (i) a first ranking fixed and floating charge over the assets of the Group (other than over the charged assets in the security package but including any of the fixtures, fittings, plant, machinery and other moveable property contained in or attached to the secured properties); and (ii) a second ranking fixed and floating charge over the charged assets in the security package (which will rank behind liabilities owed to the Trustee on behalf of the holders of the Bonds under the Security Deed).

DV4 Holdings has undertaken however, pursuant to the terms of the Security Deed not to take any step to crystallise any charge created in its favour over any charged asset in the security package without first obtaining the consent of the Trustee and then subject to any conditions as may be agreed with the Trustee. In addition, DV4 Holdings has agreed to hold on trust for, or to promptly pay to, the Trustee an amount equal to the amount owed to the Trustee, pursuant to the terms of the Security Deed (or, if less, the amount received or recovered) in respect of any proceedings of enforcement or realisation of all or any of the security interest constituted by any fixed charge or any floating charge (which has crystallised) created in favour of DV4 Holdings over (i) any charged asset in the security package and/or (ii) any fixtures, fittings, plant, machinery and other moveable property contained in or attached to the secured properties.

THE BOARD OF DIRECTORS AND MANAGEMENT

THE BOARD OF DIRECTORS

The Directors of the Company are:

Sir John Ritblat (*Chairman of the Board of Directors*)

Sir John is Chairman of the Board of the Company. He is also the Honorary President of The British Land Company PLC.

Sir John is also Chairman and an Honorary Fellow of the London Business School, Chairman of The Wallace Collection, an Honorary Trustee and Honorary Fellow of the Royal Academy of Music (FRAM) where he was a Governor and Deputy Chairman from 1998 to 2012. He has been a Trustee of International Students House since 1970, a Member of the council of Governors since 2003 and Vice Chairman from 2007 to date.

He is Vice President of the Royal Institution, having previously served on its Council. He is a Fellow of the Royal Institution of Chartered Surveyors (FRICS), an Honorary Fellow of the Royal Institute of British Architects (FRIBA), a Companion of the Chartered Management Institute (CCMI), a Life Fellow of the Royal Society of Arts (FRSA) and has an Honorary DLitt. London Metropolitan.

He was Deputy Chairman of The Hall School in Hampstead from 1997 – 2003 and is a Fellow of Dulwich College where he was a Governor from 2003 – 2009, and where he remains a consultant to the Governing Body. He was a member of the Board of the British Library from 1997 – 2003.

Dame Rosalind Savill (*Non-executive Director*)

Dame Rosalind Savill DBE, FBA, FSA, Curator Emerita, the Wallace Collection, London, was educated at the University of Leeds (BA English and Fine Art, 2 (i), 1972) and at the Study Centre, London (Diploma in the Fine and Decorative Arts, 1973). In 1973 she became a Museum Assistant in the Ceramics Department of the Victoria and Albert Museum, moving to the Wallace Collection in 1974. There she worked for thirty-seven years, becoming an Assistant Director in 1979 and Director in 1992, and retired in 2011. In 1990 she became a Fellow of the Society of Antiquaries, in 2000 she was awarded a CBE for services to the study of ceramics, in 2006 she became a Fellow of the British Academy, and in 2009 she was awarded a DBE for services to the arts. She has Visiting Professorships from the University of Buckingham and the University of the Arts, was a Governor of Camden School for Girls and a Trustee of the Dame Frances Mary Buss Foundation, won the European Woman of Achievement Award (Arts and Media) 2005, and currently her Trusteeships include the Royal Collection Trust, the Samuel Courtauld Trust, the Buccleuch Living Heritage Trust and the Hertford House Trust.

Stafford Lancaster (*Non-executive Director*)

Stafford is an investment director at Delancey Real Estate Asset Management Limited and is part of the firm's steering committee. He joined the business in 2000. He was previously a partner at Cushman & Wakefield, an international real estate consultancy that he joined in 1989. Stafford is a qualified Chartered Surveyor. He is a board member of the University of Reading Real Estate Foundation and sits on the residential special interest group of the Investment Property Forum.

Colin Wagman FCA (*Non-executive Director*)

Colin Wagman was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1970. He practiced as a specialist in business structuring and tax planning and in his earlier career specialised with business issues of SME's and the property industry.

In 1995, he was appointed Chairman of Artesian Estates Plc, a residential property company, which was listed on the London Stock Exchange. The company later changed its name to Delancey Estates Plc and focused on commercial property.

Since 1998 Colin has been Deputy Chairman and was Finance Director of Delancey.

Colin held a number of commercial executive and non executive appointments in quoted, unquoted and FSA regulated entities.

Graham Able (*Chief Executive Officer*)

Graham is the Chief Executive Officer of the Company and has spent 40 years teaching in independent schools and was Master of Dulwich College from January 1997 until August 2009. He joined the Company as Chief Executive Officer on 1 November 2009. He is a former Chairman of the Headmasters' and Headmistresses' Conference and was President of the International Boys' Schools' Coalition for 3 years.

Jenny Aviss (*Director of Schools*)

Jenny was appointed Director of Schools on 26 November 2009 and was the former headmistress of Eaton House School from 1992 -1998. She was then the Head of Wetherby School from 1998 -2008. During her time at Wetherby School she additionally fulfilled a Principal's role, through which she initiated and developed Wetherby Preparatory School, Abingdon House School and most recently Chepstow House School. Jenny has also served as a governor for both the Gatehouse School and Fairley House, a Special Needs school.

Richard Purchase (*Director of Colleges*)

Richard was appointed Director of Colleges on 24 July 2008. He joined the Company in June 2008 from Tribal Group plc, where he had been Managing Director of its Children's Services education consulting business.

Richard Jones (*Director of Property*)

Richard was appointed Director of Property on 14 December 2010. Richard, a Chartered Surveyor, has over 25 years experience in the field of specialist asset development and estate management. He joined the Company as a consultant in 2008 and the Board as Director of Property in 2010.

David Doran (*Director of Teaching and Learning*)

David was appointed Director of Teaching and Learning on 26 November 2009. David taught in schools for 16 years. He was appointed to the Bedfordshire Inspection and Advisory Service becoming Chief Inspector in 1992 and then became Director of Education in 2001. He joined the Company in 2006. In 2004 David was awarded the Ordre des Palme Academiques by the French Government for services to education.

David Elliott (*Director of IT*)

David was appointed Director of IT on 1 September 2012. Prior to joining the Company in April 2011 he was Head of IT at Regent's College, a private higher education institution, for eight years. He holds chartered membership of the British Computer Society.

Mark Sample (*Director of Finance*)

Mark was appointed as Director of Finance of the Company on 1 September 2012. Mark qualified as a Chartered Accountant at BDO Stoy Hayward in 1989 and was Group Finance Director at Colliers International UK PLC from July 2008 until March 2012.

At the date of this document, there are no potential conflicts of interest between any duties owed to the Company by the Directors and their private interests and/or other duties.

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.

Audit Committee

The Audit Committee comprises Colin Wagman (as the Audit Committee Chairman), Sir John Ritblat and Anandh Owen. The Audit Committee met once in the year ended 31 August 2012, but will meet two times per calendar year going forward.

During the Company's last financial year, the Audit Committee was 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;
- the valuations of the Group's property portfolio;
- the review of the Group's internal control and risk management systems;
- the external auditor's management letter;
- the need for an internal audit function; and
- the review of fraud risk.

The Audit Committee's terms of reference cover the Group's risk management activities as a whole and extend to advising 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 audit with the external auditors. The Group uses an external auditor, Ernst & Young LLP, for relevant financial work for a variety of reasons, including their knowledge of the Group, the audit-related nature of the work and the need to maintain confidentiality.

Office address for management

The business address for all Directors is:

Alpha Plus Holdings plc
50 Queen Anne Street
Marylebone
London W1G 8HJ

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which (subject to modification) will be endorsed on each Bond in definitive form (if issued):

The issue of the Bonds (as defined in the Trust Deed) was authorised by resolutions of the Board of Directors of Alpha Plus Holdings plc (the “**Company**”) passed on 1 November 2012 and 22 November 2012 and resolutions of a committee of the Board of Directors of the Company dated 20 November 2012 and 22 November 2012. The Bonds are constituted by a Trust Deed (the “**Trust Deed**”) dated 18 December 2012 (the “**Issue Date**”) between the Company, Alpha Plus Group Limited, Alpha Plus Schools Limited (Alpha Plus Group Limited and Alpha Plus Schools Limited together, the “**Charging Subsidiaries**”), DV4 Holdings Alpha Plus Co. Ltd (“**DV4 Holdings**”) and Prudential Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the “**Bondholders**”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds and the coupons relating to them (the “**Coupons**”) and the Security Deed (as defined below). Copies of the Trust Deed, the Paying Agency Agreement dated on or around the Issue Date relating to the Bonds between the Company, the Trustee and the initial principal paying agent named in it (the “**Paying Agency Agreement**”) and the Security Deed, are available for inspection during usual business hours at the principal office of the Trustee (presently at Laurence Pountney Hill, London EC4R 0HH) and at the specified offices of the principal paying agent for the time being (the “**Principal Paying Agent**”) and the other paying agents for the time being (the “**Paying Agents**”, which expression shall include the Principal Paying Agent). Security for the Bonds is created by a security deed dated the Issue Date between the Company, the Charging Subsidiaries, DV4 Holdings and the Trustee (the “**Security Deed**” and together with the Trust Deed and the Paying Agency Agreement, the “**Transaction Documents**”). The Bondholders and the holders of the Coupons (whether or not attached to the relevant Bonds) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Security Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1. **Form, Denomination and Title**

(a) **Form and denomination**

The Bonds are serially numbered and in bearer form in the denomination of £100 each with Coupons attached on issue.

(b) **Title**

Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. **Status of the Bonds and Coupons**

(a) **Status**

The Bonds and Coupons constitute secured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2(b) and Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Application of Moneys**

All moneys received by the Trustee in respect of the Bonds or recovered by the Trustee or any Receiver following the enforcement of the Security despite any appropriation of all or part of them by the Company (including any moneys which represent principal or interest in respect of Bonds or Coupons which have become void under the Conditions) shall be held by the Trustee on trust to apply them (subject to Clause 9.2 of the Trust Deed):

- (i) *first*, in or towards satisfaction of (i) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to the Trustee under the Transaction Documents and (ii) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to any Receiver appointed by the Trustee;
- (ii) *second*, in or towards satisfaction of the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to the Paying Agents under the Transaction Documents;
- (iii) *third*, in or towards payment of all arrears of interest remaining unpaid in respect of the Bonds and all principal moneys due on or in respect of the Bonds; and
- (iv) *fourth*, the balance (if any) in payment to the Company or the relevant Charging Subsidiary (as the case may be).

3. **Security; Negative Pledge**

(a) **Security**

As security for the payment and discharge of all present and future obligations of the Company under the Bonds and the Transaction Documents, the Company and the Charging Subsidiaries (together, the “**Original Chargors**”) have created the following Security Interests in favour of the Trustee pursuant to the Security Deed:

- (i) a first fixed charge granted by the Company over all its right, title, interest and benefit in and to the Cash Collateral Account together with all moneys from time to time standing to the credit thereof (including any interest thereon), all debts represented by those amounts and all Related Rights;
- (ii) as from the Issue Date or such later date (being not later than 3 months after the Issue Date) on which Security over the Specifically Mortgaged Properties is provided in accordance with the Security Deed, a first legal mortgage (which shall take effect as an equitable mortgage until requisite registrations have been made) (and to the extent that they are not subject to a mortgage by way of first fixed charge) granted by each Original Chargor with respect to all of its respective right, title, interest and benefit existing now and in the future, in and to the following initial Specifically Mortgaged Properties (which are subject to withdrawal and replacement as provided in the Trust Deed):

Description of property	Title number
Abingdon House School, Broadley Terrace, London NW1 6LG <i>(registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ)</i>	NGL628561
Falcons School for Boys, 2 Burnaby Gardens, London W4 3DT <i>(registered at the Land Registry as Gunnersbury School)</i>	MX414028
Falcons Prep School for Boys, Kew Foot Road, Richmond TW9 2PN <i>(registered at the Land Registry as The Richmond Adult and Community College)</i>	TGL170308
10 and 11 Pembridge Square, London W2 4ED <i>(also referred to as Wetherby School, The Minors Nursery School and Pembridge Hall School)</i>	NGL551069
18 Pembridge Square, London W2 4EH <i>(also referred to as Pembridge Hall School)</i>	NGL344664

90 Fitzjohn's Avenue, London NW3 6NP (also referred to as St Anthony's School)	LN53335
1 Arkwright Road, London NW3 6AA (also referred to as St Anthony's School)	LN26910

- (iii) a first fixed charge granted by each Original Chargor over all of its rights, title and interest from time to time in and to the Insurances and all Related Rights but only to the extent that such Insurances and Related Rights relate to the Specifically Mortgaged Properties;
- (iv) a first fixed charge granted by the Company over all its right, title, interest and benefit in and to Cash Equivalent Investments, together with all moneys, income and proceeds payable or due to become payable in respect of such Cash Equivalent Investments and all interest accruing on them from time to time and all Related Rights; and
- (v) a first fixed charge granted by each Original Chargor over its rights, title and interest from time to time in and to the Intellectual Property (including, the following registered trade marks) and all Related Rights:

Country	Trade Mark	App/(Reg) Date	App/(Reg) No	Status
UK	PEMBRIDGE HALL	27.03.2009	2498630	Registered
UK	WETHERBY SCHOOL	27.03.2009	2498632	Registered

(b) **Negative Pledge**

The Company and the Charging Subsidiaries may not create or permit to subsist any Security Interest over the Charged Assets or any of the Related Assets provided that the Company and the Charging Subsidiaries may grant in favour of DV4 Holdings:

- (i) first ranking Security Interests over any assets (other than the Charged Assets but including any Related Assets) of the Company and the Charging Subsidiaries; and
- (ii) second ranking Security Interests over any of the Charged Assets.

