



INSPIRING FUTURES

English Schools Foundation **Annual Report** 2014-15



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THE CHAIRMAN'S REPORT

As the new Chairman of the English Schools Foundation Board, it is my privilege to present the ESF Annual Report 2014-15.

2014-15 has been an exceptional and rewarding year for the ESF community. With the phasing out of the government subvention to start from 2016-17, we took the opportunity this year to revisit ESF's vision, mission and values, and to set our sights on the future. I would like to thank Board members, the Chief Executive Officer, senior management team, principals and advisory committees who have worked so diligently over the past year to formulate ESF's strategic plan for 2015-2020.

I wish to convey my special thanks to my predecessor, Mr Carlson Tong, who worked tirelessly to reach agreement with the Education Bureau on ESF's subvention arrangement, which guarantees continued subsidy for all current students in the ESF system until they graduate. It is with such assurance that we are confident to set the strategies and goals for the future.

I would also like to take this opportunity to thank a number of long-serving Board members who are stepping down. Kim Anderson, Jane Foxcroft, Marc Castagnet, Matt Caplin, Paul Clarke and Mike Draeger have all played a significant role on the Board and have contributed to the work of ESF.

All of us in the ESF community will have a part to play in shaping future development. I am deeply impressed by the commitment and passion of many of our staff in working towards the common goal of providing the best education for our children. As a result of their efforts we have built a strong foundation for future success.



A handwritten signature in black ink, which appears to read 'A Shek'. The signature is stylized and cursive.

Abraham Shek, SBS, JP
ESF Chairman

The Chief Executive Officer's Report



Belinda Greer

Belinda Greer
ESF Chief Executive Officer

2014-15 has been an outstanding year for ESF. The examination results achieved by our senior students are the highest set of results to date. We are proud to see so many students confidently pursue their field of interest, gaining places in universities across the world including a significant increase in the number of students securing places at the world's top universities.

ESF is in a strong position but faces challenge as we transition from partial subvention to full fees based funding. To prepare for this we have worked with the ESF community to set the strategic objectives and goals for the next five years. The provision of high quality education directed towards enabling every student to be the best that they can be will remain at the heart of ESF's work. In addition to a clearly-defined sense of common purpose, quality of our team and supportive community is a sharper focus on how we will achieve excellence and best value in every aspect of our work. Securing long-term financial sustainability is a key element in our five year strategy. Over this period we will invest in capital projects such as the rebuild of Island School and major developments at Sha Tin College.

This year we said farewell to Carlson Tong, who stepped down as chairman of the Board. Carlson has provided a clear sense of direction for ESF and strong courageous leadership during his four years in office. On behalf of the ESF community, I want to thank him for his loyal service to ESF and on a personal note, I want to thank him for supporting me during my early days in post. We now welcome Abraham Shek as our new Chairman. Abraham brings a wealth of knowledge and experience to the role and his commitment to making a difference to students' life chances through education will serve us well.

Our vision is for every student to be the best that they can be and I look forward to working with our Chairman, Board members and the ESF community to make this a reality.

A SUMMARY OF THE BOARD'S WORK 2014-15

1. ESF Strategic Plan: A Vision for 2015-2020

A new strategic plan for 2015-2020 was developed and launched. The plan outlines a refreshed vision and mission for ESF and sets out four strategic objectives organised under four key pillars:

- **Education:** To establish ESF's model of education as relevant, at the cutting-edge of global innovation in education, producing excellent outcomes for our students.
- **Organisation:** To operate as an efficient, effective and unified organisation, fully optimising our assets to enhance the provision of education, generating best value and developing ESF's presence as a leader in education.
- **Communications:** To create and sustain a profile for ESF which positively promotes ESF from competitors and leads to ESF being consistently recognised as an education system and employer of choice.
- **Financial Sustainability:** To deliver financial security through a sustainable funding model.

The strategic objectives are broken down into strategic goals and priority actions which will direct ESF's work over the next five years. The Board has introduced quarterly performance reporting to monitor progress towards meeting the strategic objectives. A dashboard of key performance indicators has been created which will be used to show progress and improvement.



2. Finance

The Board approved the audited accounts of ESF and ESF Educational Services Ltd. (ESL) for the year 2013-14, and reviewed the monthly financial reports for the current year.

