



Annual report and  
financial statements  
Cambridge Arts & Sciences  
Limited

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For the year ended 31 August 2020

## Officers and professional advisers

<b>Company registration number</b>	03454690
<b>Registered office</b>	Elizabeth House High Street Chesterton Cambridge Cambridgeshire CB4 1NQ United Kingdom
<b>Directors</b>	C A J Stacey J He D M Li
<b>Independent auditors</b>	Deloitte LLP 1 Station Square Cambridge CB1 2GA United Kingdom

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## Strategic report

The directors present their strategic report on the company for the year ended 31 August 2020.

### Principal activities

The principal activity of the company during the year was the provision of high school programmes as part of CATS Colleges (“CATS”).

CATS, established in 1952, is a UK-based global group that specialises in the provision of high quality academic and English language programmes to international students across the UK, USA, Canada and China.

The international education sector remains an attractive and growing market with demographic trends driving an increased demand for Western education from the emerging markets. A growing middle class in the emerging markets with rising disposable incomes and lack of university places are the drivers for future market growth.

The underlying principles across the group are:

- world-class provision of classroom based teaching in the English language;
- helping our students to achieve entry to the best universities according to their aspirations and abilities;
- continuous investment into state-of-the-art facilities which is evident at sites in London, Canterbury, Cambridge, Boston and Shanghai; and
- exceptional pastoral care ensures that our students’ educational experience is also safe, healthy and enjoyable.

### Business review

The company saw a decrease in student numbers and revenue for the year decreased by 5.3% attributable to COVID-19 pandemic (2019: increased 9.4% driven by an improved offering in student accommodation, favourable pricing and higher ancillary revenue).

Cost saving initiatives were implemented to offset the adverse impact of Covid-19 pandemic on revenues across the group, such as reduction in headcount and utilisation of government support initiatives further details is disclosed in note 20.

Turnover from accommodation services for the group was adversely impacted by the pandemic and related travel restrictions resulting in muted performance. This is expected to continue through our financial year ended 2021. We continue to monitor this area as the costs associated are fixed commitments for the Group.

Due to the impact of the COVID-19 pandemic, resulting in restrictions on international travel, quarantines, lack of access to adequate testing and the absence of a vaccination programme at the time. There has been an adverse effect on short-course demand and turnover, these would typically be offered through summer school activities taking place in towards the last quarter of our financial period.

Bright Scholar Education Holdings Limited (“Bright Scholar”) is the parent company and is incorporated in the Cayman Islands and listed on the New York Stock Exchange. Bright Scholar Education Holdings Limited is the smallest and largest group which prepares publicly available consolidated financial statements that incorporate the results of the company. Bright Scholar is the largest operator of international and bilingual schools in China. Further disclosure is in note 21.

The company had net assets of £15,202,000 as at 31 August 2020 (2019: £14,520,000).

The accompanying accounting policies and notes form part of these financial statements.

## Strategic report (continued)

In the opinion of the directors the state of the company's affairs at 31 August 2020 was satisfactory and they hope to continue to see operating profitability in future periods.

### Future developments

As a group, we will continue to increase the number of student centres in key and iconic locations and continue in 2020/21 to look for ways to develop our offering, especially in the area of modern facilities to improve the quality of the student experience. The Group has transitioned to online lesson formats for students, and investment continues in this area to ensure we provide all students with a class leading online educational experience. This area of investment allows the group to maintain existing revenue streams and is actively investigating the future opportunities within the online learning environment. Therefore, we expect future growth in performance, notwithstanding the temporary uncertainty caused by COVID-19, which in itself is discussed further in note 20.

### Financial key performance indicators

The Board and management use the following Key Performance Indicators (KPIs) to monitor the success of the business:

- revenue growth;
- operating profit before exceptional costs, depreciation and amortisation as a percentage of revenue;
- revenue per employee; and
- recurring operating profit per employee.

During the year:

- revenue decreased and was £1,501,000 below 2019;
- operating margins before depreciation decreased to 3.9% from 6.7%;
- revenue per employee increased by 8.8% from £102,000 to £111,000;
- operating profit before depreciation per employee decreased 36.2% from £6,841 to £4,363.

