



CATS
GLOBAL SCHOOLS

Annual report and
financial statements
Cambridge Arts & Sciences
Limited

For the year ended 31 August 2021

Officers and professional advisers

Company registration number	03454690
Registered office	Suites 6-7 The Turvill Building Old Swiss 149 Cherry Hinton Road Cambridge England CB1 7BX
Directors	C A J Stacey J He D M Li
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

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Strategic report

The directors present their strategic report on the company for the year ended 31 August 2021.

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 39% attributable to COVID-19 pandemic (2020: decreased by 5.3% attributable to COVID-19 pandemic).

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.

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 start of the year, 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.

The company had net assets of £15,649,000 as at 31 August 2021 (2020: £15,202,000).

In the opinion of the directors the state of the company’s affairs at 31 August 2021 was satisfactory given the circumstances 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 2021/22 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 will focus on rebuilding student numbers and continued investment in school facilities and state of the art education equipment, while remaining open to strategic acquisition opportunities as they arise. Therefore, we expect future growth in performance, notwithstanding the ongoing uncertainty caused by COVID-19.

Strategic report (continued)

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 £10,216,000 below 2020;
- operating margins before depreciation increased from 4.0% to 4.1%;
- revenue per employee decreased from £109,088 to £79,430; and
- operating profit before depreciation per employee decreased from £4,363 to £3,240.

Principal risks and uncertainties

In common with other businesses of a similar nature, the company 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 company due to one-off global disasters such as the global COVID-19 pandemic.

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

- 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.

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.

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.

Strategic report (continued)

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

Date: 1 June 2022

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2021.

Results and dividends

The profit for the financial year amounted to £447,000 (2020: £682,000). No dividends were paid during the year (2020: £nil). The directors do not recommend the payment of a final dividend for the year (2020: 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:

C A J Stacey
J He
D M Li

Business review

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

The directors are satisfied with the results of the company for the period and foresee a similar level of activity in the coming year.

The company had net assets of £15,649,000 as at 31 August 2021.

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 Strategic Report on Page 4 and form part of this report by cross-reference.

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 4 to 5 and form part of this report by cross-reference.

Qualifying third party indemnity provisions

The company has indemnified the directors of the company in respect of proceedings brought by third parties. Such qualifying third-party indemnity provision remains in place at the date of this report.

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 auditor

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

- so far as the directors are aware, there is no relevant audit information of which the company auditor is 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 auditor is aware of that information.

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



C A J Stacey
Director

Date: 1 June 2022

Independent auditor's report to the members of Cambridge Arts & Sciences Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cambridge Arts & Sciences Limited ("the Company") for the year ended 31 August 2021 which comprise the income statement, statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Independent auditor's report to the members of Cambridge Arts & Sciences Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Independent auditor's report to the members of Cambridge Arts & Sciences Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Company and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be their registration with the Office for Students ("OfS") and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or the continued operation of the company. In addition the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the UK Companies Act and relevant tax legislation, Employments Law, Data Protection and Health and Safety Legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Independent auditor's report to the members of Cambridge Arts & Sciences Limited (continued)

The audit procedures to address the risks identified included:

- Obtaining an understanding of the controls designed to prevent and detect fraud and irregularities;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance and reviewing correspondence with HMRC to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Challenging assumptions made by management in their significant accounting estimates and assessing journal entries as part of our planned audit approach.

In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of revenue recognition.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the 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.

DocuSigned by:

David P Anson

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David P Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton

Date: 01 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

For the year ended 31 August 2021

	Note	2021 £'000	Restated 2020 £'000
Revenue	5	15,965	26,181
Cost of sales		<u>(14,272)</u>	<u>(16,724)</u>
Gross profit		1,693	9,457
Other income	6	1,220	463
Administrative expenses		<u>(2,433)</u>	<u>(9,121)</u>
Operating profit	7	480	799
Profit before taxation		<u>480</u>	<u>799</u>
Tax on profit	10	(33)	(117)
Profit and total comprehensive income for the financial year		<u><u>447</u></u>	<u><u>682</u></u>

Details of the required prior year adjustments can be found in Note 18.