The Board approved the budget for the 2015-16 academic year and set an average fee increase of 5.2% for ESF schools, 6.25% for Renaissance College and 6.6% for Discovery College. After an analysis of economic factors and trends in pay scales, it was agreed to award a 3.75% pay increase for all eligible teaching and senior staff, and a 4.75% increase for all support staff including educational assistants.



3. Information Technology (IT) Systems Review

The Board reviewed cost projections and comparisons of different IT options and approved the building of an in-house IT system. Having one system across all schools will support strong communication and sharing of best practice, and will facilitate the sharing of information.

4. Island School Redevelopment and Sha Tin College Extension Project

Following extensive consultation with the Island School community, two shortlisted concept designs for the new Island School campus were presented to the ESF Board with a comprehensive report outlining research and considerations. The Board approved the option which had the lower projected costs and better fulfilled the teaching and learning needs of the school.

Due to the challenges around space in Sha Tin College, the Board approved the building of a two-storey extension to the Hall Block which will provide an additional space of 1,850 square metres.

5. Kowloon Learning Campus

Following an extensive consultation process with advisory committees, parents, staff and students, the Board approved an 18-month pilot project, establishing the Kowloon Learning Campus (KLC) to commence in August 2015. The KLC aims to provide integrated, enhanced teaching and learning experiences across King George V School (KGV), Kowloon Junior School (KJS) and Jockey Club Sarah Roe School (JCSRS). The KLC provides an opportunity to build on the success of the three schools and is not a merger. The project will be kept under review and the long-term future of the KLC will be determined by the Board after 18 months.



THE ESF PROFILE



ESF is the largest provider of English-medium international education in Hong Kong. ESF has 21 schools.

Kindergartens

Abacus
Hillside
Tsing Yi
Wu Kai Sha

Primary Schools

Beacon Hill School
Bradbury School
Clearwater Bay School
Glenealy School
Kennedy School
Kowloon Junior School
Peak School
Quarry Bay School
Sha Tin Junior School

Secondary Schools

Island School
King George V School
Sha Tin College
South Island School
West Island School

Private Independent Schools

Discovery College
Renaissance College

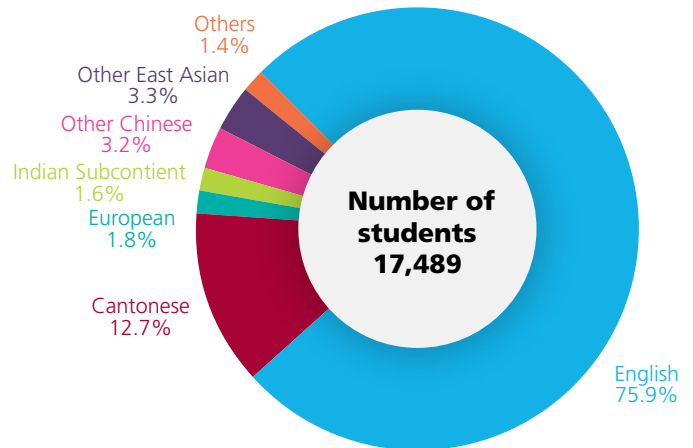
Special School

Jockey Club Sarah Roe School

ESF serves 17,489 students who represent a range of ethnicities and over 70 nationalities. Almost 70% of ESF parents are permanent residents of Hong Kong.

First Language of Students

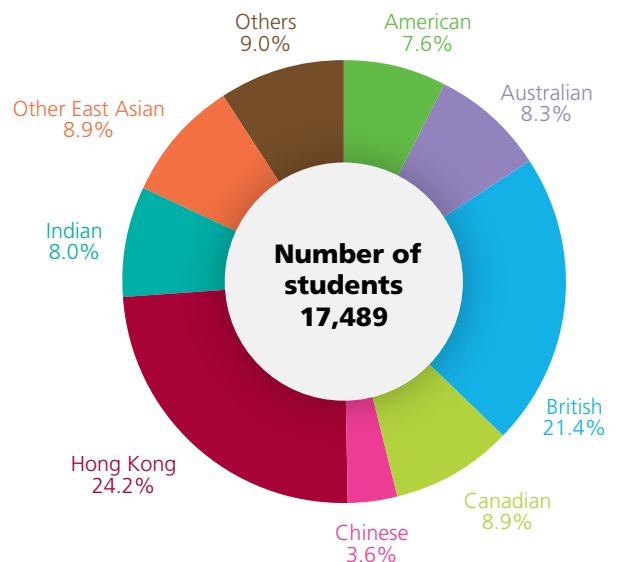
English is the first language of a significant majority of students (75.9%) in ESF schools while native Cantonese speakers account for 12.7%. Other East Asian speakers account for 3.3% and other Chinese 3.2%.