If the Company or any Charging Subsidiary creates any Security Interest (other than in favour of DV4 Holdings as described above) which under any law in force while the Bonds are outstanding gives any party the right to appoint an administrative receiver of the Company or such Charging Subsidiary then the same Security Interest will at the same time be granted equally and rateably to the Trustee for the benefit of, *inter alia*, the Bondholders.

4. **Interest**

The Bonds bear interest from and including the Issue Date at the fixed rate of 5.75 per cent. per annum, payable semi-annually in arrear in equal instalments of £2.875 per £100 in principal amount of the Bonds on 18 June and 18 December in each year (each an “**Interest Payment Date**”).

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of

receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of: (1) the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last); and (2) the number of Interest Periods normally ending in any year.

In these Conditions, the period beginning on and including 18 December 2012 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next successive Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per £100 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 5.75 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

5. **Redemption and Purchase**

(a) **Final redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 18 December 2019 (the “**Maturity Date**”).

(b) **Redemption for taxation reasons**

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 15 and to the Trustee and the Paying Agents (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount (together with interest accrued to but excluding the date fixed for redemption), if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Company shall deliver to the Trustee (a) if the Trustee so requests, an opinion of an independent legal adviser of recognised standing to the effect that the Company has or will become obliged to pay such additional amounts as a result of such change or amendment and (b) a Directors’ Certificate stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept and rely upon (without liability to any person) such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Trustee, the Bondholders and the Couponholders.

(c) **Redemption at the option of the Company**

The Company may at any time, having given not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 15 and to the Trustee and the Paying Agents (which notice shall be irrevocable and shall specify the date fixed for redemption (the “**Optional Redemption Date**”)) redeem all, but not some only, of the Bonds at a redemption price per Bond equal to the greater of the following, in each case together with interest accrued to but excluding the Optional Redemption Date:

- (i) the principal amount of the Bonds; and
- (ii) the price (as reported in writing to the Company and the Trustee by a financial adviser (the “**Financial Adviser**”) appointed by the Company at the Company’s expense) expressed as a percentage (and rounded to three decimal places, with 0.0005 being rounded up) at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the sum of the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of the 3.75 per cent. United Kingdom Government Treasury Stock due 7 September 2019 (or, where the Financial Adviser advises the Company that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend for such purpose (the “**Reference Stock**”)) plus 0.5 per cent.

References in the Transaction Documents and in these Conditions to principal shall, unless the context otherwise requires, be deemed to include any amount payable pursuant to this Condition 5(c).

(d) **Notice of redemption**

All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(e) **Purchase**

The Company and its Subsidiaries may at any time purchase the Bonds in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 5(f) below, they are purchased together with all unmatured Coupons relating to them). Such Bonds may be held, reissued, resold or, at the option of the Company or the relevant Subsidiary of the Company, surrendered to the Principal Paying Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11.

(f) **Cancellation**

All Bonds which are (i) redeemed, or (ii) purchased by or on behalf of the Company or any Subsidiary of the Company and surrendered to the Principal Paying Agent for cancellation pursuant to Condition 5(e), shall forthwith be cancelled together with all unmatured Coupons attached thereto or surrendered therewith, and accordingly all such Bonds shall be forwarded to the Principal Paying Agent and cannot be held, reissued or sold.

6. **Payments**

(a) **Method of Payment**

Payments of principal and interest will be made against presentation and surrender of Bonds or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the United Kingdom.

(b) **Payments subject to laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(c) **Surrender of unmatured Coupons**

Each Bond should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for

payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal (whether or not the Coupon would otherwise have become void pursuant to Condition 9).

(d) **Payments on business days**

A Bond or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a sterling account, in London). No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this Condition 6 falling after the due date. In this Condition, “**business day**” means a day on which commercial banks and foreign exchange markets are open for the conduct of general business (including dealing in foreign exchange and foreign currency deposits) in the relevant city.

(e) **Paying Agents**

The initial Paying Agents and their initial specified offices are listed below. The Company reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that the Company will maintain (i) a Principal Paying Agent, (ii) a Paying Agent (which may be the Principal Paying Agent) having a specified office in London and/or any other major European city and (iii) a Paying Agent (which may be the Principal Paying Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

7. **Taxation**

All payments of principal and interest by or on behalf of the Company in respect of the Bonds and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Company shall pay such additional amounts as will result in receipt by the Bondholders and/or the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

(a) **Other connection:**

presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or

(b) **Tax exemptions available:**

if no such withholding or deduction would have been required if such holder (or a person on behalf of such holder) complied with any statutory requirement or presented any form or certificate or made a declaration of non-residence or other similar claim for exemption to the relevant tax authority, provided that the Company notified such holder of such statutory requirement or the requirement to present such form or certificate or make such declaration or claim; or

(c) **Presentation more than 30 days after the Relevant Date:**

presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days assuming, whether or not such is in fact the case, that day to have been a date on which payment would have been made pursuant to Condition 6(d); or

(d) **Payment to individuals:**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) **Payment by another Paying Agent:**

presented for payment by or on behalf of a Bondholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union.

Relevant Date means whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7 or any undertaking given in addition to or substitution for it under the Trust Deed.

8. **Events of Default**

If any of the following events occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give a notice (an “**Acceleration Notice**”) to the Company that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) any default is made in the payment of any principal of or any interest on any of the Bonds and such default continues for a period of seven days in the case of principal and fourteen days in the case of interest; or
- (b) the Company does not perform or comply with any one or more of its other obligations in the Bonds, or the Company or any Charging Subsidiary does not perform or comply with any one or more of its other obligations in the Transaction Documents, which default is, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee such failure to perform or comply is capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Company and the relevant Charging Subsidiary by the Trustee; or
- (c) any other present or future indebtedness of the Company or any Charging Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any Charging Subsidiary fails to pay when due or, as the case may be, within any applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities is greater than £2 million; or
- (d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Company or any Charging Subsidiary and, in any such case, is not discharged or stayed within 30 days; or
- (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any Charging Subsidiary over all or substantially all of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and, in any such case, is not discharged or stayed within 30 days; or
- (f) the Company or any Charging Subsidiary is (or is deemed (other than where a demand is made for less than £1,000,000 under section 123(1)(a) of the Insolvency Act 1986) by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or,

in the opinion of the Trustee, a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or substantially all of the debts of the Company or any Charging Subsidiary; or

- (g) an administrator or administrative receiver is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company or any Charging Subsidiary and, in any such case, is not discharged within 30 days, or the Company and its subsidiaries (the “Group”) as a whole ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders; or
- (h) any company, which is for the time being a Charging Subsidiary, ceases to be a wholly-owned, direct or indirect subsidiary of the Company,

provided that, in the case of Condition 8(b), 8(d) and 8(e), the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Bondholders.

The security constituted by the Security Deed shall become enforceable upon the giving of an Acceleration Notice by the Trustee to the Company.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and 5 years in the case of interest from the appropriate Relevant Date.

10. Replacement of Bonds and Coupons

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

11. Meetings of Bondholders, Modification and Waiver, and Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Transaction Document. Such a meeting may be convened by the Company or the Trustee, and the Trustee shall be obliged to do so subject to being indemnified, and/or secured and/or pre-funded to its satisfaction upon the request in writing of Bondholders holding not less than one tenth of the aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or the Coupons, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than 66⅔ per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present or voted at the meeting at which such resolution was passed) and on all Couponholders.

- (b) The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(c) **Modification and Waiver**

The Trustee may, without the consent of the Bondholders or Couponholders (i) agree to any modification of any of these Conditions or any of the provisions of the Transaction Documents that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (ii) agree to any modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Transaction Documents that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders and (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders). Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, such modification, authorisation, waiver or determination shall be notified to the Bondholders as soon as practicable in accordance with Condition 15.

(d) **Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Transaction Documents and such other conditions as the Trustee may require, but without the consent of the Bondholders or the Couponholders, to the substitution of certain other entities in place of the Company, or of any previous substituted company, as principal debtor or obligor under the Transaction Documents and the Bonds.

(e) **Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Company, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders.

12. **Enforcement**

The Trustee may, at any time, at its discretion and without further notice, institute such actions, steps or proceedings against the Company or any Charging Subsidiary as it may think fit to enforce the terms of the Transaction Documents, the Bonds and the Coupons, and, at any time after the Security has become enforceable, the Trustee may, at its discretion and without further notice, take such steps as it may think fit to enforce such Security, but it need not take any such actions, steps or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder may proceed directly against the Company or any Charging Subsidiary unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. **Indemnification and Exclusion of Liability of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and provisions limiting or excluding its responsibility and liability towards the Company, the Bondholders and the Couponholders, including provisions (i) relieving it from taking action unless requested or directed by the Bondholders in the manner described in Conditions 8 and 12, and indemnified and/or secured and/or pre-funded to its satisfaction and (ii) allowing the Trustee to rely without liability to Bondholders or Couponholders on a certificate signed by two directors or one director and the secretary of the Company, a report, confirmation or certificate or any advice of

any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether such expert's liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

The Trustee is entitled to enter into business transactions with the Company and any entity related to the Company without accounting for any profit.

14. **Further Issues**

The Company may from time to time, without the consent of the Bondholders or Couponholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further securities shall be consolidated and form a single series with the outstanding Bonds (the "**Further Issues**"), provided that no Further Issues may be created or issued unless the most recent valuation prepared pursuant to the Trust Deed shows that the aggregate Trading Value of the Specifically Mortgaged Properties will be not less than 1.667 times the nominal amount of the Bonds then outstanding and such proposed Further Issue (after deducting from such nominal amount of the Bonds then outstanding and such proposed Further Issue the sum of (a) the credit balance of the Cash Collateral Account and (b) the market value of the Cash Equivalent Investments reported in the most recent valuation prepared pursuant to the Trust Deed).

References in these Conditions to the Bonds include (unless the context requires otherwise) any Further Issues issued pursuant to this Condition 14. Any Further Issues shall be constituted by a deed supplemental to the Trust Deed.

15. **Notices**

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in the United Kingdom. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

16. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17. **Governing Law**

The Trust Deed, the Bonds and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law.

18. **Definitions**

"Accession Document" means a deed of accession substantially in the form set out in Schedule 4 to the Security Deed (*Form of Deed of Accession*) (or such other form as the Trustee may approve).

"Account Bank" means (a) The Royal Bank of Scotland plc or (b) any bank, building society or financial institution with a rating equal to or higher than (i) A-2 (short-term) (or the equivalent) by S&P; (ii) F2 (short-term) (or the equivalent) by Fitch; or (iii) P-2 (short term) (or the equivalent) by Moody's or (c) any other bank, building society or financial institution agreed between the Company and the Trustee with whom the Cash Collateral Account is maintained by the Company.

"Additional Chargor" means a person who has acceded to the Security Deed as an Additional Chargor by executing an Accession Document.

"Calculation Date" means the third dealing day prior to the date of publication of the notice of redemption.

“Cash Collateral Account” means the account with sort code 16-00-15 and account number 10973727 opened with the Account Bank or any replacement therefor.

“Cash Equivalent Investments” means any sterling fixed rate securities, debenture, loan stock, security, bond, warrant, coupon, interest in any investment fund and any other investment (whether or not marketable) issued or guaranteed by H.M. Government or the European Investment Bank maturing at no later date than 2 years from the date of their being charged under the Security Deed, any Supplemental Security Deed or any Accession Document and with a maturity no later than the Maturity Date and whether held directly by or to the order of the Company or by any trustee, fiduciary or clearance system on its behalf and all Related Rights.

“Charged Assets” means all of the Real Property, Cash Collateral Account, Cash Equivalent Investments, Intellectual Property and Insurances of each Chargor from time to time mortgaged, charged or assigned (or expressed to be mortgaged, charged or assigned) pursuant to the Security Deed, any Supplemental Security Deed and any Accession Document.

“Charging Subsidiary” means a Subsidiary of the Company which is the registered owner of, or holds title to, any Charged Asset.

“Chargor” means each Original Chargor and each Additional Chargor.

“Directors’ Certificate” means a certificate signed by two directors of the Company.

“DV4 Holdings” means DV4 Holdings Alpha Plus Co. Ltd.

“Eligible Property” means property in England and Wales primarily used for education purposes and in respect of which the following have been provided to the Trustee:

- (a) save in the case of the Initial Specifically Mortgaged Properties, a valuation dated not more than 3 months prior to the date on which the property is intended to be charged pursuant to the Security Deed, any Supplemental Security Deed or any Accession Document and carried out by an independent valuer of national repute and prepared in accordance with the Trust Deed;
- (b) a certificate of title dated not more than 3 months prior to the date on which the property is intended to be charged pursuant to the Security Deed, any Supplemental Security Deed or any Accession Document; and
- (c) Land Registry searches in favour of the Trustee against all the titles comprising such property, showing no third party security entry or evidence that any existing third party security over such property has been discharged or will be discharged on or prior to the date on which such property is to be charged pursuant to the Security Deed, any Supplemental Security Deed or any Accession Document.

“Fitch” means Fitch Ratings Ltd. or any successor to its rating business.