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

Statement of financial position

As at 31 August 2021

	Note	2021 £'000	Restated 2020 £'000
Fixed assets			
Tangible assets	11	272	369
		<u>272</u>	<u>369</u>
Current assets			
Debtors	12	56,648	32,249
Cash at bank and in hand		375	2,774
		<u>57,023</u>	<u>35,023</u>
Creditors: amounts falling due within one year	13	(41,646)	(20,190)
Net current assets		<u>15,377</u>	<u>14,833</u>
Total assets less current liabilities		<u>15,649</u>	<u>15,202</u>
Net assets		<u>15,649</u>	<u>15,202</u>
Capital and reserves			
Called-up share capital	15	-	-
Retained earnings	15	15,649	15,202
Shareholders funds		<u>15,649</u>	<u>15,202</u>

Details of the required prior year adjustments can be found in Note 18.

The financial statements were approved by the directors and authorised for issue and are signed on their behalf by:



C A J Stacey

Director

Company Registration Number: 03454690

Date: 1 June 2022

Statement of changes in equity

For the year ended 31 August 2021

	Called-up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 September 2019	-	14,520	14,520
Profit for the financial year	-	682	682
Total comprehensive income for the financial year	-	682	682
At 31 August 2020	-	15,202	15,202
Profit for the financial year	-	447	447
Total comprehensive income for the financial year	-	447	447
At 31 August 2021	-	15,649	15,649

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.

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:

- the requirements of Section 7 Statement of Cash Flows
- 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.

This information is included in the consolidated financial statement of Bright Scholar Education Holdings Limited and these financial statements may be obtained from the registered address of the Company.

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.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

b) Going concern

The directors have considered the company's financial position taking into account reasonably possible changes in trading performance, including the possible impacts of COVID-19 on the company. The company has net current assets of £15,377,691 at the balance sheet date, including cash of £374,514, and has the ongoing financial support of its parent company, Bright Scholar Education Holdings Limited ("BSEHL"). The directors have therefore asked for and received confirmation from BSEHL that the company will continue to provide sufficient funding for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements to enable the company to meet its obligations to third parties as they fall due. The directors have also considered the current financial position of BSEHL and have concluded that BSEHL has the ability to stand by such a commitment.

After considering all of the above factors, the directors have a reasonable expectation that the company has sufficient access to adequate resources to continue in operational existence for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements. The directors therefore consider it appropriate to adopt the going concern principle in preparing the financial statements.

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.

Revenue also includes amounts in respect of overpayments made by customers which remain unclaimed after a period of two years.

e) Interest

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

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

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.

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.

A defined contribution plan is a pension plan under which the company pays fixed contributions into an arrangement separate from the company. Once the contributions have been paid, the company 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 company in independently administered funds.

The company operates an annual bonus plan for employees. An expense is recognised in the income statement when the company 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 and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

i) 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'.

j) 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.

k) 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.

l) Government grants

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

m) 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.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

n) 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 2.

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.

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.

Notes to the financial statements (continued)

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

In preparing these financial statements, the director has had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. The net carrying amount of the debtors and the associated impairment provision is given in note 12.

5 Revenue

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

Notes to the financial statements (continued)

6 Other income

	2021 £'000	2020 £'000
Management Recharges	1,190	-
Government Grants: Coronavirus Job Retention Scheme	30	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 finished on 31 September 2021.