Nationality of Students

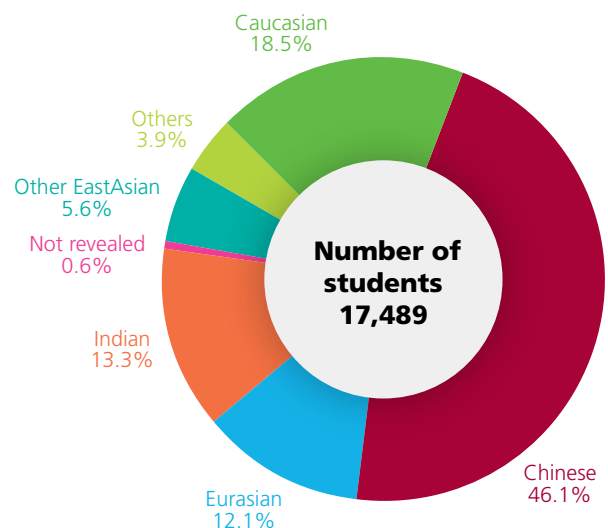
Over 70 nationalities were represented in our schools in 2014-15. Less than one quarter (21.4%) of students held a British passport, 27.8% held a Hong Kong or Chinese passport and a further 8.9% held a passport from another East Asian country.

Of the 12,893 students in ESF schools, 6,687 (68.6%) were permanent residents of Hong Kong. Of the 3,387 students in the PI Schools, 2,587 (76.4%) were permanent residents of Hong Kong.



Ethnicity of Students

The largest ethnic group in ESF schools was Chinese (46.1%) followed by Caucasian (18.5%), Indian (13.3%) and Eurasian (12.1%).

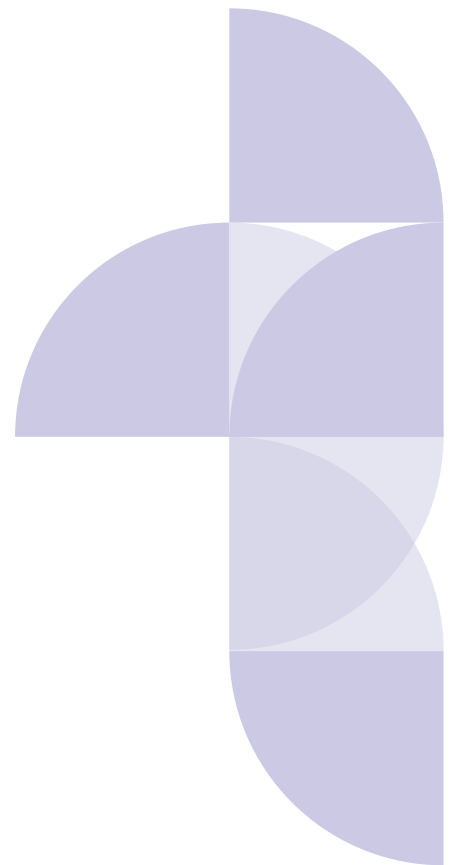


EDUCATION

The education offered by ESF is underpinned by a broad and coherent curriculum aligned to our core values and to those of the International Baccalaureate Organisation (IBO). Our vision is for every student to be the best that they can be and we aim to enable students to grow as inquiring, thoughtful and caring citizens who show intercultural understanding and respect. The education team has worked closely with teachers and principals over the last year to develop a set of ESF Design Principles for Learning and a set of ESF Learning Goals. These capture the teaching and learning approaches and outcomes that define an ESF education worth having. All ESF schools will work within this framework.

ESF Design Principles for Learning

- Creating an environment where learners flourish;
- Enabling engagement and action through learning steeped in authentic contexts;
- Cultivating strengths through personalised learning; and
- Developing relationships in and across schools and with parents and partners.