“Gross Redemption Yield” on the Bonds, the 3.75 per cent. United Kingdom Government Treasury Stock due 7 September 2019 and the Reference Stock will be expressed as a percentage and will be calculated by the Financial Adviser on the basis set out in the United Kingdom Debt Management Office paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 and as further updated or amended) on an annual compounding basis rounded up (if necessary) to three decimal places, 0.0005 being rounded up.

“Insurances” means any contract or policy of insurance of any kind from time to time taken out by the Chargors in respect of the Specifically Mortgaged Properties.

“Intellectual Property” means in respect of the Relevant Schools (i) any patent, trade mark, service mark, design, logo, trade name, domain name, copyright (including rights in computer software), database right and other intellectual property rights and interests (which may now or in the future subsist), in each case whether registered or unregistered, and (ii) the benefit of all applications and all rights to use such assets (which may now or in the future subsist) and **“registered”** includes registrations and applications for registration.

“Moody’s” means Moody’s Investors Service, Inc. or any successor to its rating business.

“Real Property” means all estates and interests in the freehold land identified in:

(a) Condition 3(a)(ii), being the initial Specifically Mortgaged Properties (the **“Initial Specifically Mortgaged Properties”**); and

(b) any Supplemental Security Deed or Accession Document,

and, in each case, all Related Rights.

“Receiver” means a receiver and manager or other receiver appointed under the Security Deed in respect of all or part of the Charged Assets and shall, if allowed by law, include an administrative receiver.

“Related Assets” means, in relation to each Relevant School, the fixtures, fittings, plant, machinery and other moveable property at such Relevant School.

“Related Rights” means, in relation to any asset:

(a) all rights under any licence, agreement for sale or agreement for lease or other use in respect of all or any part of that asset;

(b) all rights, powers, benefits, claims, contracts, warranties, remedies, covenants for title, security, guarantees or indemnities in respect of any part of that asset;

(c) the proceeds of sale of all or any part of that asset;

(d) any other moneys paid or payable in respect of that asset;

(e) any right against any clearance system and any right under any custodian or other agreement.

“Relevant School” means, in relation to any Real Property, each school, nursery, college or similar institution operating at such Real Property.

“S&P” means Standard & Poor’s Rating Services, a division of the McGraw Hill Companies, Inc. or any successor to its rating business.

“Security” means any Security Interest created, evidenced or conferred by or under the Security Deed, any Supplemental Security Deed or any Accession Document.

“Security Interest” means any mortgage, lien, charge, assignment, hypothecation or security interest or any other arrangement having a similar effect.

“Specifically Mortgaged Properties” means each Eligible Property for the time being charged by way of a first legal mortgage in favour of the Trustee pursuant to the Security Deed, any Supplemental Security Deed or any Accession Document.

“Subsidiary” means a subsidiary or a subsidiary undertaking within the respective meanings of section 1159 and 1162 of the Companies Act 2006.

“Supplemental Security Deed” means any deed supplemental to the Security Deed pursuant to which Security Interests are granted by a Chargor in favour of the Trustee by way of security for the liabilities and all other present and future obligations at any time due, owing or incurred by the Company, to the Bondholders, the Trustee, any Receiver or the Paying Agents under the Bonds, the Trust Deed, the Security Deed and the Paying Agency Agreement both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

“Trading Value” means the market value of the individual freehold and leasehold properties as fully equipped and trading entities having regard to their trading potential as part of the business of the Group as determined by reference to the most recent valuation prepared pursuant to the Trust Deed.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE REPRESENTED BY THE GLOBAL BOND

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Bonds and in the Global Bond which will apply to, and in some cases modify, the Conditions of the Bonds while the Bonds are represented by the Global Bond.

1. Exchange

The Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bonds described below if (a) the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg (each a “**Clearing System**”) and (i) such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or (ii) announces an intention permanently to cease business or does in fact do so, or (b) any of the circumstances described in Condition 8 of the “*Terms and Conditions of the Bonds*” occurs.

Thereupon, the holder of the Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) may exchange the Global Bond for definitive Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying Agent. In exchange for the Global Bond the Company will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Bond, the Company will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Bonds.

For these purposes, “**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for the conduct of general business (including dealing in foreign exchange and foreign currency deposits) in the city in which the specified office of the Principal Paying Agent is located and, in the case of exchange pursuant to (b) above, in the place in which the relevant Clearing System is located.

2. Payments

Payments of principal and interest in respect of Bonds represented by the Global Bond will, subject as set out below, be made to the bearer of the Global Bond against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Bond to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. For the purpose of any payments made in respect of the Global Bond, Condition 6(d) (*Payments on business days*) shall not apply, and all such payments shall be made on a day on which commercial banks and foreign exchange markets are open in the financial centre of the currency of the Bonds.

3. Notices

For so long as all of the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 15. Any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Bonds held by a Bondholder are represented by the Global Bond, notices to be given by such Bondholder may be given by such Bondholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. **Accountholders**

For so long as all of the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Company and the Trustee, solely in the bearer of the Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the Global Bond.

5. **Prescription**

Claims against the Company in respect of principal and interest on the Bonds represented by the Global Bond will become void after 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in the Conditions of the Bonds).

6. **Cancellation**

Cancellation of any Bond represented by the Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by reduction in the principal amount of the Global Bond by endorsement on the relevant part of the schedule thereto.

7. **Trustee’s Powers**

In considering the interests of Bondholders while the Global Bond is held on behalf of the relevant Clearing System the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to the Global Bond, but without prejudice to the provisions of Condition 11(e) and the corresponding provisions of the Trust Deed.

8. **Euroclear and Clearstream, Luxembourg**

References in the Global Bond and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

CLEARING AND SETTLEMENT

The Company has applied to the Clearing Systems for acceptance in their respective book-entry systems in respect of the Bonds. A Global Bond without coupons will be deposited with a common depository for the Clearing Systems. Transfers of interests in such Global Bond will be made in accordance with the normal Euromarket debt securities operating procedures of the Clearing Systems.

CREST Depository Interests

Following their delivery into a Clearing System, interests in Bonds may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Bonds. The CDIs will be issued by the CREST Depository to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the “**CREST Nominee**”) in the Underlying Bonds. Pursuant to the CREST Manual (as defined below), Bonds held in global form by the Common Depository may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Bonds will be credited to the CREST Nominee’s account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Bond, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Bonds on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Bonds and other relevant notices issued by the Company.

Transfers of interests in Underlying Bonds by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Bonds to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Bonds and will not require a separate listing on the Official List.

Prospective subscribers for Bonds represented by CDIs are referred to Section 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Company including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Bonds which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service. The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Bonds. The CDIs are separate legal Bonds from the Underlying Bonds to which they relate and represent an indirect interest in such Underlying Bonds.
- (ii) The Underlying Bonds themselves (as distinct from the CDIs representing indirect interests in such Underlying Bonds) will be held in an account with a custodian. The custodian will hold the Underlying Bonds through a Clearing System. Rights in the Underlying Bonds will be held through custodial and depository links through the appropriate Clearing Systems. The legal title to the Underlying Bonds or to interests in the Underlying Bonds will depend on the rules of the Clearing System in or through which the Underlying Bonds are held.
- (iii) Rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the

Underlying Bonds will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Bonds are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Bonds. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Bonds held in Clearing Systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “**CREST Manual**”) and the CREST Rules (the “**CREST Rules**”) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential Investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5 SB or by calling +44(0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI. The contents of the CREST website shall not form part of this Prospectus.
- (vii) Potential Investors should note that CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDI's through the CREST International Settlement Links Service.
- (viii) Potential Investors should note that none of the Company, the Manager, the Trustee or any Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

TERMS AND CONDITIONS OF THE OFFER

The Bonds may be offered to the public on a retail basis in accordance with the following terms and conditions. The Bonds are expected to be admitted to trading through the ORB market of the London Stock Exchange on or about 19 December 2012.

Offer Price:	<p>The Bonds will be issued at the Issue Price. Any Investor intending to acquire any Bonds from a bank, financial intermediary or other entity (including an Authorised Distributor) will do so in accordance with any terms and other arrangements in place between the seller or distributor and such Investor, including as to price, allocations and settlement arrangements. None of the Company, the Manager or the Trustee are party to such arrangements with Investors and accordingly Investors must obtain such information from the relevant seller or distributor. The Company, the Manager and the Trustee have no responsibility to an Investor for such information.</p> <p>Whilst the Bonds are being issued at the Issue Price and offered at the Offer Price as described above, the Company will not receive the entire Issue Price in respect of the aggregate nominal amount of Bonds to be issued because it will pay a management and distribution fee of 0.9 per cent. of the total principal amount of the Bonds subscribed and paid for as described under “<i>Subscription and Sale</i>” below. These fees will be payable by the Company to the Manager (who may share such fees with the other Financial Intermediaries (as defined in “<i>Subscription and Sale</i>”)) and will be deducted from the subscription moneys payable by the Manager to the Company in respect of the Bonds.</p>
Total amount of the Offer:	<p>The maximum aggregate principal amount of Bonds that will be issued by the Company is £55 million. The aggregate principal amount of the Bonds to be issued within this range will depend partly on the amount of Bonds for which indicative offers to subscribe are received during the Offer Period and will be specified in the Sizing Announcement.</p>
Offer Period:	<p>An offer of the Bonds may be made by the Manager and the Authorised Distributors in the Public Offer Jurisdictions (as defined below) during the period from, and including, 26 November 2012 until 12 (noon) (London time) on 11 December 2012 or such earlier time or date as may be agreed between the Company and the Manager and announced via a Regulatory Information Service (the “Offer Period”).</p>
Conditions to which the offer is subject:	<p>The issue of the Bonds will be conditional upon the Subscription Agreement being signed by the Company and the Manager and will be made further to the terms of the Subscription Agreement which will in certain circumstances entitle the Manager to be released and discharged from their obligations under the Subscription Agreement prior to the issue of the</p>

	Bonds. The Subscription Agreement will include certain customary conditions precedent for transactions of this type (including the delivery of legal opinions and auditors' letters satisfactory to the Manager).
Description of the application process:	Investors intending to subscribe for Bonds should apply through the Manager or the relevant Authorised Distributor in accordance with the procedures established by the Manager or such Authorised Distributor. The Manager or such Authorised Distributor may reject any subscription in their absolute discretion. The Bonds are freely transferable, subject to the selling and transfer restrictions described in this Prospectus under " <i>Subscription and Sale</i> ".
	After the closing time and date of the Offer Period no Bonds will be offered for sale (i) by or on behalf of the Company or (ii) by the Manager and/or any Authorised Distributor (in their respective capacities as Manager or Authorised Distributors) except with the consent of the Company.
	Investors will be notified by the Manager or Authorised Distributor, as the case may be, of their allocations of Bonds and the settlement arrangements in respect thereof as soon as practicable after the Sizing Announcement is made which may be after the Offer Period has ended.
	Investors may not be allocated all of the Bonds for which they apply.
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	There will be no refund as investors will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds allotted.
Details of the minimum and/or maximum amount of application:	The minimum subscription per Investor is £2,000 in principal amount of the Bonds. There is no maximum amount of Bonds per Investor which can be subscribed for or that may be issued.
Details of the minimum and/or maximum amount of issue:	There is no minimum aggregate principal amount of Bonds that will be issued by the Company. The maximum aggregate principal amount of Bonds that will be issued by the Company is £55 million.
Details of the method and time limits for paying up and delivering the Bonds:	The Bonds will be issued on the Issue Date against payment to the Company by the Manager of the subscription moneys (less the fees referred to in " <i>Subscription and Sale</i> " below). Investors will be notified by the Manager or the relevant Authorised Distributor (as applicable) of their allocations of Bonds (if any) and the settlement arrangements in respect thereof.
Manner in and date on which results of the offer are to be made public:	The aggregate principal amount of Bonds to be issued will be determined by the Company on the basis of market conditions then prevailing, including supply

	<p>and demand for Bonds and other similar securities.</p> <p>Once determined, the aggregate principal amount of Bonds to be issued will be specified in the Sizing Announcement which will be published on a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) prior to the Issue Date; such announcement is currently expected to be made on or around 11 December 2012.</p>
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not Applicable.
Categories of potential investors to which the Bonds are offered and whether tranche(s) have been reserved for certain countries:	Bonds will be offered by the Authorised Distributors to the public in the United Kingdom, Jersey, Guernsey and the Isle of Man (the “ Public Offer Jurisdictions ”) during the Offer Period. The Bonds will not be offered to the public in any EU Member State other than in the United Kingdom. There is no reserve amount of Bonds applicable to any jurisdiction.
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	Investors will be notified by the Manager or their relevant Authorised Distributor (as applicable) of their allocations of Bonds (if any) in accordance with the arrangements in place between the relevant Investor and the Manager or Authorised Distributor. No steps have been taken to allow dealings in the Bonds prior to notification of the amount allotted.
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	<p>No such expenses or taxes upon issue will be allocated by the Company or Canaccord Genuity Limited, in its capacity as a specified Authorised Distributor, to any Investor.</p> <p>Any Investor intending to acquire any Bonds from a bank, financial intermediary or other entity other than Canaccord Genuity Limited in their capacity as such will do so in accordance with any terms and other arrangements in place between the seller or distributor and such Investor, including as to price, allocations and settlement arrangements. Neither the Company nor the Manager are party to such arrangements with Investors and accordingly Investors must obtain such information from the relevant seller or distributor. Neither the Company, nor the Manager have any responsibility to an Investor for such information.</p> <p>Expenses may be charged by an Authorised Distributor who is unknown at the date of this Prospectus; however, such expenses are unknown as at the date hereof as they are beyond the control of the Company and are not set by the Company. They may vary depending on the size of the amount subscribed for and the investor's arrangements with the Authorised Distributor.</p>

Name(s) and address(es) of the placers in the various countries where the Offer takes place:	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
	Canaccord Genuity Limited, in this capacity, at the date of this Prospectus, is a specified authorised distributor who has been appointed by the Company to offer and distribute the Bonds to the public in the Public Offer Jurisdictions in accordance with all prevailing regulatory requirements during the Offer Period
	The Company has also granted a general consent to the use of this Prospectus in the United Kingdom during the Offer Period by any financial intermediary on the basis of the conditions described in the fourth paragraph of page (ii) of this Prospectus (Canaccord Genuity Limited and any such financial intermediary, each an “ Authorised Distributor ”).
	Neither the Company nor the Manager has authorised, nor will they authorise, the making of any other offer of Bonds in any other circumstances.
Entities which have a firm commitment to act as intermediaries in secondary market trading, providing liquidity through bid and offer rates and description of the main terms, of their commitment:	Canaccord Genuity Limited will be appointed as registered market maker through the electronic order book for retail bonds (ORB) in respect of the Bonds from the date of admission of the Bonds to trading.