### Section 172

The Directors have always considered the wider interests of internal and external stakeholders during the decision-making process and the additional reporting requirements introduced in 2019 aim to improve disclosure in this area. This includes a requirement for Directors to demonstrate how they have discharged their obligations in Section 172 of the Companies Act 2006 ("S172"). The Directors' S172 statement is given below.

### Statement on section 172

As Directors, we are mindful of the need to create value and deliver benefit to all stakeholders. In considering our purpose together with our strategic vision and commercial priorities, we balance outcomes for our business partners, customers, employees and the impact on local communities and the environment, as well as delivering long-term sustainable growth for our shareholders.

## Strategic report (continued)

### Section 172 states that:

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term
- b) the interests of the company's employees
- c) the need to foster the company's business relationships with suppliers, customers and others
- d) the impact of the company's operations on the community and the environment
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company

The factors listed in the S172 statement are integral to most of the significant decisions taken by the Directors. The Directors are satisfied that the information provided by management, and other stakeholders, via reporting, performance updates and key performance measures is of sufficient quality to allow the Directors to have due regard for each of the factors.

### Principal risks and uncertainties

In common with other businesses of a similar nature, the group is exposed to a variety of risks and uncertainties. The directors believe the principal risks are:

- impact of changes in immigration policies and visa application processes;
- global reduction in international movement of students;
- adverse movements exchange rates; and
- significant disruption in the trading ability of the group due to one-off global disasters such as the global Covid-19 pandemic (Note 20).

The policies and procedures that in place to monitor and manage these risks include:

- investing and operating in more than one country to disaggregate the geographical, political and currency risks;
- operating the business in a number of different but related market segments; and
- employing staff, consultants and professional advisors with appropriate competences to mitigate both current and foreseeable business risks; and
- Ensuring a robust business continuity plan is in place to ensure mitigation of risks associated with the Global pandemic (Note 20).

### Financial risk management objectives and policies

The company's financial risk management policies and objectives are integrated into those of the wider group. The group uses various financial instruments including intra-group loans, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is working capital for the group's operations, and finance for capital investment.

The main risks arising from the group's financial instruments are liquidity risk, foreign exchange risk, price risk and credit risk. The directors review and agree policies for managing each of these risks and, as they relate to the company, they are summarised below.

The accompanying accounting policies and notes form part of these financial statements.

## Strategic report (continued)

### **Liquidity risk**

The group seeks to manage financial risk by preparing detailed cash flow forecasts and ensuring sufficient liquidity is available to meet foreseeable needs. Short-term flexibility is achieved by a group backed bank lending facility.

### **Foreign exchange risk**

The company operates in the United Kingdom and prices its services in pounds sterling and so is exposed to foreign currency risk because international students may experience currency exposures which could affect competitive advantage.

### **Price risk**

The group seeks to manage price risk by setting price lists for all products and agreeing policies and approval procedures for discounts and other price incentives such as bursaries.

### **Credit risk**

The company's principal financial assets are cash and trade debtors.

In order to manage credit risk the directors prioritise the credit control function and clear guidelines are in place for dealing with slow payers.

This report was approved by the board and signed on its behalf by:



C A J Stacey  
Director

26 February 2021

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2020.

### Results and dividends

The profit for the financial year amounted to £682,000 (2019: £1,190,000). No dividends were paid during the year (2019: £nil). The directors do not recommend the payment of a final dividend for the year (2019: none).

### Directors

The directors who served the company during the year and up to the date of signing of the financial statements were as follows:

D I Newton	Resigned 31 March 2020
C A J Stacey	
J He	Appointed 1 September 2020
D M Li	Appointed 1 September 2020

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Employee involvement

Through regular meetings and other internal communications, the company keeps employees informed of and consulted on matters affecting them as employees and of the financial and economic factors affecting the performance of the company. Where relevant and appropriate, employees are eligible for performance related remuneration based on the achievement of personal and corporate objectives.

### Future developments

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

### Business Relationships

Business relationships with suppliers and customers are of strategic importance and are covered in the Section 172 statement in the Strategic Report on Page 4 and form part of this report by cross-reference.