School Performance and Development

ESF places a strong emphasis on the performance of schools and on the development of staff. A number of quality assurance processes are used including accreditation by external agencies such as the Council for International Schools (CIS), Western Association of Schools and Colleges (WASC) and authorisation by the International Baccalaureate Organisation (IBO). In 2014-15, external reviews were carried out in South Island School, Sha Tin College, King George V School and Jockey Club Sarah Roe School. The reviews highlighted best practice across a number of areas and identified aspects for improvements. All schools received positive reports.

ESF Learning Goals

Learners in ESF are developing the ability to be:

- Active and engaged learners;
- Collaborative contributors;
- Responsible global citizens;
- Critical and creative thinkers;
- Effective communicators; and
- Healthy and resilient individuals.

School development plans and annual implementation plans have been aligned to deliver on the strategic objective and goals for education outlined in the strategic plan.

A review of the curriculum to ensure breadth, depth, continuity and progression is ongoing and will ensure that learning is relevant and worthwhile producing positive learning outcomes for all students. The curriculum is being shaped around the needs of students, focusing on cultivating their strengths and taking account of their interests.

Emerging best practice in early learning in our kindergartens and in the early years of primary will be further developed and included in an Early Years strategy.



An internal review of the Higher Education Counselling service was carried out in the seven secondary schools. The review highlighted areas of best practice and areas for development. A Higher Education and Careers Strategy will now be developed to strengthen practice across ESF.

The quality of an education system cannot exceed the quality of its teachers and therefore ESF is committed to providing high quality continuous professional development. This year we replaced Performance Management (PM) with a process of professional reflection and development (PRD). Revised editions of the ESF Teaching Capability Framework and ESF Leadership Framework were published in 2015. The frameworks provide a statement of professional standards of competence against which teachers and leaders in ESF can evaluate areas of professional strength and development. The frameworks reflect the unique context and the quality of leadership and of learning and teaching expected in ESF schools.

Curriculum Development: Kindergarten and Primary

Mathematics

In response to the findings in the mathematics review in 2013-14, the focus for the primary mathematics group (PMG) has been on developing challenge in the curriculum. This has been approached through developing a common understanding of rich, problem-solving tasks.

A significant area of work for the PMG this year has been the gathering of examples of rich learning tasks which illustrate the outcomes from the ESF scope and sequence document. The purpose of collating these work samples was to provide further guidance to teachers with regard to moderating work across ESF, whilst at the same time, promoting examples of excellent learning outcomes.

Mathematics Learning & Teaching for Success (MLATS) training took place for teachers in lower and upper primary. An additional day was spent exploring conceptual understanding in mathematics and this led to participants taking new ideas back to their schools and in some instances facilitating staff professional learning.



English Language

Over the last year, the primary language group (PLG) worked on unpacking the ESF writing scope and sequence document. Samples of writing from students were analysed against the ESF scope and sequence document. The outcome is now being shared with schools to show a range of writing samples, matched to the scope and sequence document to assist with the moderation of writing.

For professional development, the PLG delivered a series of one-day workshops on reading and writing in the early years and reading and writing in the upper years. Also, viewing and presenting and listening and speaking sessions were run early in 2014-15. Both sessions were successful and follow-up is planned in 2015-16.

Information Literacy

A working party has developed a resource based website to support teachers and students. The website aims to provide a one stop site for information literacy. The working party has collected top quality resources to support and guide curriculum documents. Moving forward this will be developed further by exploring the possibilities of having an 'ESF infokids' digital and information literacy passport, where students pass through a series of activities and assessments to gain a certificate of competence.



Arts

The primary arts group has grown and developed this year as an amalgamated group representing all strands of the arts.

The main focus for the year was the ESF primary choral concert. The concert involved 800 students from across ESF. Music teachers from all primary schools collaborated together to ensure students were well-rehearsed prior to the concert. The theme for the concert was 'Rhythm of Life'. The concert was outstanding and evidence of the talent and endeavor across ESF schools.



The visual arts have been a growing presence in school across ESF with initiatives such as the 'big draw' and arts week. Highlights for the visual arts this year have been, Renaissance and Discovery College Arts Weeks and Neighborhood Watch at Sha Tin Junior School.