TAXATION

The following summary of certain United Kingdom tax issues applies only to persons who are the beneficial owners of Bonds. It is based on a summary of the Company's understanding of current law and Her Majesty's Revenue and Customs' ("HMRC") published practice in the United Kingdom. Some aspects do not apply to certain classes of person (such as dealers, certain professional investors and persons connected with the Company) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may therefore differ to that set out below or may be subject to change in the future (possibly with retrospective effect). Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. This summary only deals with the matters expressly set out below.

A. Interest on the Bonds

1. Withholding tax on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where (i) at the time the payment is made, the Company reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is: (a) a company resident in the United Kingdom; or (b) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account the interest in computing its United Kingdom taxable profits; or (c) falls within the various categories enjoying a special tax status (including charities and specified person funds); or (d) is a partnership consisting of such persons outlined in (a), (b) or (c) above, provided in each case that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the relevant exemption will not be available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax, or (ii) the Company has received a direction permitting payment without withholding or deduction from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). If interest were paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable tax treaty (and subject to the laws of the applicable jurisdiction).

2. Provision of information and Savings Directive

Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the payee or beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder who is an individual. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), subject to a procedure whereby, on meeting certain conditions, the

beneficial owner of the interest or other income may request that no tax be withheld. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

3. Further United Kingdom Income Tax Issues

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

B. United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax (including non-resident bondholders whose Bonds are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a UK permanent establishment) will be charged to tax as income on all returns, profits or gains on and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes.

C. Other United Kingdom Tax Payers

4. Interest

Bondholders who are either individuals or trustees and are resident or ordinarily resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Bonds.

5. Transfer (including redemption)

The Bonds will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond should not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

6. Accrued Income Scheme

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Bondholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

7. Individual Savings Accounts

The Bonds should be qualifying investments for the stocks and shares component of an account (an “ISA”) under the Individual Savings Account Regulations 1998 (the “ISA Regulations”) provided that (i) at the date the Bonds are first included in such an ISA, their terms do not require the Bonds to be re-purchased or redeemed within the period of five years from that date; and (ii) the Bonds are listed on the official list of a recognised stock exchange within the meaning of section 1005 of the Act. The London Stock Exchange is a recognised

stock exchange for these purposes. Bondholders who acquire or hold their Bonds through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds.

The opportunity to invest in Bonds through an ISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA should contact their professional advisers regarding their eligibility.

D. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No United Kingdom stamp duty or SDRT is payable on the issue or transfer by delivery of the Bonds.

SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement expected to be dated on or about 14 December 2012, Canaccord Genuity Limited (the “**Manager**”) is expected to agree with the Company, subject to the satisfaction of certain conditions, to deliver the Bonds to the Financial Intermediaries (as defined below) who have paid for them. The Company will pay to the Manager a management fee of 0.4 per cent. of the total principal amount of the Bonds subscribed and paid for and a distribution fee of 0.5 per cent. of such total principal amount. In addition, the Company will reimburse the Manager for certain of its expenses in connection with the issue of the Bonds. The distribution fee may be shared between the Manager, the authorised distributors and any other financial intermediaries that are appointed by the Manager to procure placees for and/or to distribute the Bonds (together, the “**Financial Intermediaries**” and each, a “**Financial Intermediary**”). The Subscription Agreement will entitle the Manager to terminate it in certain circumstances prior to payment being made to the Company. The issue of Bonds shall not be underwritten by the Manager or any other person.

Selling Restrictions

The Company and the Manager have entered into a Prospectus Confirmation Agreement dated the date hereof, pursuant to which the parties have agreed to comply with the selling restrictions set out below.

United States

The Bonds have not been and will not be registered under the Securities Act and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The Manager has agreed that it will not offer, sell or deliver any Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in this Prospectus in the United Kingdom from the time this Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive until the Issue Date, and provided that the Company has consented in writing to use of this Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Manager; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the

Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

The Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Jersey

The Manager has represented, warranted and agreed that there will be no circulation in Jersey of any offer for subscription, sale or exchange of the Bonds unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the UK without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the UK.

Guernsey

The Manager has represented, warranted and agreed that:

- (a) the Bonds cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, and the regulations enacted thereunder, or any exemption therefrom; and
- (b) this Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey. This Prospectus may not be distributed or circulated directly or indirectly to any persons in the Bailiwick of Guernsey other than (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, or (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law, 2000.

Isle of Man

The Manager has represented, warranted and agreed that any offer for subscription, sale or exchange of the Bonds within the Isle of Man shall be made by (i) an Isle of Man financial services licenceholder licensed under Section 7 of the Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

General

Save as described under “*Public Offer Restriction under the Prospectus Directive*” above, no representation has been made that any action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Prospectus or any amendment or supplement hereto or any information booklet or advertisement or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is

required. The Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense

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VALUATION REPORT



GERALDEVE

Prudential Trustee Company Limited (in its capacity as Security
Trustee and **Bond Trustee**)
Laurence Pountney Hill
London EC4R 0HH

72 Welbeck Street London W1G 0AY
Tel. 020 7493 3338
www.geraldev.com

Canaccord Genuity Limited (as **Manager**)
88 Wood Street
London EC2V 7QR

Alpha Plus Holdings plc (as **Issuer**)
50 Queen Anne Street
London W1G 8HJ

26 November 2012

Our ref: RAMM/A12907

Dear Sirs

Alpha Plus Schools Group

In accordance with your instructions we are pleased to enclose our valuation report (the **Report**).

This Report is issued for inclusion in the prospectus for the Bonds to be issued by Alpha Plus Holdings plc (the **Issuer**) dated the date hereof (the **Prospectus**) and may only be used in connection with the transaction referred to in this Report and for the purposes of the Prospectus.

For the purposes of Prospectus Rule 5.5.4R (2)(f) we hereby accept responsibility for the information contained in this Report. We declare that, to the best of our knowledge (having taken all reasonable care to ensure that such is the case) the information given in this Report is in accordance with the facts and does not omit anything likely to affect the import of such information. This declaration is included in the Prospectus in compliance with item 1.2 of Annex IV of Commission Regulation (EC) 809/2004.

Before the Report or any part of it is reproduced or referred to in any document, circular or statement (other than the Prospectus in respect of the Bonds to be issued by the Issuer), our written approval as to the form and context of such publication must be obtained.

We have also reviewed the draft form of certificates of title of the Charged Properties (defined below) issued by Mishcon de Reya dated on or about the date of this Report and can confirm that our valuations fully reflect the disclosures contained within.

For the avoidance of doubt, we confirm that it would not be possible to reconcile this valuation to the property values disclosed in the Issuer's accounts for the year ended 31 August 2012. We understand that the properties are included in the accounts at historical cost less accumulated depreciation. The valuations provided herein are of the current Market Value of the freehold and leasehold Properties as fully equipped trading schools, nurseries and colleges having regard to their trading potential.

If you have any questions about this Report, or require further information, please contact us.

Yours faithfully



R A M Moir MRICS
RICS Registered Valuer
Partner
For and on behalf of
Gerald Eve LLP



J L Orr MRICS
RICS Registered Valuer
Partner
For and on behalf of
Gerald Eve LLP

72 Welbeck Street
London W1G 0AY
www.geraldeve.com

rmoir@geraldeve.com
Direct tel. 020 7333 6281

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³ Page references in this Report have been updated to conform to the page numbers in this Prospectus.

SUMMARY

Property address	Schools, Nurseries and Colleges of Alpha Plus Holdings plc and its subsidiaries (together, the Group)
Scope of instructions	Valuation for inclusion in the Prospectus (in relation to a public offering of bonds)
Valuation date	1 st September 2012
Description	12 independent schools, 2 nurseries, 5 colleges, principally in London
Tenure	Mainly freeholds plus leaseholds
Aggregate Market Values of individual business units as fully equipped trading entities	£130,740,000 (one hundred and thirty million seven hundred and forty thousand pounds)
Aggregate Market Values of freehold properties with vacant possession and special assumption of planning permission for the highest value alternative use	£75,385,000 (seventy five million three hundred and eighty five thousand pounds)

1 INTRODUCTION

- 1.1 In accordance with your instructions and our conditions of engagement dated 10 September 2012, we have prepared our valuations of the freehold and leasehold schools, nurseries and colleges described in Section 5 below. We understand that Bonds to be issued by the Issuer will be secured by the properties identified in the Prospectus (defined herein as the **Charged Properties**). This valuation is required to assess the level of security which the Properties provide.

2 DATE OF VALUATION

- 2.1 The date of these valuations is 1st September 2012.

3 STATUS OF VALUER

- 3.1 Gerald Eve LLP are acting as External Valuers who are defined as: "...a valuer together with any associates has no material links with the client, an agent acting on behalf of the client, or the subject of the assignment." We can also confirm that we consider ourselves to be independent for the purposes of this instruction.
- 3.2 We confirm that we have carried out the necessary checks and are satisfied there are no conflicts of interest in this respect.
- 3.3 This valuation qualifies as a Regulated Purpose Valuation as defined by the RICS Valuation - Professional Standards, 2012. It is a requirement of the Standards in relation to disclosures that we declare our prior involvement with the Issuer, or the Properties being valued. Gerald Eve LLP have previously valued the Properties in 2008 and 2010 and we also advise the Issuer in respect of rating and miscellaneous town planning matters.
- 3.4 The total fees (including fees for this assignment) earned by Gerald Eve LLP from the Issuer is substantially less than 5.0% of our total fees earned in our last financial year and we do not anticipate this situation changing in the foreseeable future.
- 3.5 This report has been prepared by Richard Moir MRICS and checked by James Orr MRICS whom have relevant experience of the valuation of a wide range of educational properties. Fuller information on our relevant experience can be provided on request.

4 ROYAL INSTITUTION OF CHARTERED SURVEYORS (RICS) VALUATION - PROFESSIONAL STANDARDS

- 4.1 We confirm that our valuations have been prepared in accordance with the RICS Valuation - Professional Standards, 2012 (the "Standards"). The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.
- 4.2 The properties are valued on one or two bases as follows:
- i. current Market Value of the freehold and leasehold interests in the Properties, as noted in Section 5, as fully equipped and trading entities having regard to their trading potential; and
 - ii. those Properties which are held freehold are also valued on the basis of Market Value on the special assumptions of vacant possession and satisfactory planning permission (prior to implementation) for a change of use to the highest value alternative use, principally residential.
- 4.3 The Properties have been valued on the basis of Market Value which is defined in Valuation Standard 3.2 of the Standards as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

- 4.4 The Properties were inspected by James Orr, MRICS, James Murray, MRICS, Will Ray, MRICS, Morgan Allen, MRICS, Max Paddick, MRICS, Heather Longmore, MRICS, Robin Van der Plank, MRICS and Rupert Collis, MRICS between 23 July and 1st August 2012.

5 ASSETS COMPRISED IN THIS VALUATION

- 5.1 The freehold and leasehold properties which form the subject of these valuations are as follows:

Freehold:

2 Burnaby Gardens, London W4 3DT (*registered at the Land Registry as Gunnersbury School*)
 15 Gunnersbury Avenue, London W5 3XD
 10 Pembridge Square, London W2 4ED
 11 Pembridge Square, London W2 4ED
 18 Pembridge Square, London W2 4EH
 19 Pembridge Villas, London W11 3EP
 1 Arkwright Road, London NW3 6AA
 90 Fitzjohn's Avenue, London NW3 6NP
 Kew Foot Road, Richmond TW9 2PN (*registered at the Land Registry as The Richmond Adult and Community College*)
 62 Dry Hill Park Road, Tonbridge, Kent TN10 3BX
 21 Davenport Road, Coventry CV5 6QA
 6-10 St Paul's Square, Birmingham B3 1QU
 227 Milton Road, Cambridge CB4 1XJ
 Broadley Terrace, London, NW1 6LG (*registered at the Land Registry as Sylvia Young Theatre School, and the property spans onto Rossmore Road, London NW1 6NJ*)

Leasehold:

5-7 Cheapside, Manchester M2 4WG (999 year lease)
 56 Portland Place, London W1B 1NJ
 58 Portland Place, London W1B 1NJ
 101 – 105 Great Portland Street, London W1W 6QE
 143 – 149 Great Portland Street, London W1W 6QN
 48 Bryanston Square and 41 Bryanston Mews, London W1H 2EA
 17 Station Road, Cambridge CB1 2JB
 3 Glisson Road, Cambridge CB1 2HA
 12 & 13 Regent Terrace, Cambridge CB2 1AA
 3 Cambridge Place, Cambridge CB2 1NS
 25 Hills Road, Cambridge CB2 1NS
 Norman House, Hills Road, Cambridge CB2 1NS
 22 Grosvenor Gardens, London SW1W 0DH
 100 Marylebone Lane, London W1U 2QV
 9 Bulstrode Street, London W1U 2QB
 34A Oxford Gardens, London W10 5UG

6 ENVIRONMENTAL FACTORS AND CONTAMINATION ISSUES

- 6.1 Our valuations assume that the Properties are not affected by nor at risk of contamination, flooding nor other environmental nor ground defects. Should it later be found that the Properties are adversely affected by environmental issues then we may need to vary our valuations.