### Streamlined Energy and Carbon Reporting

The company has adopted Streamlined Energy and Carbon reporting in compliance with the 2018 regulations. The current year is the first year of adoption and as such no comparative information is presented. The full details are disclosed in (Note 22).

### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including liquidity risk, foreign exchange risk, price risk, credit risk and cashflow risk; management's approach to addressing these risks can be found in the Strategic Report on pages 5 to 6 and form part of this report by cross-reference.

The accompanying accounting policies and notes form part of these financial statements.

## Directors' report (continued)

### Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

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



C A J Stacey  
Director

26 February 2021

The accompanying accounting policies and notes form part of these financial statements.

## Independent auditors' report to the members of Stafford House Companies Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Stafford House Companies Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its Profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22, which include a description of the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The accompanying accounting policies and notes form part of these financial statements.

## Independent auditors' report to the members of Stafford House Companies Limited (continued)

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

## Independent auditors' report to the members of Stafford House Companies Limited (continued)

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors

As explained more fully in the statement of directors' responsibilities per page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## Independent auditors' report to the members of Stafford House Companies Limited (continued)

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Aylott FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Cambridge  
United Kingdom  
26 February 2021

## Income statement

For the year ended 31 August 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	6	26,644	28,145
Cost of sales		(14,024)	(14,583)
<b>Gross profit</b>		<u>12,620</u>	<u>13,562</u>
Other income	7	463	-
Administrative expenses		(12,284)	(12,718)
<b>Operating profit</b>	8	<u>799</u>	<u>844</u>
Interest income	10	-	636
<b>Profit before taxation</b>		<u>799</u>	<u>1,480</u>
Tax on profit	11	(117)	(290)
<b>Profit for the financial year</b>		<u><u>682</u></u>	<u><u>1,190</u></u>

All of the activities of the company are classed as continuing.

## Statement of comprehensive income

For the year ended 31 August 2020

	2020 £'000	2019 £'000
<b>Profit for the financial year</b>	<u>682</u>	<u>1,190</u>
<b>Total comprehensive income for the year</b>	<u><u>682</u></u>	<u><u>1,190</u></u>

The accompanying accounting policies and notes form part of these financial statements.

## Statement of financial position

As at 31 August 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible assets	12	369	401
		<u>369</u>	<u>401</u>
<b>Current assets</b>			
Debtors	13	41,174	30,298
Cash at bank and in hand	14	2,774	5,450
		<u>43,948</u>	<u>35,748</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(29,115)</u>	<u>(21,629)</u>
<b>Net current assets</b>		<u>14,833</u>	<u>14,119</u>
<b>Total assets less current liabilities</b>		<u>15,202</u>	<u>14,520</u>
<b>Net assets</b>		<u>15,202</u>	<u>14,520</u>
<b>Capital and reserves</b>			
Called-up share capital	17	-	-
Retained earnings	17	15,202	14,520
<b>Shareholders funds</b>		<u>15,202</u>	<u>14,520</u>

These financial statements on pages 13 to 32 were approved by the directors and authorised for issue on 26 February 2021 and are signed on their behalf by:



C A J Stacey  
 Director

Company Registration Number: 03454690

## Statement of cash flows

For the year ended 31 August 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		682	1,190
Adjustments for:			
Tax on profit on ordinary activities		117	290
Net interest income		-	(636)
<b>Operating profit</b>		<u>799</u>	<u>844</u>
Depreciation	12	248	1,044
Loss on disposal of assets		20	-
Movements in working capital:			
(Increase)/decrease in debtors	13	(10,912)	8,400
Increase/(decrease) in creditors	15	7,486	(7,526)
Corporation tax paid		(81)	-
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(2,440)</u>	<u>2,762</u>
<b>Cash flow for investing activities</b>			
Purchase of tangible assets	12	(236)	(197)
<b>Net cash used in investing activities</b>		<u>(236)</u>	<u>(197)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	14	(2,676)	2,565
<b>Cash and cash equivalents at 1 September</b>	14	5,450	2,885
<b>Cash and cash equivalents at 31 August</b>	14	<u>2,774</u>	<u>5,450</u>