Dance and drama are developing more strongly through the units of inquiry and by cross-school collaboration. There has been an increase in the liaison between primary and secondary schools with students from primary regularly performing with the secondary students in collaborative events.

The arts group delivered twilight practical workshops for teachers across ESF. The group aims to promote and celebrate the taught curriculum of the arts through supporting co-operative events within the ESF community and by developing the use of the curriculum scope and sequence document.

PE

This year, the primary PE team increased the number of competitive sporting opportunities for ESF students across a variety of sports. A working party designed a programme to complement the opportunities already available. This has resulted in increased numbers of students competing in sport and has promoted ESF as an organising body for school sports in Hong Kong. The team also focused on increasing levels of collaboration across schools to share and build on best practice.

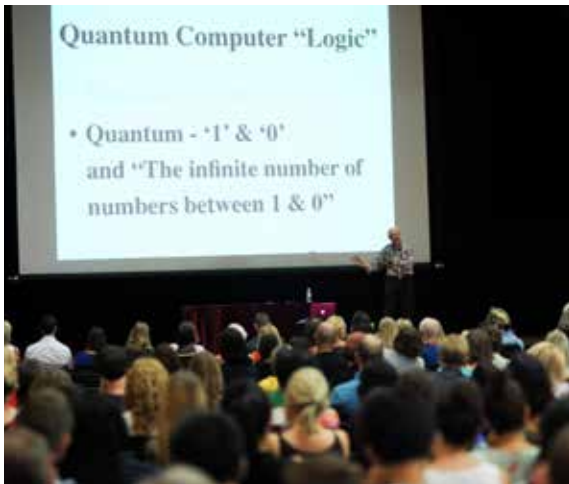


Science and Social Studies

Science has been a priority for ESF this academic year.

An ESF-wide continuous professional development (CPD) day for primary and secondary teachers was held in October 2014 with the theme, 'Thinking Scientifically: Hands on, Minds on, Hearts on'. Teachers from across ESF led workshop sessions to share good practice.

Two documents to support the development of science across ESF kindergarten and primary schools were developed. The first, 'Continuum of Understandings' presents scientific ideas relevant to primary-aged students. The document, based



on the IB science scope and sequence, provides a phase-based progression of developmental understandings on a number of topics related to science strands. A second document, 'Science Specific Skills and Processes', outlines eight science skills that learners are required to develop in order to engage in scientific inquiry. The 'Continuum of Understandings' and 'Skills and Processes' documents assist teachers in the planning, teaching and assessing of school-specific units of inquiry. Professional development on science will be ongoing to support teachers in developing practice in line with the new documents.

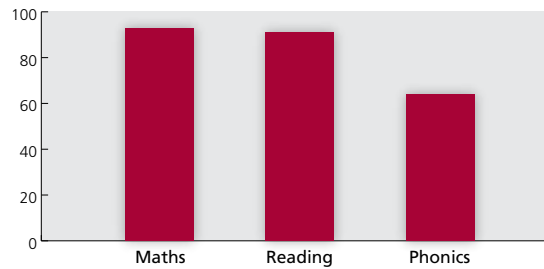
Primary: Academic Achievements

There are three core external assessments taken by students.

- Years 1 and 2: Performance Indicators in Primary Schools (PIPs),
- Years 4 and 6: International Schools' Assessment (ISA).
- Years 4 and 6: The Interactive Computerised Assessment System (InCAS),

PIPs and InCAS are administered by the Centre for Evaluation and Monitoring at Durham University (CEM) and are taken by over 4,000 schools providing a valid and reliable basis for monitoring students' progress in core skills over time. ISA is administered by the Australian Council for Educational Research (ACER) and taken by over 200 schools.

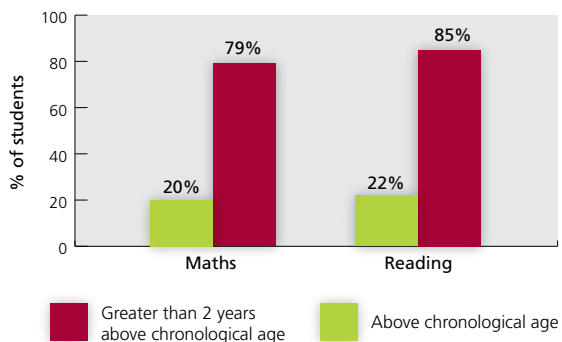
Percentage of ESF Year 1 students who are above the CEM average for each PIPs component



Students in Year 1 and Year 2 performed well above the CEM cohort. The mean score for students in Year 4 and Year 6 was higher than the ISA cohort student for all components.