7 VALUATION METHODOLOGY AND COMMENTARY

- 7.1 Our approach to the valuation of the subject properties as fully equipped and trading entities is to estimate the fair maintainable level of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which a competent operator would expect to achieve from operating a business in the Properties. We then make deductions from the unit level EBITDA to take account of the central costs (head office) in supporting the trading performance at each of the Properties. In respect of the Colleges we have also deducted the central marketing costs which we have apportioned between the Colleges according to their respective turnovers. We also add or deduct profit or loss from the provision of

residential accommodation linked to each College. In addition, we deduct an allowance for capital expenditure required to sustain the estimated level of trading performance.

- 7.2 In the main, we have based our valuations on the current year budgets prepared by management for 2012/13. Schools businesses are relatively predictable, once pupil numbers for September are known and thus, the current year budget is a sound basis, cross referenced with prior years' performance. Pupil numbers in the Colleges for the year 2012/13 are currently uncertain but we have discussed assumptions with management and their assumptions are underpinned by prior year comparisons.
- 7.3 Having regard to limited comparable evidence of other transactions we apply an 'all risk' yield or year's purchase multiplier to our estimate of the fair maintainable level of EBITDA. The multiplier reflects a range of factors including the location, tenure, quality of property assets, business and trading potential.
- 7.4 We test these multiples with the use of discounted cashflows based principally on income inflation of 4% per annum (below historic averages) and staff cost inflation of 4% per annum and other costs inflation of 2.5% per annum. We also adopt an approach which looks at dividing the income into a number of tranches and applying different yields to reflect the risks associated with achieving the level of fair maintainable EBITDA. Thus, for example, with the freehold properties the first tranche of income which an operator may be prepared to pay in rent carries the greatest certainty of being achieved and a yield based on transactions in the property investment market is applied. Later tranches carry greater business / performance risk and higher yields are applied.
- 7.5 In respect of the Schools, Nurseries and Colleges which are maturing we have in the main relied on a discounted cashflow approach including reasonable assumptions on growth in pupil numbers and profitability.
- 7.6 The freehold properties have also been valued under the special assumptions that vacant possession is available and planning permission has been obtained for a change of use to the highest value alternative use. We determine their capital values based on market transactions of other comparable rental or freehold properties. We have also adopted a residual valuation approach, where appropriate, generally on the assumption of conversion to alternative residential schemes.
- 7.7 We have also reviewed the draft form of certificates of title of the Charged Properties issued by Mishcon de Reya dated on or about the date of this Report and can confirm that our valuations fully reflect the disclosures contained within.

8 VALUATION ASSUMPTIONS

- 8.1 Title: We have assumed that the Properties are held by the Group under good and marketable title free from any encumbrances, restrictions or other outgoings of an onerous nature.
- 8.2 We have not investigated any mineral working or other rights that might affect the title of the properties or their future use and have assumed that no such rights exist. We have assumed that there are no unused rights of way, restrictive covenants or easements affecting the titles to the properties that would have a material effect on our assessment.
- 8.3 Mortgages and Charges: For the purposes of our valuation, we have assumed that the Properties are free and clear of all mortgages or other charges on or over them.
- 8.4 Cost of Repair: We have not carried out structural surveys of the Properties nor tested any of the services in the properties or enquired about deleterious materials, which may be prudent in the absence of construction warranties.
- 8.5 Trade, Fixtures and Fittings: The valuations include land, buildings, site works and all plant, machinery, fixtures and fittings associated with the mechanical and electrical services of the buildings. The tenants' trade fixtures, fittings and equipment are also included within our valuations. The facilities are valued fully equipped.

- 8.6 Computers: For the purposes of this valuation, we have assumed that all systems and services that are reliant upon any form of computer or microprocessor are functional and have no inherent software defect which might now, or in the future, cause them to cease operation. Should it however be established that significant costs will arise in achieving continuous operation of the services, our valuation may need to be varied.
- 8.7 Condition Surveys: We have not carried out building surveys nor have we inspected those parts of the Properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition (unless we have been informed otherwise). We cannot give any warranty concerning the condition of the Properties. We have not examined or tested any of the services installed or connected and have assumed that all such services have been installed and connected in accordance with appropriate regulations and that they are in full working order and not in need of repair or replacement. We have not made any allowance for extra repair costs and liabilities that might arise if high aluminous cement concrete, asbestos or any other deleterious or hazardous substances have been used in any part of the construction, nor have we made any specific provision regarding latent defects. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties or has since been incorporated and we are therefore, unable to report that the properties are free from risk in this respect. For the purposes of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.
- 8.8 Environmental Matters: We have not undertaken detailed site nor environmental surveys of the Properties. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out on the properties. Should it, however, be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land or that the properties have been or is being put to a contaminative use, this might have an effect on trade or give rise to a remediation liability which may need to be reflected in our valuation.
- 8.9 We have not carried out or commissioned site investigations, geological or geophysical surveys and therefore, can give no opinion, assurance or guarantee that the grounds have sufficient load bearing strength to support the existing constructions, or any other constructions that may be erected upon them in the future. We also cannot give any opinion, assurance or guarantee that there are no underground mines, mineral or other workings beneath the sites, or in their vicinity, nor that there is any fault or disability underground which could or might affect the Properties or any construction thereon. We have assumed that the properties are not adversely affected by such matters.
- 8.10 Information Provided: Our valuations are reliant on the information that has been provided to us. We have not carried out any investigations of the title of the properties or independently verified the accounts or trading information provided.
- 8.11 This report has been prepared on the basis that we are entitled to rely on this information. We can take no responsibility for any miss-statement, omission or misrepresentation made to us. In the event of a future change in trading potential, or actual levels of trade that have been supplied to us, or should any of the information we have used prove to be incorrect, or inadequate, our valuation may need to be varied.
- 8.12 Local Authority and Other Statutory Regulations: We have assumed, in the absence of information to the contrary, that where required, registration at current levels with the Office for Standards in Education (OFSTED) will be continued and that there are no significant defects in the Properties which might put in doubt the current registrations.
- 8.13 Unless specifically informed, no allowances have been made for rights, obligations or liabilities arising from compliance with health & safety and similar regulations including inter alia, the Defective Premises Act 1972, the Environmental Protection Act 1990, Food Safety Act 1990, or the Environment Act 1995.
- 8.14 We have not made our own enquiries and assumed in the absence of information to the contrary that the Properties will be occupied in accordance with planning control. We have assumed that the buildings are constructed in accordance with all statutory requirements, British Standards and Codes of Practice

and are in a condition fit for their proposed use. We have also assumed that there are no outstanding notices, orders or disputes in respect of such matters.

- 8.15 Disability Discrimination: We have not included any allowance in our valuations for works that might become necessary to enable access for disabled persons under the Equality Act 2010.
- 8.16 Asbestos Regulations: The Control of Asbestos Regulations 2012 require the management of asbestos within the premises and that arrangements are recorded in writing, usually in an asbestos management plan. We have not seen a copy of any asbestos management plan in respect of the Properties and, therefore asbestos issues have not been reflected in these valuations.
- 8.17 Grants, Tax and VAT: No allowances have been made in our valuation for the incidents of grants and for any liabilities for tax. Our valuations are expressed exclusive of any Value Added Tax or other tax liabilities that may become chargeable.
- 8.18 Costs of Acquisition & Stamp Duty: We have assumed a share purchase of the businesses and have made an allowance of 2.25% for purchaser's costs in our valuations of the trading entities.
- 8.19 Should these assumptions subsequently prove to be incorrect, then we may need to vary our valuation.

9 INFORMATION RECEIVED

- 9.1 In carrying out our valuations we have had regard in particular to the following information provided to us:
 - 5 year trading forecast for each unit from September 2012 prepared by management.
 - Individual budgets for each school, nursery and college for 2012/13 prepared by management.
 - Management accounts for the year to 31 August 2011 and forecast outturn to 31 August 2012.
- 9.2 Valuations are prepared on the understanding that this information is an accurate and true record of the trade carried on at the properties and that there are no significant omissions or extra items added that will distort the true position. In the event of a future change of trading potential or actual levels of trade being achieved, the values as fully operational trading entities could vary.

10 VALUATION COMMENTARY

- 10.1 Overview: The Group is a leading provider of independent schools, colleges and nurseries. The Group, which was originally known as Davies Laing & Dick, was founded in 1931. It now comprises 12 Schools, 5 Colleges and 2 Nurseries. Approximately 65% of turnover arises from the Schools, 32% from the Colleges and 3% from the Nurseries.
- 10.2 The Schools are mainly located in sought after residential locations in London, which continue to demonstrate strong demand for independent schooling. There is a cluster of schools in Notting Hill comprising Wetherby School (boys aged 4 to 8 years); Chepstow House School (co-education aged 4 to 7 years) which opened in January 2010; and Pembridge Hall School (girls aged 4 to 11 years). These schools are fed by the Group's two nurseries, The Minors Nursery (registered for up to 50 children aged 2 to 5 years) and Rolfe's Nursery (registered for up to 82 children aged under 5 years).
- 10.3 Wetherby Preparatory School (boys aged 8 to 13 years) was relocated circa 2009 to new premises in Bryanston Square, London W1. This business is linked with the Notting Hill cluster.
- 10.4 Elsewhere in Central London, the Group operates Portland Place School which is accommodated in three leasehold properties located to the north of Oxford Street, W1. The School was founded in 1996 and offers GCSE and A level courses to boys and girls between the ages of 11 and 18 years.
- 10.5 Also in Central London, just to the north of Marylebone Station, is one of the Group's newest schools, Abingdon House School. The School opened in 2005 in premises in Kensington and has recently relocated to the current larger and improved facilities. It provides intensive teaching to pupils

demonstrating delayed development or learning difficulties with the objective being to seek to return as many as possible into mainstream education.

- 10.6 The Group owns and operates three other schools in west London comprising Falcons School for Boys located in Chiswick (4 to 8 years), Falcons School for Girls located in Ealing (3 to 11 years), together with new school premises in Richmond, acquired in 2008, for Falcons Prep School for Boys (boys 8 to 13 years). This school opened in September 2008 with a year group from Falcons School for Boys which continues to feed the School and the business is still maturing.
- 10.7 The final school in London is St Anthony's (boys aged 5 to 13 years) which was acquired as a trading business by the Group in 2009. It is located in the wealthy residential catchment of Hampstead.
- 10.8 The Group operates two schools outside of London, being Davenport Lodge and Hilden Grange. Davenport Lodge Nursery and Pre-preparatory School, Coventry was acquired in 2007. It accommodates boys and girls from the age of 6 weeks to 8 years.
- 10.9 The Group completed in 2010 the purchase of a co-educational preparatory school, Hilden Grange in Tonbridge. It was acquired as a trading entity from the Girls Day School Trust. A significant build project to improve the facilities at the school has just been completed at a cost of circa £5.6 million and the pupil roll is now expected to re-grow.
- 10.10 In addition to the Schools, the Group operates 5 independent sixth form colleges, two are located in Central London and the others are in Cambridge, Manchester and Birmingham. Davies Laing & Dick College, Abbey College Birmingham and Abbey College Manchester start at 14 or 15 years and offer both GCSE and A-level courses. Abbey College Cambridge and Abbey College London take pupils from 16 years and are focused on A-level courses.
- 10.11 Thirteen of the Schools, Nurseries and Colleges operate from freehold premises (including Abbey College Manchester which is a 999 year leasehold interest) which in the main are located in highly sought-after residential locations. These ownerships offer good alternative use potential but also provide the opportunity to implement a sale and leaseback transaction or other forms of Propco: Opco funding arrangements.

11 VALUATIONS

- 11.1 In accordance with the facts, assumptions and qualifications set out in this valuation report, we are of the opinion that the current aggregate market value of the individual freehold and leasehold interests in the properties as fully equipped trading entities as part of the business of the Group is:

£130,740,000

(one hundred and thirty million seven hundred and forty thousand pounds).