## Statement of changes in equity

For the year ended 31 August 2020

	Called-up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>At 1 September 2018</b>	-	13,330	13,330
Profit for the financial year	-	1,190	1,190
Total comprehensive income for the financial year	-	1,190	1,190
<b>At 31 August 2019</b>	-	14,520	14,520
Profit for the financial year	-	682	682
Total comprehensive income for the financial year	-	682	682
<b>At 31 August 2020</b>	-	15,202	15,202

# Notes to the financial statements

## 1 General information

Cambridge Arts & Sciences Limited (“the company”) is a private limited company limited by shares and incorporated in England, United Kingdom under the Companies Act. The address of the registered office, which is also the principal place of business, is given on page 1. The principal activity of the company is the provision of pre-university study programmes to enable international students to meet the entry requirements for a UK university degree course.

## 2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and the Companies Act 2006. The Group has applied the amendments to FRS 102 issued by the FRC in December 2017 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

## 3 Summary of significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and prior year in these financial statements.

### a) Basis of preparation

These financial statements have been prepared on a going concern basis under the historic cost method.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Values are presented in thousands of pounds sterling except where the nature of the disclosure or the value disclosed is such that disclosure in pounds sterling is more appropriate.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### b) Going concern

The group (comprises the companies where CATS Colleges Holdings Limited is the direct parent), of which the company is a part, meets its day-to-day working capital requirements through its cash and cash equivalents and intra-group loans. The directors have prepared both detailed budgets and long term forecasts for the group, taking account of reasonably possible changes in trading performance. After making enquiries, the directors have a reasonable expectation that both the group and company have adequate resources to continue in operational existence for the foreseeable future, within the level of existing liabilities and to meet long term liabilities as they fall due. The company has received a letter of support from its parent company Bright Scholar Education Holdings Limited, to provide support as required to ensure business continuity. Business continuity plans and cash flow forecasts which are prepared on a rolling forecast methodology ensure that the company and group have access to sufficient cash assets to meet its operating requirements. The company has seen growth within net assets in the current year. The company therefore continues to adopt the going concern basis in preparing its financial statements. Further guidance on going concern is disclosed in Note 20.

## Notes to the financial statements (continued)

### 3 Summary of significant accounting policies (continued)

#### c) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions are recognised in the income statement.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of pounds sterling at the rates of exchange ruling at the balance sheet date. Gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net interest income. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

#### d) Revenue

Revenue is stated net of VAT (if applicable) and is recognised when the significant risks and rewards are considered to have transferred to the buyer.

Revenue shown in the income statement represents amounts receivable in respect of the provision of educational and tuition services and is recognised as the performance of those services occurs.

Where a contract has only been partially completed at the balance sheet date, revenue represents the fair value of the services provided to date, based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, those amounts are recorded as deferred income or, if potentially refundable within the terms of the contract, as other creditors, both as part of creditors due within one year.

#### e) Interest

Interest income is recognised in the period in which it is earned using the effective interest rate method.

#### f) Operating leases

Operating leases are arrangements where substantially all of the benefits and risks of ownership remain with the lessor and rentals under such arrangements are charged against profits on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement to reduce the lease expense, on a straight-line basis over the whole life of the lease.

## Notes to the financial statements (continued)

### 3 Summary of significant accounting policies (continued)

#### g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into an arrangement separate from the group. Once the contributions have been paid, the group has no further payment obligations. The contributions are recognised as an expense when they are due. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

The company operates a number of annual bonus plans for employees. An expense is recognised in the income statement when the group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

#### h) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts to be paid to the tax authorities.

#### i) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements (continued)

### 3 Summary of significant accounting policies (continued)

#### j) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Land and buildings include leasehold schools, colleges, student accommodation and offices. The leasehold buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probably that economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss and included in 'Other operating (losses)/gains'.

#### k) Depreciation and residual values

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	25% straight-line
Plant and equipment	15% - 25% straight-line
Computers	25% straight-line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

#### l) Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of assets. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the income statement unless the asset is carried at revalued amount where impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for impairment loss have ceased to apply.