The InCAS assessment taken in Years 4 and 6 compares each student's performance in mathematics and reading against an average age-related score. Results show that most students in ESF perform above chronological age and 20% perform two years or more above their chronological age.

Year 4 INCAS results





Curriculum Developments: Secondary

Further guidance on 'Approaches to Learning', a framework of learning and skills from the IB Continuum Project, became available from the International Baccalaureate Organisation (IBO). Secondary schools adjusted their own skills and aptitudes frameworks for all age groups to meet these requirements. Where appropriate, ESF curriculum groups shared action research projects across schools, illustrating how approaches to learning were being enhanced in different subjects.

Curriculum 11-16

Additional work on transition between primary and secondary schools was enacted at school level with further practical approaches being implemented in all schools. There were significant influences on this work from the proposal for a Kowloon Learning Campus, which allowed the schools involved to reflect on continuity and progression. There were examples of new structural decisions in other partnerships. A joint proposal from Sha Tin College/Sha Tin Junior School for a secondary vice principal to take up an acting position in the primary school was one such example. In many schools, more opportunities to experience secondary school prior to Year 6 were added to the transition process. A better understanding of each school's curriculum resulted from Island School's consideration of the new learning spaces at Glenealy School, with regard to possible application in their new building design. As a result of all these partnerships, a combined CPD day on pedagogical approaches across primary and secondary schools was conceived and planned for October 2015.

Curriculum for Ages 16-19

There has been a strong emphasis on personalisation in learning across ESF. The partnership with the Hong Kong Sports Institute (HKSI), supporting the education of elite athletes, was formalised. All ESF secondary schools achieved athlete-friendly status for their work with part-time athletes. A memorandum of understanding was agreed and signed to allow some part-time athletes to extend their training to full-time while they were supported by ESF schools in their education. ESF began the process of designing a more flexible IB Diploma for elite athletes. This will be the subject of accreditation by the World Academy of Sport during 2015-16.

The Applied Learning Pathway continued to be embedded into the ESF curriculum framework. The alternative pathway continued to produce effective results and progression routes to universities and colleges worldwide. This pathway was the subject of an International Asia Pacific Conference, where teachers from across the region came to find out more about the approach. The conference included 'live school' where delegates observed ESF teachers and students working together in lessons. The IB Career-related Programme with SCAD Hong Kong successfully completed its first year.



Moderation of ASDAN courses continues to be developed offering a personalised work and lifeskills pathway.

Progression to higher education and careers became the focus of an ESF-wide review. All secondary and PI schools were reviewed. The review found that guidance towards higher education destinations was overall effective. Good practice was shared both throughout the process, and following the reviews of each school. The review found a lack of consistency in staffing ratios across schools. An ESF-wide strategy for the future, taking account of these findings will be developed during 2015-16.



Secondary: Academic Achievements

Schools continued to achieve outstanding results in public examinations in 2015.

IB Diploma

934 Year 13 students completed the IB Diploma in May. 98.0% of students achieved the full IB Diploma, with 61.5% of our students achieving 35 or more IB points. 24.9% achieved 40 or more points. The average score for students was 35.6 total points and the average grade per subject is 5.6 points. 17 ESF students achieved the maximum 45 points. There were only 160 students worldwide who have achieved this in the 2015 pre-appeal results.

	ESF (2015)	ESF (2014)	ESF (2013)	ESF (2012)	ESF (2011)	World* (2014)
Number of students entered for the full IB Diploma	934	935	851	779	761	67,492
% of students achieving the full IB Diploma	98.0%	98.0%	98.4%	97.7%	98.2%	79.3%
Mean points score for students entered for the IB Diploma	35.6	35.0	34.7	35.2	34.1	30.1
% of students achieving 30+ IB Diploma points	88.3%	84.9%	83.8%	84.6%	80.0%	53.2%
% of students achieving 35+ IB Diploma points	61.5%	55.4%	53.1%	55.3%	48.0%	24.9%
% of students achieving 40+ IB Diploma points	24.9%	22.1%	18.9%	25.4%	15.6%	6.8%

* Worldwide results are for May 2014.