- 11.2 The aggregate valuation above is applied to the business units as follows:

	Apportioned Market Value
Wetherby School 11 Pembridge Square, London W2 4ED	£20,530,000 (twenty million five hundred and thirty thousand pounds)
Pembridge Hall School 10 Pembridge Square, London W2 4ED (incl annex) and 18 Pembridge Square, London W2 4EH	£30,250,000 (thirty million two hundred and fifty thousand pounds)

	Apportioned Market Value
Wetherby Preparatory School 48 Bryanston Square and 41 Bryanston Mews, London W1H 2EA	£14,100,000 (fourteen million one hundred thousand pounds)
Chepstow House School 19 Pembridge Villas, London, W11 3EP	£6,510,000 (six million five hundred and ten thousand pounds)
Abingdon House School Broadley Terrace, London NW1 6LG (<i>registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ</i>)	£6,420,000 (six million four hundred and twenty thousand pounds)
Falcons School for Boys 2 Burnaby Gardens, London W4 3DT (<i>registered at the Land Registry as Gunnersbury School</i>)	£7,390,000 (seven million three hundred and ninety thousand pounds)
Falcons School for Girls 15 Gunnersbury Avenue, London W5 3XD	£1,250,000 (one million two hundred and fifty thousand pounds)
Falcons Prep School for Boys Kew Foot Road, Richmond TW9 2PN (<i>registered at the Land Registry as The Richmond Adult and Community College</i>)	£7,720,000 (seven million seven hundred and twenty thousand pounds)
St Anthony's School 1 Arkwright Road, London NW3 6AA and 90 Fitzjohn's Avenue, London NW3 6NP	£9,690,000 (nine million six hundred and ninety thousand pounds)
Hilden Grange Preparatory School 62 Dry Hill Park Road, Tonbridge, Kent TN10 3BX	£6,230,000 (six million two hundred and thirty thousand pounds)
Davenport Lodge 21 Davenport Road, Coventry CV5 6QA	£790,000 (seven hundred and ninety thousand pounds)
Portland Place School 56 Portland Place, London W1B 1NJ, 58 Portland Place, London W1B 1NJ, 101-105 Great Portland Street, London W1W 6QE and 143-149 Great Portland Street, London W1W 6QN	Nil

	Apportioned Market Value
Abbey College Birmingham 6-10 St Paul's Square, Birmingham B3 1QU	£1,090,000 (one million and ninety thousand pounds)
Abbey College Manchester 5-7 Cheapside, Manchester M2 4WG	£5,910,000 (five million nine hundred and ten thousand pounds)
Abbey College Cambridge 227 Milton Road, Cambridge CB4 1XJ, 17 Station Road, Cambridge CB1 2JB, 3 Glisson Road, Cambridge CB1 2HA, 12 & 13 Regent Terrace, Cambridge CB2 1AA, 3 Cambridge Place & 25 Hills Road, Cambridge CB2 1NS and Norman House, Hills Road, Cambridge CB2 1NS	£7,170,000 (seven million one hundred and seventy thousand pounds)
Abbey College London 22 Grosvenor Gardens, London SW1W 0DH	£400,000 (four hundred thousand pounds)
Davies Laing & Dick College 100 Marylebone Lane, London W1U 2QV and 9 Bulstrode Street, London W1U 2QB	£2,250,000 (two million two hundred and fifty thousand pounds)
The Minors Nursery School 10 Pembridge Square, London W2 4ED	£2,440,000 (two million four hundred and forty thousand pounds)
Rolfe's Nursery 34A Oxford Gardens, London W10 5UG	£600,000 (six hundred thousand pounds)
Total	£130,740,000

- 11.3 In accordance with the facts, assumptions and qualifications set out in this valuation report, we are of the opinion that the current market values of the freehold properties (plus Abbey College Manchester) on the assumption of vacant possession and special assumption that planning permission has been obtained for a change of use to the highest value alternative use, are as follows:

	Market Value with Vacant Possession – Alternative Use
10 and 11 Pembridge Square, London W2 4ED	£25,900,000 (twenty five million nine hundred thousand pounds)
18 Pembridge Square, London W2 4EH	£10,000,000 (ten million pounds)
19 Pembridge Villas, London W11 3EP	£4,500,000 (four million five hundred thousand pounds)
Broadley Terrace, London NW1 6LG (<i>registered at the Land Registry as Sylvia Young Theatre School and the property spans onto Rossmore Road, London NW1 6NJ</i>)	£2,800,000 (two million eight hundred thousand pounds)

	Market Value with Vacant Possession – Alternative Use
2 Burnaby Gardens, London W4 3DT (<i>registered at the Land Registry as Gunnersbury School</i>)	£2,000,000 (two million pounds)
15 Gunnersbury Avenue, London W5 3XD	£1,250,000 (one million two hundred and fifty thousand pounds)
Kew Foot Road, Richmond TW9 2PN (<i>registered at the Land Registry as The Richmond Adult and Community College</i>)	£5,750,000 (five million seven hundred and fifty thousand pounds)
1 Arkwright Road, London NW3 6AA and 90 Fitzjohn's Avenue, London NW3 6NP	£16,300,000 (sixteen million three hundred thousand pounds)
62 Dry Hill Park Road, Tonbridge, Kent TN10 3BX	£2,250,000 (two million two hundred and fifty thousand pounds)
21 Davenport Road, Coventry CV5 6QA	£650,000 (six hundred and fifty thousand pounds)
6-10 St Paul's Square, Birmingham B3 1QU	£1,000,000 (one million pounds)
5-7 Cheapside, Manchester M2 4WG	£2,300,000 (two million three hundred thousand pounds)
227 Milton Road, Cambridge CB4 1XJ	£685,000 (six hundred and eighty five thousand pounds)
Total:	£75,385,000

- 11.4 The vacant possession values of the properties provide a strong under-pin to many of the valuations. In general, alternative residential demand are the key determinants of values. The exceptions are the colleges in Birmingham and Manchester where our valuations are mainly based on alternative office use potential. Most of the buildings with vacant possession would also attract strong demand from other education providers.

12 SECURITY PROVIDED

- 12.1 The London schools market continues to perform more strongly than regional businesses and the levels of trade of these core London Schools has generally continued to improve through the recessionary times. The aggregate value of the prime Notting Hill, Hampstead, Westminster, Chiswick and Richmond schools (Minors Nursery, Rolfe's, Wetherby School, Wetherby Preparatory School, Pembridge Hall School, Abingdon House School, St Anthony's, Chepstow House School, Falcons School for Boys and Falcons Prep School for Boys) which are mainly freehold assets provide in aggregate £105.65 million of security. Falcons Prep School for Boys and Abingdon House School are still maturing businesses which would be expected to continue to develop well and the other businesses are well established, continuing to trade strongly and are likely to be relatively cushioned from any new competition.
- 12.2 The College businesses continue to transition towards attracting more international students and there is potential to broaden the service offering as markets develop. The recent transaction of Mander Portman Woodward and the purchases by Sovereign Capital confirms a strong market for similar businesses. Furthermore, the pricing of the former transaction appears to confirm the strong potential to secure a portfolio premium over and above the aggregate value of individual business units.
- 12.3 It is worth clarifying that our valuations herein are of the individual schools, nurseries and colleges. They do not reflect the enterprise value of the Group. Having regard to the current market interest in acquiring education businesses, the strong locations and reputations of the Schools, Nurseries and Colleges, brand, asset backing with numerous freehold buildings, strong trading potential and growth potential we would expect the value of the Group offered as a whole would be higher than the aggregate of the individual businesses.

FINANCIAL INFORMATION

Alpha Plus Holdings plc

Group Financial Information

For the years ended 31 August 2011 and 2012

Company Registration No. 04418776

The Directors
Alpha Plus Holdings plc
50 Queen Anne Street
London
W1G 8HJ

26 November 2012

Dear Sirs

**Alpha Plus Holdings plc (the “Company”)
Financial Information for the years ended 31 August 2011 and 31 August 2012**

We report on the financial information set out on pages 93 to 117 for the years ended 31 August 2011 and 31 August 2012. This financial information has been prepared for inclusion in the prospectus dated 26 November 2012 (“the **Prospectus**”) of the Company on the basis of the accounting policies set out in Note 1. As set out in Note 1, that basis may differ from the basis applicable if the 2011 financial information comprised the first financial information of the Company under IFRS as adopted for use in the EU.

This report is required by item 13.1 of Annex IV of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.4(R)(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 16.1 of Annex IV of Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

Responsibility

The Directors of Alpha Plus Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the accounting principles used and significant estimates and judgments made by those responsible for the preparation of the underlying financial information, as well as evaluating the overall financial statement presentation and whether the policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as it had been carried out in accordance with those standards and practices.

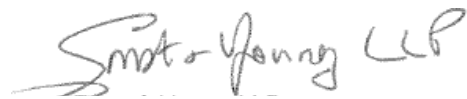
Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 August 2011 and 31 August 2012 and of its profit and cash flows for the years then ended in accordance with the basis set out in Note 1.

Declaration

For the purposes of Prospectus Rule 5.5.4R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex IV of Commission Regulation (EC) 809/2004.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Ernst & Young LLP", is written over a horizontal dotted line.

Ernst & Young LLP

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August

	Notes	2012 £000	2011 £000
Revenue	6	57,875	52,299
Operating expenses	6	(49,698)	(44,172)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		8,177	8,127
Depreciation and amortisation	10	(4,095)	(3,734)
Operating profit		4,082	4,393
Profit on sale of property, plant and equipment		-	539
Finance costs	7	(1,444)	(3,708)
Finance income		5	2
Profit before tax		2,643	1,226
Tax credit	9	2,637	-
Profit and total comprehensive income for the year		5,280	1,226

GROUP BALANCE SHEET

as at 31 August

		2012	2011
	Notes	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	10	102,351	94,062
Intangible assets	11	2,238	2,238
Deferred tax assets	9	2,637	-
		<u>107,226</u>	<u>96,300</u>
Current assets			
Trade and other receivables	12	2,469	2,217
Cash	13	1,632	2,679
		<u>4,101</u>	<u>4,896</u>
Total assets		<u>111,327</u>	<u>101,196</u>
Current liabilities			
Trade and other payables	16	26,005	20,183
Loans and borrowings	14	95	1,724
		<u>26,100</u>	<u>21,907</u>
Non-current liabilities			
Loans and borrowings	14	58,591	57,933
Total liabilities		<u>84,691</u>	<u>79,840</u>
Net assets		<u>26,636</u>	<u>21,356</u>
Equity attributable to equity shareholders			
Share capital	15	5	5
Retained earnings		26,631	21,351
Total equity		<u>26,636</u>	<u>21,356</u>

This financial information was approved by the Board and authorised for issue on 26 November 2012.



M.J. Sample
Director of Finance

GROUP STATEMENT OF CHANGES IN EQUITY

	Issued capital	Retained earnings	Total equity
	£000	£000	£000
As at 1 September 2010	5	20,125	20,130
Profit and total comprehensive income for the year	-	1,226	1,226
At 31 August 2011	5	21,351	21,356
Profit and total comprehensive income for the year	-	5,280	5,280
At 31 August 2012	5	26,631	26,636

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 August

		2012	2011
	Notes	£000	£000
Operating activities			
Profit before tax		2,643	1,226
<i>Adjustments to reconcile profit before tax to net cash flow from operating activities:</i>			
Depreciation of property, plant and equipment		4,095	3,734
Gain on disposal of property, plant and equipment		-	(539)
Finance income		(5)	(2)
Finance costs		1,444	3,708
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(252)	197
Increase in trade and other payables		5,822	2,007
Cash generated from operations		13,747	10,331
Interest received		5	2
Interest paid		(1,444)	(3,708)
Net cash inflow from operating activities		12,308	6,625
Investing activities			
Proceeds from sale of property, plant and equipment		-	5,841
Additions of property, plant and equipment		(12,384)	(10,864)
Net cash outflow from investing activities		(12,384)	(5,023)
Financing activities			
Payment of finance lease liabilities		(185)	(192)
Proceeds from loans and borrowings		714	5,366
Repayment of loans and borrowings		(1,500)	(1,133)
Net cash (outflow)/inflow from financing activities		(971)	4,041
Net (decrease)/increase in cash and cash equivalents		(1,047)	5,643
Cash and cash equivalents at 1 September		2,679	(2,964)
Cash and cash equivalents at 31 August	13	1,632	2,679

1. Basis of preparation

The basis of preparation and accounting policies used in preparing the financial information for the years ended 31 August 2011 and 31 August 2012 are set out below.

The financial information has been prepared in accordance with the requirements of Commission Regulation (EC) 809/2004 and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) except as described below.

In preparing the financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars have been applied. The application of these conventions results in the following material departure from IFRS as adopted by the EU:

Alpha Plus Holdings plc has prepared statutory financial statements which comply with IFRS as adopted by the EU in respect of its financial year commencing 1 September 2011 (the “**2012 financial statements**”).

The 2012 financial statements are the first financial statements prepared by Alpha Plus Holdings plc in accordance with IFRS as adopted by the EU and as such take account of the requirements and options in IFRS 1 (First time Adoption of International Financial Reporting Standards) as they relate to the 2011 comparatives included therein.

However, certain of the requirements and options in IFRS 1 relating to comparative financial information presented on first time adoption may have resulted in a different application of accounting policies in the 2011 and 2012 financial information to that which would apply if the 2011 financial statements had been the first financial statements of the Company prepared in accordance with IFRS as adopted by the EU.

Note 21 below describes how, in preparing the underlying financial information, the Directors have applied accounting standards as adopted by the EU under the first-time adoption provisions set out in IFRS 1.

In all other respects IFRS as adopted by the EU has been applied.

The consolidated financial information is presented in Sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

2.1 Going concern

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

- The Group has substantial net assets and positive cash balances, but net current liabilities.
- The Group is funded by £58.4 million of loans from the immediate parent company. The immediate parent company is part-funded by way of a bank loan which currently stands at £39.2 million and matures in March 2013. The Directors recognise that as a consequence of the repayment of the bank loan, and in the absence of replacement financing, the immediate parent company may require repayment of a large proportion of its loan to the Group.
- The Group has planned capital expenditure over the next few years which is in excess of the projected operating cash inflows of the business, and is not permitted to be funded from the current bank loan facility to the parent company.