#### m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### n) Government grants

Government grants are recognised on the accrual basis and any performance requirements are disclosed as required.

## Notes to the financial statements (continued)

### 3 Summary of significant accounting policies (continued)

#### o) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

#### p) Financial instruments

The company has chosen to adopt Section 11 and 12 of FRS 102 in full in respect of financial instruments, subject to the disclosure exemptions described in note 5.

Basic financial assets, including trade and other debtors, amounts owed by group undertakings, accrued income and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Financing transactions are measured at the present value of the future receipts discounted at the market rate of interest and are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

Basic financial liabilities including trade and other creditor, amounts owed to group undertakings and accruals, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. For such transactions the debt instrument is measured at present value of the future receipts discounted at a market rate of interest and subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities then trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends and other distributions to the company's shareholders are recognised as a liability in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

## Notes to the financial statements (continued)

### 3 Summary of significant accounting policies (continued)

#### p) Financial instruments (continued)

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### 4 Critical accounting estimates and judgements

The company makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In the opinion of the directors, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are described below.

#### **Critical judgements in applying the Company's accounting policies**

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

#### **Key sources of estimation uncertainty**

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the financial statements (continued)

### 5 Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- From the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements of the group in which the company is consolidated;
- From the key management personnel compensation disclosures required under FRS 102 paragraph 33.7, as the information is provided in the consolidated financial statement of the group in which the company is consolidated.

Equivalent disclosures are provided in the financial statements Bright Scholar Education Holdings Limited (Note 21).

### 6 Revenue

Revenue and profit before taxation are attributable to the principal activity of the company and all revenues arise within the United Kingdom.

### 7 Other income

Government Grants:

	2020	2019
	£'000	£'000
Coronavirus Job Retention Scheme	463	-

The UK government on 20 March 2020 announced the introduction of the Coronavirus Job Retention Scheme as a part of a comprehensive set of grants offered to companies to ensure continued business continuity. The company was awarded the grant to furlough employees as required; the scheme is set to remain until March 2021.

### 8 Operating profit

Operating profit is stated after charging:

		2020	2019
	Note	£'000	£'000
Depreciation of tangible assets	12	248	1,044
Loss on disposal of assets		20	-
Impairment of trade debtors		144	50
Auditors' fees		15	15
Operating lease costs		4,904	4,975

## Notes to the financial statements (continued)

### 9 Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2020	2019
	No.	No.
Number of teaching and administrative staff	236	226
Number of temporary teaching staff	4	50
	<u>240</u>	<u>276</u>

The aggregate payroll costs of employees were:

	2020	2019
	£'000	£'000
Wages and salaries	6,243	6,646
Social security costs	580	630
Other pension costs	133	103
	<u>6,956</u>	<u>7,379</u>

Directors' remuneration is borne by other group companies and it is deemed not possible to allocate a charge from other group companies.

### 10 Interest income

	2020	2019
	£'000	£'000
Interest receivable and similar income:		
On intra-group loans	<u>-</u>	<u>636</u>

## Notes to the financial statements (continued)

### 11 Tax on profit

#### (a) Tax expense included in the income statement

	2020 £'000	2019 £'000
Current tax:		
UK Corporation tax based on the profit for the year at 19%	131	366
Adjustment in respect of prior periods	(10)	30
Total current tax	<u>121</u>	<u>396</u>
Deferred tax:		
Origination and reversal of timing differences	(8)	(3)
Adjustments in respect of prior periods	4	(103)
Total deferred tax (note 13)	<u>(4)</u>	<u>(106)</u>
Tax on profit	<u><u>117</u></u>	<u><u>290</u></u>

#### (b) Factors affecting tax charge

The tax assessed on the profit before taxation for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19%.