Applied Learning Pathway

In 2015, 94 students in Year 13 successfully completed the Applied Learning Pathway. These students followed personalised pathways through the Business and Technology Education Council award (BTEC), or BTEC with a combination of either IB subject courses and/or AS-levels. BTEC subjects studied included Art and Design, Business, Engineering, Performing Arts, Travel and Tourism, Sport and Media.

- For BTEC Level 3 Subsidiary Diploma, 52% of entries were awarded a distinction or above and 74% merit or above;
- For BTEC Level 3 Diploma, 60% of entries were awarded a double distinction or above and 81% double merit or above;
- For BTEC Level 3 Extended Diploma, 55% of entries were awarded a triple distinction or above and 90% triple merit or above.

GCSE/IGCSE:

Approximately 1,000 students in Year 11 participated in the General Certificate of Secondary Education (GCSE) and its international equivalent the International General Certificate of Secondary Education (IGCSE). 55% of all examinations were awarded either A* or A grades and 92% awarded A* - C grades. This is the seventh consecutive year that more than 50% of examinations were awarded A* or A grades.



	2015	2014	2013	2012	2011	UK average for GCSEs (2015)
A*	29%	29%	28%	28%	29%	6%
A*-A	55%	57%	56%	56%	55%	21%
A*-C	92%	93%	94%	93%	94%	69%

IB Middle Years Programme

2015 is the seventh year that students at Renaissance College have completed the International Baccalaureate Middle Years Programme and the fourth year for Discovery College students. The 2015 results for both schools are again very strong.

- 96.8% of eligible students achieved the IB MYP Certificate;
- The mean grade per examination for ESF students is 5.37 points, which compares favourably to the worldwide mean of 5.04;
- The mean number of total points per student is 38.0 points out of a maximum possible score of 49 points.



Four students scored the maximum possible MYP total score of 49 points.

Learning Support Classes

Students with special educational needs took a range of external qualifications appropriate to their personalised learning needs. These included: BTEC awards, (I)GCSE, Edexcel Entry Level awards and the ASDAN Personal Development Programme awards.

University Destinations

Students graduating from ESF in 2015 are attending higher education institutions in 19 different countries around the world; the most popular being the UK (45% of students), Hong Kong (19%), USA (13%) and Canada (12%). A small number of students (7%) have decided to take either a 'gap year', start full-time employment or do military service.



Students will study in 245 different higher education institutions, the most popular being the University of Hong Kong, which now accounts for over 7% of the ESF cohort (75 students).

The most popular courses for our class of 2015 include business related courses (139 students), law (60 students), engineering (54 students), art and design (44 students), economics (43 students), medicine (42 students) and architecture (33 students).

The most popular university destinations for ESF graduates in 2014-15

University	Country	No. of Students
The University of Hong Kong	HK	74
University of British Columbia	Canada	47
Hong Kong University of Science and Technology	HK	34
The Chinese University of Hong Kong	HK	34
University of Toronto	Canada	34
University of Exeter	UK	28
King's College London	UK	24
The University of Nottingham	UK	23
University College London	UK	23
University of Bristol	HK	22
The University of Warwick	UK	20
Durham University	UK	15
London School of Economics and Political Science	UK	14
New York University	USA	14
The University of Edinburgh	UK	14
The University of Cambridge	UK	13
Imperial College London	UK	12

Chinese Programmes

Kindergartens

The first cohort of the English-Chinese Bilingual Programme at ESF Abacus International Kindergarten is now in Year 1 at primary school with a significant number at Clearwater Bay School. Primary teachers report higher levels of attainment in Chinese language compared with those students who have only experienced the English programme.



Primary Chinese Scope and Sequence has been launched and feedback collected. While the document plays an important role to help align Chinese with PYP guidelines, it will now be revised and enriched to meet learners' needs more effectively.



Schools have pursued regular exchange programme with partners in mainland China. Glenealy School has established an annual Year 6 cultural tour to Shenzhen. Clearwater Bay School has been operating an exchange programme with a school in Sichuan Province for seven years. Both programmes have a strong language component.