7 Operating profit

Operating profit is stated after charging:

	Note	2021 £'000	2020 £'000
Depreciation of tangible assets	11	172	248
Loss on disposal of assets		-	20
Bad debt expense		94	144
Auditor's fees		29	15
Operating lease costs		5,078	4,904
Management recharges		(1,190)	6,365

8 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	16	15

Fees payable to the company's auditor in respect of:

Tax compliance services	4	-
All other services	1	-
	5	-

Notes to the financial statements (continued)

9 Employees

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

	2021	2020
	No.	No.
Teaching and administrative staff	198	236
Temporary teaching staff	3	4
	<u>201</u>	<u>240</u>

The aggregate payroll costs of employees were:

	2021	2020
	£'000	£'000
Wages and salaries	5,640	6,243
Social security costs	543	580
Other pension costs	106	133
	<u>6,289</u>	<u>6,956</u>

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

Notes to the financial statements (continued)

10 Tax on profit

(a) Tax expense included in the income statement

	2021 £'000	2020 £'000
Current tax:		
UK Corporation tax based on the profit for the year at 19%	56	131
Adjustment in respect of prior periods	(19)	(10)
Total current tax	<u>37</u>	<u>121</u>
Deferred tax:		
Origination and reversal of timing differences	71	(8)
Adjustments in respect of prior periods	46	4
Adjustments in respect of change in tax rates	(121)	-
Total deferred tax (note 12)	<u>(4)</u>	<u>(4)</u>
Tax on profit	<u><u>33</u></u>	<u><u>117</u></u>

(b) Factors affecting tax charge

The tax assessed on the profit before taxation for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19%.

	2021 £'000	2020 £'000
Profit before taxation	<u>480</u>	<u>799</u>
Profit before taxation multiplied by rate of tax	91	152
Expenses not deductible for tax purposes	19	37
Timing differences	-	(15)
Adjustment in respect of prior periods	27	(7)
Tax rate changes	(104)	(50)
Tax on profit	<u><u>33</u></u>	<u><u>117</u></u>

(c) Tax rate changes

In the March 2021 budget, the Government announced an increase in the main rate of corporation tax to 25% from 1 April 2023. The change in tax rate became substantively enacted on 24 May 2021. Accordingly, deferred tax balances recognised in the accounts as at year-end have been calculated using the 25% rate.

Notes to the financial statements (continued)

11 Tangible assets

	Leasehold property	Plant and Equipment	Computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2020	2,741	2,118	792	5,651
Additions	-	70	5	75
At 31 August 2021	<u>2,741</u>	<u>2,188</u>	<u>797</u>	<u>5,726</u>
Accumulated depreciation:				
At 1 September 2020	2,709	1,789	784	5,282
Charge for the year	25	141	6	172
At 31 August 2021	<u>2,734</u>	<u>1,930</u>	<u>790</u>	<u>5,454</u>
Net book value				
At 31 August 2021	<u>7</u>	<u>258</u>	<u>7</u>	<u>272</u>
At 31 August 2020	<u>32</u>	<u>329</u>	<u>8</u>	<u>369</u>

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

12 Debtors

	2021	Restated 2020
	£'000	£'000
Trade debtors	39	16
Amounts owed by group undertakings	54,333	28,995
Corporation tax	-	785
Deferred tax	436	432
Prepayments and accrued income	1,700	1,959
Other debtors	140	62
	<u>56,648</u>	<u>32,249</u>

Trade debtors are stated after provisions for impairment of £110,387 (2020: £144,000). Details of the required prior year adjustments can be found in Note 18.

Notes to the financial statements (continued)

12 Debtors (continued)

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:

	2021	2020
	£'000	£'000
Excess of depreciation over taxation allowances	436	405
Other short term timing differences	-	27
	<u>436</u>	<u>432</u>

During the year £4,125 of deferred tax was credited to the income statement (2020: £4,000 credit) and it is anticipated that a credit of approximately £nil will be made in the next financial year.

13 Creditors: amounts falling due within one year

	2021	Restated 2020
	£'000	£'000
Trade creditors	288	405
Amounts owed to group undertakings	30,537	6,549
Other taxation and social security	296	1,558
Other creditors	3,365	3,956
Accruals	1,573	2,101
Deferred income	5,587	5,621
	<u>41,646</u>	<u>20,190</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Details of the required prior year adjustments can be found in Note 18.