The Group continues to explore alternative funding sources, and has had favourable indications from the current bank loan provider, and others, of refinancing opportunities. Should the refinancing discussions not prove successful, the ultimate parent company, DV4 Limited, has undertaken to meet the liabilities of the Group until

such time that appropriate alternative funding arrangements are in place. The Directors are satisfied that DV4 Limited has the ability to provide such support.

The Directors, therefore, 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 information on a going concern basis.

2.2 Basis of consolidation

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 information of the subsidiaries is 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 Adoption of IFRS

The Group has established its IFRS accounting policies for the year to 31 August 2012 and, in general, has applied these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 September 2010. Note 21 explains the principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 September 2010 and its previously published UK GAAP financial information as at, and for the year ended, 31 August 2011. The Group has adopted the following approach to the key exemptions permitted under IFRS 1 “First-time adoption of International Financial Reporting Standards”:

- Business combinations: the Group has chosen not to restate business combinations prior to the transition date; and
- Revaluation as deemed cost: under UK GAAP, the Group applied a policy of revaluation to its freehold and long leasehold land and buildings. As allowed under IFRS 1, the Group has elected to regard those fair values as deemed cost as at the date of transition.

2.4 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. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

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 each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of education services

Revenue represents tuition fees together with fees for ancillary education-related services (exclusive of VAT). Revenue is recognised in the period that the educational services are provided.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income is accrued on a time basis by reference to the principal amount and the effective interest rate which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement. 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 is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, 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 all 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 profit 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, net of accumulated depreciation and/or accumulated impairment losses, if any.

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

- Freehold buildings 1-2%
- Freehold land is not depreciated.
- Leasehold land & buildings Shorter of the length of the lease and the useful life of the property

- Fixtures, fittings and equipment 25% - 33%
- Major improvement works expenditure on freehold buildings and long leaseholds is depreciated over seven years.

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

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

f) Receivables

Receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

g) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

h) Interest bearing loans and borrowings

Obligations for loans and borrowings 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.

i) Pensions

A significant number of the Group's employees are members of the Teachers' Pension Scheme, an unfunded defined benefit scheme (note 20). The Group is unable to identify its share of the underlying assets and liabilities of this scheme and so has treated this scheme as a multi-employer defined contribution scheme. The Group also operates a stakeholder pension scheme that is accounted for as a defined contribution pension scheme (see note 20). 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 20).

j) Deferred revenue

School and college tuition fees are payable in advance. Fees are initially recognised as deferred revenue and are then transferred to the income statement over the period of time to which the fees relate.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Group's financial information was 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.

Impairment of goodwill – determining whether goodwill impairment is necessary requires the Directors to assess the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to assess future cash flows from these cash generating units and to apply a suitable discount rate in order to calculate net present value. The carrying value of goodwill at 31 August 2012 was £2,206,000 (2011: £2,206,000). Details of the impairment calculations are set out in note 11.

Recognition of deferred tax assets – the Group has significant unutilised tax losses (see note 9). IAS 12 provides that deferred tax assets should be recognised in respect of unutilised losses where it is probable that taxable profits will subsequently arise against which the losses can be utilised. The Directors have prepared and reviewed future financial projections for the Group and have concluded that it is now appropriate to recognise a £2.6m deferred tax asset in this regard.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial information are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. A comprehensive analysis of the impact has not been completed.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 with a mandatory effective date of 1 January 2015.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require the Directors to exercise significant judgement to determine which

entities are controlled, and therefore, are required to be consolidated by a parent. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 12 *Income Taxes (amendment)*

IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment, which is applied retrospectively in accordance with IAS 8 (changes in accounting policy), also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis.

IFRS 13 *Fair Value Measurement*

This amendment, which is effective for periods commencing on or after 1 January 2013, does not effect when fair value is used, but does provide clarification on a number of areas including how to measure fair value when a market becomes less active.

IAS 32 *Financial Instruments: Presentation (amendment)*

This amendment to IAS 32 clarifies the meaning of “currently has an enforceable right to set-off” and the application of the IAS 32 offsetting criteria application to settlement systems. The amendment is effective for periods commencing on or after 1 January 2014.

5. Segmental information

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

6. Revenue and operating expenses

Revenue, all of which derives from continuing operations, relates to the provision of educational services in the UK.

Operating expenses may be analysed as follows:

	2012	2011
	£000	£000
Staff and other direct costs	36,103	32,395
Administrative expenses	13,595	11,777
	49,698	44,172
Depreciation and amortisation	4,095	3,734
	53,793	47,906
<i>Operating expenses include:</i>		
Auditors remuneration – audit of the financial statements	25	12
Auditors remuneration – statutory audits of subsidiaries	43	42
Other fees paid to the auditors	68	6
Depreciation - owned assets	3,857	3,367
Depreciation - leased assets	238	367
Operating lease expense - land and buildings	2,480	2,684
Operating lease expense - plant and equipment	-	50

Other fees payable to the auditors relate to corporate finance services with respect to developing financial forecasting models.

7. Finance costs

	2012	2011
	£000	£000
Interest on parent company loan	1,368	3,618
Finance charges payable under finance leases	38	37
Other interest payable	38	53
	1,444	3,708

8. Information regarding directors and employees

	2012	2011
	£000	£000
Wages and salaries	24,358	22,999
Social security costs	2,336	2,134
Other pension costs	1,446	1,338
	28,140	26,471

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

	Number	Number
Directors	6	6
Head teachers	18	19
Teachers and tutors	551	523
Office administration	87	83
Others	32	23
	694	654

	2012	2011
	£000	£000
Directors' emoluments	668	706
Directors' pension contributions to money purchase schemes	14	14
	682	720

Information regarding the highest paid Director is as follows:

Emoluments	149	134
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One director accrued pension benefits under defined contribution schemes in 2012 (2011: 1).

9. Taxation

The major components of tax credit for the years ended 31 August 2012 and 2011 were:

Consolidated income statement	2012	2011
	£000	£000
<i>Current tax:</i>		
Current tax charge	-	-
Adjustments in respect of current tax of previous year	-	-
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	(863)	-
Tax losses	(1,774)	-
Tax credit reported in the statement of comprehensive income	(2,637)	-

A reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 August 2012 and 2011 is as follows:

	2012	2011
	£000	£000
Accounting profit before tax	2,643	1,226
At UK corporation tax rate of 25.16% (2011: 27.16%)	665	333
Recognition of previously unrecognised deferred tax assets relating to temporary differences	(863)	-
Capital allowances less than/(in excess of) depreciation	340	254
Utilisation of previously unrecognised tax losses	(583)	(397)
Recognition of previously unrecognised losses	(1,774)	-
Non-deductible expenses / (income not taxable)	14	(27)
Group relief	(416)	-
Other tax adjustments	(20)	(163)
Tax credit	(2,637)	-

9. Tax continued

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
	£000	£000	£000	£000
Accelerated depreciation for tax purposes	863	-	(863)	-
Unutilised tax losses	8,979	7,205	(1,774)	-
Difference between deemed cost of land and buildings and tax base cost	(7,205)	(7,205)	-	-
	2,637	-	(2,637)	-
Deferred tax income				

Reflected in the balance sheet as follows:

Deferred tax assets	2,637	-
Deferred tax liabilities	-	-
Net deferred tax assets	2,637	-

Reconciliation of net deferred tax assets

	2012	2011
	£000	£000
Opening balance	-	-
Tax credit during the period	2,637	-
Recognised in other comprehensive income	-	-
Closing balance	2,637	-

The Group has tax losses of £7,712,000 (2011: £10,030,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The book cost of properties owned by the Group is £31.324m higher than the tax base cost. This represents a temporary difference for deferred tax purposes and a subsequent deferred tax liability is recognised. However, this liability may be offset against a deferred tax asset arising from the Company's immediate parent company, as the immediate parent company will have tax losses arising sufficient to cover the reversal of the temporary timing differences which it has undertaken to make available to the Company as necessary.

Change in Corporation Tax rate

In the Budget of 21 March 2012, the Chancellor of the Exchequer announced further tax changes which, if enacted in the proposed manner, could have a significant effect of the Group's future tax position. The Budget proposed a continued decrease in the rate of UK corporation tax from 24% to 22% over the period to April 2014. The Finance Bill 2011 achieved Royal Assent on 17 July 2012 which has now confirmed the future rate of corporation tax at 23% for the period commencing 1 April 2013.

The effect of the further reduction in the tax rate, from 23% to 22% as discussed in the Budget on 21 March 2012 would be to reduce the deferred tax asset above by £115,000.

10. 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					
At 1 September 2010	72,749	3,200	11,875	10,961	98,785
Additions	7,585	19	228	5,801	13,633
Disposals	(3,370)	-	-	(1,786)	(5,156)
At 31 August 2011	76,964	3,219	12,103	14,976	107,262
Additions	7,156	7	1,165	4,056	12,384
Disposals	-	-	-	-	-
At 31 August 2012	84,120	3,226	13,268	19,032	119,646
Depreciation and impairment					
At 1 September 2010	-	-	3,181	6,806	9,987
Depreciation charge for the year	739	64	575	2,356	3,734
Disposals	(38)	-	-	(483)	(521)
At 31 August 2011	701	64	3,756	8,679	13,200
Depreciation charge for the year	766	64	610	2,655	4,095
Disposals	-	-	-	-	-
At 31 August 2012	1,467	128	4,366	11,334	17,295
Net book value					
At 31 August 2012	82,653	3,098	8,902	7,698	102,351
At 31 August 2011	76,263	3,155	8,347	6,297	94,062
At 31 August 2010	72,749	3,200	8,694	4,155	88,798

Finance leases The carrying value of plant and equipment held under finance leases at 31 August 2012 was £189,000 (2011: £397,000). Additions during the year include £30,000 (2011: £423,000) under finance leases

Land and buildings with a carrying amount of £94,653,000 (2011: £87,765,000) are subject to a first charge to secure certain loans of the immediate parent company (note 14).

11. Intangible assets

	Goodwill	Other	Total
	£000	£000	£000
Cost			
At 1 September 2010 and at 31 August 2011 and 2012	7,923	32	7,955
Provision for impairment			
At 1 September 2010 and at 31 August 2011 and 2012	5,717	-	5,717
Net book value			
At 1 September 2010 and 31 August 2011 and 2012	2,206	32	2,238

Goodwill has been allocated, for impairment testing, to cash generating units which may be individual schools or colleges or groups of schools and colleges. Of the net book value of £2.206m at 31 August 2012, £1.808m relates to a portfolio of 11 schools and colleges acquired in 2002. The recoverable value of goodwill is subject to annual impairment review based on value in use.

Key assumptions used in value in use calculations

The key assumptions for the value in use calculations are changes in short/medium term revenue and costs. The Group prepares discounted cash flow forecasts covering a five year period. Cash flows beyond this period are extrapolated using a long term growth rate of 2% per annum. These cash flows have then been discounted at a pre-tax rate of 8.2% (2011: 6.3%) per annum.

Sensitivity to changes in assumptions

Short/medium term revenue and costs are most sensitive to the following assumptions:

- Projected pupil/student numbers
- Annual fees per pupil/student

Management believes that no reasonably likely change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

12. Trade and other receivables

	2012	2011
	£000	£000
Trade receivables	496	639
Other receivables	487	259
Prepayments and accrued income	1,486	1,319
	2,469	2,217

Trade receivables are non-interest bearing.

As at 31 August, trade receivables with an initial value of £482,000 (2011: £858,000) were impaired and fully provided for. Movements in the provision for impairment of receivables are shown below:

	£000
At 1 September 2010	596
Charge for the year	309
Utilised	(47)
At 31 August 2011	858
Charge for the year	4
Utilised	(25)
Unused amounts reversed	(355)
At 31 August 2012	482

Ageing analysis of receivables not impaired

	2012	2011
	£000	£000
<30 days	877	644
30-60 days	11	88
60-90 days	8	32
> 90 days	87	134
	983	898

The Group adopts robust collection procedures with regard to outstanding receivables. All of the non-current amounts disclosed above are considered collectable. There are no significant concentrations of credit risk.

13. Cash and short term deposits

	2012	2011
	£000	£000
Cash at bank and in hand	1,632	2,679

Cash at bank is held in non-interest bearing current accounts.

14. Loans and borrowings

	2012	2011
	£000	£000
Current loans and borrowings		
Amounts due to immediate parent company	-	1,500
Obligations under finance leases	95	224
	95	1,724
Non current loans and borrowings		
Amounts due to immediate parent company	58,447	57,733
Obligations under finance leases	144	200
	58,591	57,933

Amounts owed to the immediate parent company, DV4 Holdings Alpha Plus Co. Ltd, are unsecured. The Company and its subsidiaries, however, are obligors and guarantors of the immediate parent company's bank loan facility and have granted first charges over their assets and undertakings.

Interest is due on the element of the immediate parent company loan which relates to the immediate parent company's banking facility at a fixed interest rate of 3.295% (2011: 3.295%) per annum.

At 31 August 2012, the Group had £4 million (2011: £4 million) of undrawn committed borrowing facilities.

15. Share capital

	2012	2011
	£000	£000
5,000 Ordinary Shares of £1 each	5	5
1 Preference Share of £1	-	-
	5	5

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.

16. Trade and other payables

	2012	2011
	£000	£000
Trade payables	2,460	765
Other payables	6,786	6,382
Social security and other taxes	696	617
Accruals	2,196	1,182
Deferred income	13,867	11,237
	26,005	20,183

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled in accordance with the supplier's normal terms of business.
- Other payables are non-interest bearing and have an average term of less than six months.