	2020 £'000	2019 £'000
Profit before taxation	<u><u>799</u></u>	<u><u>1,480</u></u>
Profit before taxation multiplied by rate of tax	152	281
Expenses not deductible for tax purposes	37	57
Timing differences	(15)	25
Adjustment in respect of prior periods	(7)	(73)
Tax rate changes	(50)	-
Tax on profit	<u><u>117</u></u>	<u><u>290</u></u>

#### (c) Tax rate changes

Deferred tax balances at 31 August 2020 are measured at the revised rate of 19% (2019: 17%). In April 2016 the UK corporation tax rate reduced to 19%, with a further decrease to 17% being later substantively enacted, with effect from 1 April 2020.

In March 2020 the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future.

## Notes to the financial statements (continued)

### 12 Tangible assets

	Leasehold property £'000	Plant and equipment £'000	Computers £'000	Total £'000
Cost				
At 1 September 2019	2,896	4,670	2,188	9,754
Additions	4	229	3	236
Disposals	(159)	(2,781)	(1,399)	(4,339)
At 31 August 2020	<u>2,741</u>	<u>2,118</u>	<u>792</u>	<u>5,651</u>
Accumulated depreciation:				
At 1 September 2019	2,753	4,431	2,169	9,353
Charge for the year	115	119	14	248
Disposals	(159)	(2,761)	(1,399)	(4,319)
At 31 August 2020	<u>2,709</u>	<u>1,789</u>	<u>784</u>	<u>5,282</u>
Net book value				
At 31 August 2020	<u>32</u>	<u>329</u>	<u>8</u>	<u>369</u>
At 31 August 2019	<u>143</u>	<u>239</u>	<u>19</u>	<u>401</u>

All leasehold properties are for a term of less than 50 years.

## Notes to the financial statements (continued)

### 13 Debtors

	2020	2019
	£'000	£'000
Trade debtors	16	47
Amounts owed by Parent Company	6,005	-
Amounts owed by fellow subsidiary undertakings	32,700	28,711
Deferred taxation	432	468
Prepayments and accrued income	1,959	1,072
Other debtors	62	-
	<u>41,174</u>	<u>30,298</u>

Trade debtors are stated after provisions for impairment of £144,000 (2019: £267,000).

All other group balances are interest-free. All group balances are unsecured, have no fixed date of repayment and are repayable on demand.

The deferred tax asset is the tax effect of timing differences in respect of:

	2020	2019
	£'000	£'000
Excess of depreciation over taxation allowances	405	427
Other short term timing differences	27	41
	<u>432</u>	<u>468</u>

During the year £4,000 of deferred tax was credited to the income statement (2019: £65,000) and it is anticipated that a credit of approximately £432,000 will be made in the next financial year.

### 14 Cash and cash equivalents

	As at 1 September 2019 £'000	Cash flows £'000	As at 31 August 2020 £'000
Net cash:			
Cash at bank and in hand	5,450	(2,676)	2,774
Net funds	<u>5,450</u>	<u>(2,676)</u>	<u>2,774</u>

## Notes to the financial statements (continued)

### 15 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	405	188
Amounts owed to group undertakings	15,425	4,393
Other taxation and social security	2,984	39
Other creditors	2,579	3,633
Accruals	2,101	1,406
Accruals and deferred income	5,621	11,970
	<u>29,115</u>	<u>21,629</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Other creditors include commissions due, deposits and other amounts refundable to students.

### 16 Post-employment benefits

The company operates a defined contribution pension arrangement for the benefit of its employees. The amount recognised as an expense for this arrangement is £133,000 (2019: £103,000).

### 17 Called up share capital and reserves

Allotted, called up and fully paid:

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

The Company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including on winding up) rights and they do not confer any rights of redemption.

The retained earnings reserve represents the cumulative profits and losses, net of dividends paid and other adjustments.

### 18 Related party transactions

As a wholly-owned subsidiary of Bright Scholar (UK) Holdings Limited, the company is exempt from the requirement to disclose transactions with other members of the group.

During the year, purchases amounting to £113,000 (2019: £57,000) were made from Bright Can-Achieve Limited in respect of agent commissions. Bright Can-Achieve Limited is a company incorporated in Hong Kong, and a subsidiary of Bright Scholar Education Holding Limited.