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

Notes to the financial statements (continued)

14 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 £105,605 (2020: £133,000). The amount outstanding within creditors as at year end is £48,954 (2020: £10,453).

15 Called up share capital and reserves

Allotted, called up and fully paid:

	2021		2020	
	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.

16 Related party transactions

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

During the year, purchases amounting to £4,712 (2020: £113,000) 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 Holdings Limited.

17 Capital and other commitments

At 31 August 2021 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2021	Restated 2020
	£'000	£'000
Payments due:		
Not later than one year	12,753	11,861
Later than one year and not later than five years	42,347	40,790
Later than five years	68,550	69,130
	<u>123,650</u>	<u>121,781</u>

Included within this disclosure are amounts committed to by the company on behalf of the following fellow subsidiaries: CATS Canterbury Limited, CATS College London Limited and Stafford House School of English Limited whereby the leased property is utilised by the fellow subsidiary. Details of the required prior year adjustments can be found in Note 18.

The company had no other off-balance sheet arrangements and no capital commitments contracted but not provided (2020: none).

Notes to the financial statements (continued)

18 Prior year adjustments

A number of errors were identified in the prior year financial statements as follows

- The other income of £463,000 was also recorded within revenue alongside a corresponding reduction in administrative expenses, overstating both revenue and administrative expenses by £463,000. Revenue and administrative expenses have been restated, decreasing revenue and administrative expenses by the same amount. There has been no effect on profit for the prior year nor net assets.
- Certain expense items were incorrectly classified between cost of sales and administrative expenses. An adjustment has been made to decrease administrative expenses by £2,699,754 and increase cost of sales by the same amount. There has been no effect on profit for the year or net assets.
- Certain balances relating to corporation tax and amounts owing to group companies were misclassified and an amount recoverable with respect to corporation tax had not been recorded. Within debtors an adjustment has been made to increase corporation tax receivable by £785,000 and decrease amounts owed by group undertakings by £373,449. Within creditors, amounts owed to group undertakings has increased by £97,395 and other creditors has increased by £314,156. There has been no effect on profit for the prior year nor net assets.
- Amounts owing relating to VAT had not been correctly allocated to the company from other group companies. An adjustment has been made to decrease amounts due from group companies by £295,345, increase amounts owed to group undertakings by £139,460 and decrease other taxation and social security by £434,805. There has been no effect on the profit for the prior year or net assets.
- Payroll related liabilities had not been classified correctly. An adjustment has been made to increase other creditors by £1,063,148, decrease other taxation and social security by £990,777 and decrease amounts owed to group undertakings by £72,371. There has been no effect on the profit for the year or net assets.
- Intercompany receivable and payable balances were disclosed gross in the balance sheet when right of set off existed due to there being multiple operating units within the same legal entity. The intention from both parties is to settle these balances on the net basis, which is consistent with prior experience. Within debtors an adjustment has been made to decrease amounts due from group companies by £9,041,000. Within creditors an adjustment has been made to decrease amounts due to group companies by £9,041,000. The balance sheet primary statement and the corresponding debtors and creditors notes have been restated to reflect this adjustment.

There has been no impact on the prior year result for the period nor on net assets for the prior period following all of the combined prior year adjustments affecting the income statement and balance sheet.

The disclosure of legal obligations under non-cancellable operating lease contracts in the prior year has been restated within Note 17 'Capital and other commitments' to record obligation to which the company was legally committed. This has increased the future minimum lease payments by £19,901,000 in the prior year. There has been no effect on profit for the year or net assets.

Notes to the financial statements (continued)

19 Ultimate controlling party

The immediate parent company is CEG Colleges Limited, a company incorporated in the United Kingdom.

The ultimate controlling parties are Ms Meirong Yang and Ms Heiyan Yang by virtue of their controlling interest in the company's ultimate parent undertaking.

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 Company's registered address below:

Suites 6-7 The Turvill Building Old Swiss
149 Cherry Hinton Road
Cambridge
England
CB1 7BX