Accruals include interest payable on the loan from the immediate parent company (note 14) of £565,000 (2011: £160,000).

17. Related party disclosures

Balances and transactions between the Company and its wholly owned subsidiaries listed below (all of which are related parties and are incorporated in England and Wales) have been eliminated on consolidation and so are not disclosed in this note:

Alpha Plus Group Limited
Alpha Plus Schools Limited
Alpha Plus Education Limited
Abbey College Limited
A.W. & P. Patton Limited

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 disclosed in note 14, at 31 August 2012 the Group owed £58,447,000 (2011: £59,233,000) to its immediate parent company. The Company and its subsidiaries are obligors and guarantors of the immediate parent company's bank loan facilities and have granted first charges over their assets and undertakings. Interest payable to the immediate parent company in the year amounted to £1,368,000 (2011: £3,618,000).

This financial information represents the smallest and largest group of which the Company is a member and for which consolidated information is publicly available.

Compensation of key management personnel

Key management personnel comprise the Company's Board of Directors. The amounts in the table below were recognised as an expense in the reporting period:

	2012	2011
	£000	£000
Short-term employment benefits (including employers national insurance)	726	805
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transactions	-	-
	726	805

18. Commitments and contingencies

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 August were as follows:

	Land and buildings	
	2012	2011
	£000	£000
Not later than one year	2,418	2,461
After one year but not more than five years	7,891	8,375
After five years	6,407	6,631
	16,716	17,467

Finance lease commitments

The Group has entered into finance leases for various items of office equipment principally photocopiers. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	2012		2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	£000	£000	£000
Not later than one year	126	95	256	224
After one year but not more than five years	152	144	215	200
After five years				
Total minimum lease payments	278	239	471	424
Less amounts representing finance charges	(39)		(47)	
Present value of minimum lease payments	239		424	

The Group has no contingent leasing commitments.

Capital commitments

At 31 August 2012, the Group was committed to capital expenditure totalling £1,035,000 (2011: £4,757,000).

Contingent liabilities

The Company has entered into cross-guarantees with its subsidiary undertakings and its immediate parent company DV4 Holdings Alpha Plus Co. Ltd, with respect to obligations relating to the full balance of bank borrowings of £40,237,000.

In addition, 9 (2011: 9) 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, in the event of

the Group withdrawing from the scheme, an amount of £147,000 would be payable into this scheme as at 30 September 2011 (the most recent date for which information is available).

19. 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 a loan from the parent company, the main purpose of which is to finance the Group's operations including the Group's trade and other receivables/payables and cash and short-term deposits that arise directly from its operations. The Company and its subsidiaries are guarantors and obligors of the parent company's bank loan facility interest. The parent company has confirmed that interest rate risk is hedged through the use of appropriate derivative instruments including interest rate swaps. The parent company recharges interest on its bank loan facility, and the related hedging costs, to the Group which effectively then bears a fixed rate of interest.

Interest rate sensitivity

An increase of 100 basis points in the floating interest rate payable by the parent company and hence recharged to the Group would have no impact on the finance costs charged to the income statement or to the carrying value of equity attributable to equity shareholders.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, which shows relatively low volatility than seen in previous years.

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 cash deposits.

Trade receivables

The Group considers the credit risk in respect to trade receivables to be low, as all fees are payable in advance and the Group reserves the right to exclude a particular pupil/student where fees remain unpaid. Outstanding customer receivables are regularly monitored by each school or college and debt collection agents/solicitors are engaged wherever appropriate.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's head office finance department. Any surplus funds are held on current account or short term deposit with approved counterparties, usually UK clearing banks. Counterparty credit limits are reviewed by the Directors and are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group's maximum exposure to credit risk for the components of the balance sheet at 31 August 2012 and 2011 is the carrying amounts indicated in this note 19.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring regularly updated cash flow forecasts. The Group has assessed the risk of being unable to refinance its debt and has concluded it to be low (as further explained in note 2 "Going Concern").

Details of undrawn committed borrowing facilities are set out in note 14.

Other business risks

The Group's ability to attract pupils and students can be adversely impacted by the general economic environment. Consideration is given to this when establishing tuition fee levels. The Group could also be negatively impacted by matters affecting the reputation of the Group's educational operations. The Group has rigorous internal review procedures to ensure maintenance of educational standards and compliance with all relevant regulations. In addition, the Group's schools and colleges are subject to regular inspection by Ofsted and the Independent Schools Inspectorate and all have been rated excellent, outstanding or good in the most recent inspections.

The Group also has appropriate business continuity and IT security contingency plans in place.

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

	On demand	< 3 mths	3-12 mths	1-5 years	Total
	£000	£000	£000	£000	£000
At 31 August 2012					
Interest-bearing loans and borrowings	-	331	994	58,447	59,772
Obligations under finance leases	-	24	71	144	239
Trade and other payables	-	2,460	6,786	-	9,246
Total	-	2,815	7,851	58,591	69,257
At 31 August 2011					
Interest-bearing loans and borrowings	-	344	1,031	59,233	60,608
Obligations under finance leases	-	56	168	200	424
Trade and other payables	-	765	6,382	-	7,147
Total	-	1,165	7,581	59,433	68,179

Capital management

Capital includes net debt and equity attributable to the equity holders of the parent. The Group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. The primary objective of the Group's capital management is to ensure that it maintains a debt/equity ratio below 300% to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2012 and 31 August 2011.

	2012	2011
	£000	£000
Interest-bearing loans and borrowings	58,447	59,233
Obligations under finance leases	239	424
Less: cash and short-term deposits	(1,632)	(2,679)
Net debt	57,054	56,978
Equity	26,636	21,356

Total capital	83,690	78,334
Net debt to equity ratio	214%	267%

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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	983	898	983	898
Cash	1,632	2,679	1,632	2,679
Total	2,615	3,577	2,615	3,577
Financial liabilities				
Trade and other payables	9,246	7,147	9,246	7,147
Interest-bearing loans and borrowings	56,657	57,449	58,447	59,233
Obligations under finance leases	239	424	239	424
Total	66,142	65,020	67,932	66,804

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

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of long-term borrowings is evaluated by the Group by discounting expected future cash flows at prevailing market rates for instruments with substantially the same terms and characteristics.

20. Pensions and other post-employment benefit plans

At 31 August 2012 the Group had 226 (2011: 220) staff who were members of the Teachers' Pension Scheme, an unfunded defined benefit pension scheme. The last formal actuarial valuation undertaken for this scheme was in 2004. Actuarial valuations for unfunded public service pension schemes were subsequently suspended by HM Treasury. The Group is, consequently, unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis. This scheme has, therefore, been treated as a multi-employer defined contribution scheme in this financial information.

In addition, 9 (2011: 9) 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 but the Group has been notified by the trustee of this scheme that, as at 30 September 2011 (the most recent date for which information is available), in the event of the Group withdrawing from the scheme, an amount of £147,000 would be payable into this scheme.

21. Adoption of International Financial Reporting Standards

This financial information, for the year ended 31 August 2012, is the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 August 2011, the Group prepared its financial information in accordance with United Kingdom generally accepted accounting practice (UK GAAP). Accordingly, the Group has prepared financial information that complies with IFRS applicable for the periods ending on or after 31 August 2012, together with the comparative period data as at and for the year ended 31 August 2011, as described in the accounting policies. In preparing this financial information, the Group's opening statement of financial position was prepared as at 1 September 2010, the Group's date of transition to IFRS. The principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 September 2010 and its previously published UK GAAP financial information as at and for the year ended 31 August 2011 are detailed below.

	Note	At 31 August 2011	At 31 August 2010
		£000	£000
Equity under UK GAAP		21,082	20,025
IAS 38 - goodwill	1	184	-
IAS 38 - negative goodwill	2	280	295
IAS 12 -deferred tax liability	3	(7,205)	(7,205)
IAS 12 - deferred tax losses	4	7,205	7,205
Other adjustments		(190)	(190)
Equity under IFRS		21,356	20,130

The adjustments above are after taxation

		Year to 31 August 2011
		£000
Profit under UK GAAP		1,057
IAS 38 - goodwill	1	184
IAS 38 - negative goodwill	2	(15)
Total comprehensive income under IFRS		1,226

On transition to IFRS the Group has changed the sections in its cash flow from the seven sections required under UK GAAP to operating activities, investing activities and financing activities.

IFRS Conversion Adjustments

1. Under UK GAAP, goodwill was capitalised and amortised over its useful economic life. Under IAS 38 – “Intangible Assets” goodwill is initially considered to have an indefinite life but is subject to an annual impairment review. Goodwill amortisation in the year ended 31 August 2011 has, therefore, been reversed. No adjustment has been made to the carrying value of goodwill as at the IFRS transition date of 31 August 2010.

2. IAS 38 does not permit the recognition of negative goodwill and consequently the UK GAAP balance as at 31 August 2010 has been credited to retained earnings.

3. The fair values of land and buildings at 31 August 2010 have been treated as deemed cost as at the date of IFRS transition. Since these fair values exceed tax base cost a deferred tax liability has been recognised in accordance with IAS 12.

4. To the extent that a deferred tax liability may crystallise as a consequence of the disposal of a property at a value equal to deemed cost, then the immediate parent company has undertaken to make available to the Group tax losses sufficient to cover such liability and a deferred tax asset has been recognised accordingly.

GENERAL INFORMATION

1. Authorisations

The issue of the Bonds was duly authorised by resolutions of the Board of Directors of the Company dated 1 November 2012 and 22 November 2012 and resolutions of a committee of the Board of Directors of the Company dated 20 November 2012 and 22 November 2012.

The Company has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Bonds.

2. Listing and Admission to Trading

It is expected that official listing will be granted on or about 19 December 2012, after the publication of the Sizing Announcement subject only to the issue of the Global Bond. Application will be made after publication of the Sizing Announcement to the UK Listing Authority for the Bonds to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for such Bonds to be admitted to trading on the London Stock Exchange's regulated market and through the ORB of the London Stock Exchange. Admission of the Bonds to trading is expected to occur on 19 December 2012.

The amount of expenses related to the admission to trading of the Bonds will be specified in the Sizing Announcement.

3. Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Bonds will be accepted for settlement in Euroclear UK & Ireland (CREST) via the CREST Depositary Interest (CDI) mechanism. Interests in the Bonds may be held through CREST through the issuance of CDIs representing the Underlying Bonds. The ISIN for the Bonds is XS0853358801 and the Common Code 085335880.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert U, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

4. No significant change

There has been no material adverse change in the prospects of the Company or the Group and no significant change in the financial or trading position of the Company or the Group since 31 August 2012 (being the end of the last financial period of the Company for which audited or interim financial statements have been published).

5. Litigation

There have not been any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

6. Auditors of the Company

The auditor of the Company for each of the financial years ended 31 August 2011 and 31 August 2012 was Ernst & Young LLP, of 1 More London Place, London SW1 2AF, United Kingdom, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

7. U.S. tax

The Bonds and Coupons will contain the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

8. **Documents Available**

For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the registered office of the Company and from the registered office of the Principal Paying Agent for the time being:

- (a) the articles of association of the Company for the time being;
- (b) the most recently published audited consolidated annual financial statements of the Company and the most recently published interim financial statements (if any) of the Company, in each case together with any audit or review reports prepared in connection therewith;
- (c) the Valuation Report (as defined below);
- (d) the Accountant’s Report (as defined below);
- (e) the Trust Deed, the Security Deed and the Paying Agency Agreement; and
- (f) a copy of this Prospectus together with any supplement to this Prospectus or any further prospectus.

9. **Consent**

Details of the valuation of the Group’s properties by the Gerald Eve LLP (the “**Valuer**”) has been included in this Prospectus, in the form and context in which it is included, with the consent of the Valuer who has authorised the contents set out in “*Valuation Report*” (the “**Valuation Report**”). The address of the Valuer is 72 Welbeck Street, London W1G 0AY. The valuation has been prepared in accordance with “Valuation – Professional Standards (2012)” published by the Royal Institute of Chartered Surveyors. The Company affirms that there has been no material change since 1 September 2012. The Valuer has no material interest in the Company or the Group.

Ernst & Young LLP has given and not withdrawn its consent to the inclusion herein of its report in the form and context in which such report appears as set out in “*Financial Information*” (the “**Accountant’s Report**”), and has authorised the contents of the parts of this Prospectus which comprise its report for the purposes of Rule 5.5.4 R(2)(f) of the Prospectus Rules. Ernst & Young LLP has no material interest in the Company.

10. **Yield**

The yield of the Bonds is 5.75 per cent. per annum calculated on the basis of the Issue Price and as at the date of this Prospectus. It is not an indication of future yield.

11. **Manager transacting with the Company**

The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may provide services to, the Company and their affiliates in the ordinary course of business.

12. **Material Contracts**

There are no material contracts entered into other than in the ordinary course of the Company’s business which could result in any member of the Group being under an obligation or entitlement that is material to the Company’s ability to meet its obligations to Bondholders in respect of the Bonds being issued.

13. **Third Party Information**

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced, and as far as the Company is aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

THE COMPANY

Alpha Plus Holdings plc
50 Queen Anne Street
Marylebone
London W1G 8HJ

MANAGER

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

TRUSTEE

Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

LEGAL ADVISERS

To the Company as to English law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

To the Manager and the Trustee as to English law

Allen & Overy LLP
1 Bishops Square
London E1 6AD

AUDITORS

To the Company

Ernst & Young LLP
1 More London Place
London SE1 2AF

VALUER

Gerald Eve LLP
72 Welbeck Street
London W1G 0AY