## Notes to the financial statements (continued)

### 19 Capital and other commitments

At 31 August 2020 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2020	2019
	£'000	£'000
Payments due:		
Not later than one year	5,488	2,440
Later than one year and not later than five years	21,109	9,551
Later than five years	75,283	45,851
	<u>101,880</u>	<u>57,842</u>

The company had no other off-balance sheet arrangements and no capital commitments contracted but not provided (2019: none).

## Notes to the financial statements (continued)

### 20 COVID-19 Pandemic

On 11 March 2020, the World Health Organisation (WHO) declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the group and company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets.

As the impact of COVID-19 is a dynamic and evolving global health situation, the group continues to monitor the situation following the advice of Public Health England, all local and national health authorities, and the WHO (World Health Organisation). In response to the UK Government's advice, all colleges and education centres have moved to a blended operational model which is in line with regulations. Allowing both face to face and online tuition to students in a secure and safe environment. All facilities have now reopened with staggered student admissions for onsite face to face tuition. All locations have been assessed and appropriate risk assessments were performed to ensure full compliance to UK Government regulations. Isolation and testing procedures have been implemented to minimise exposure to COVID-19 within the onsite populations. This has ensured that all locations are safe for both staff and students. These measures have allowed the Group to ensure business continuity whilst this period of uncertainty continues.

During the financial period the Group implemented several initiatives to minimise the impact of Covid-19 on the Group. These initiatives saw the Group take the following cost mitigation activities to ensure business continuity; reduction in overall staff headcount, temporary reduction in staff costs from April 2020 to August 2020 and the active utilization of Government grants as disclosed in the companies where this was utilized. Critical review processes were initiated on capital projects and recruitment to ensure that only business critical costs were incurred during the period. The Group has still applied these austerity measure in the financial year ended 31 August 2021.

As a direct result of international travel restrictions, published government health advice on social distancing and other measures and the introduction of the Coronavirus Bill 2020, a reduced level of activity is expected while restrictions are in place. During this period, the group has redeployed staff and resources across divisions to maximise resource availability. For the year ending 31 August 2021, the Group is forecast to have a full year loss, as the impact of COVID-19 continues to halt growth and profitability in the short-term. The Group has ensured that it has access to sufficient resources and access to working capital to ensure its continued operations. The group will secure access to working capital as required through Group borrowings and credit facilities with financial institutions.

## Notes to the financial statements (continued)

### 21 Ultimate controlling party

The immediate parent company is CEG Colleges Holdings Limited, a company incorporated in the United Kingdom, whose registered office address is below:

Elizabeth House,  
High Street,  
Chesterton,  
Cambridge,  
Cambridgeshire,  
CB4 1NQ,  
United Kingdom.

Bright Scholar Education Holdings Limited is the smallest and largest group which prepares publicly available consolidated financial statements that incorporate the results of the company. Bright Scholar Education Holdings Limited, a company incorporated in the Cayman Islands and listed on the New York Stock Exchange. Copies of the consolidated financial statements may be obtained from the address below:

Bournemouth Collegiate School  
College Road,  
Southbourne,  
Bournemouth,  
Dorset,  
BH5 2DY,  
United Kingdom.

The ultimate controlling party is Ms Meirong Yang by virtue of her controlling interest in the company's ultimate parent undertaking.

## 22 Streamlined Energy and Carbon Reporting (SECR)

UK Greenhouse gas and emissions and energy use data for the period 1 September 2019 to 31 August 2020

Energy consumption used to calculate emissions (kWh)	1,484,669
Energy consumption break down (kWh)	
• Gas	
• Electricity	
<b>Scope 1 – emissions in metric tonnes CO<sub>2</sub>e</b>	
Gas consumption	489.48
<b>Total Scope 1</b>	<b>489.48</b>
<b>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</b>	
Purchased electricity	995.19
<b>Total Scope 2</b>	<b>995.19</b>
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>1,484.67</b>
<b>Intensity ration Tonnes CO<sub>2</sub>e per pupil</b>	<b>2.32</b>

### Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government’s Conversion Factors for Company Reporting.

### Intensity Measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per pupil, the recommended ratio for the sector.