Primary and Secondary Schools

Primary schools have a well-established programme of Chinese in the core curriculum. During 2014-15 learning and teaching approaches have been reviewed and developed.

Secondary schools continued to achieve strong Chinese results in IGCSE and IB examinations, in line with levels of performance to previous years. Nearly 16% of graduates studying Chinese were awarded the bilingual diploma.

Flexible models for differentiated learning are made possible with the extra funding provided for a pilot project. The project will be reviewed in the next school year.



Continuous Professional Development (CPD)

CPD report - all events overview in 2014-15

Total Number of Workshops per Phase			
Total	Primary / Early Years	Secondary	Cross Phase
225	110 49%	44 20%	71 32%

Leadership Programmes

Emerging Leaders

The ESF Emerging Leaders programme saw over 40 teachers from across ESF attend a year-long programme of eight leadership modules. All participants attended the Emerging Leaders Summit in November and completed pre- and post-module activities as well as making presentations on leadership to colleagues and principals.

Middle Leaders

Middle Leaders Course

Over 40 ESF middle leaders attended a year-long series of modules around leadership.

Coaching

ESF now has over 350 accredited coaches working across schools and ESF centre including teachers, support staff, students and school council members.

Student Support Services

Educational Psychology

In August 2014 the educational psychology service significantly increased the time allocation to schools to meet the demand for assessment and advice related to students with a range of additional needs. Educational psychologists continued to play a key role in supporting the delivery of ESF-wide professional learning.

Emotional Literacy Support Assistant (ELSA) programme

As part of the ongoing work to support the wellbeing of all students, the ELSA programme was launched in 2014 and attended by 30 educational assistants (EAs). This is a six-day programme designed to increase participants' knowledge and skills in working with students to support the development of social and emotional skills. The comprehensive programme included sessions on social thinking, FRIENDS, solution-focused approaches and creative approaches to communication.



FRIENDS

FRIENDS is a school-based positive emotional health and wellbeing programme that promotes resilience and the development of life skills and coping strategies in children and adolescents. In 2014-15 a further 71 facilitators were trained to deliver the programmes, taking the number of accredited facilitators across ESF to over 300 since the programme was introduced in 2012.

Special Educational Needs

The SEN team continued to work closely with schools, embedding policy and practice.

Work on inclusion, structure, strategy, individual support and parent consultations continued throughout the year to ensure the smooth running of the provisions across all schools. Central and school based professional learning delivered by the team included a workshop on inclusion strategies for EAs, workshops on supporting language and social skills through play, a full-day workshop about autism and twilight sessions on supporting challenging behaviours.

The Admissions and Review Process (ARP)

The Admissions and Review process was reviewed and refined for 2014-15. The membership of the moderation panel was streamlined to increase consistency and efficiency. The ESF Matrix, which is used to guide ARP decisions, was reviewed by the moderation panel members, resulting in an improved approach.

Primary & Kindergarten SEN – IN Gateway Referral/Support Module

The Primary SEN referral & support module was rolled out to all primary schools in September 2014. The module was designed to enable mainstream teachers to make referrals for Individual Needs (IN) support and for IN/SEN colleagues to plan the student’s support. When using the module, teachers are quickly and efficiently guided through a series of tick lists, which ultimately lead to options for related support strategies. All of the data collected is linked with the Gateway SEN module, so that each student’s information is conveniently stored in one location. Feedback thus far has been overwhelmingly positive.



In line with the Primary SEN referral & support module, kindergarten leaders developed a similar module for use in kindergartens.



Students with their mentors at State Street's office

In May 2015, Seven students from West Island School and King George V School learning support classes (LSC) joined a career workshop run by ESF Career Development Services and State Street, a global financial bank. Students learned from their mentors how to enhance their job readiness skills by improving their capabilities in CV writing and interview skills.

The students' feedback was highly positive and most of them expressed an interest in continuing their connection by joining the virtual mentorship programme run by State Street.

Primary SEN Action Group

The Primary SEN Action Group established a project: Differentiating a Concept-Based Curriculum. The purpose of this project is to support and upskill classroom practitioners to better include students with moderate learning needs. The group has begun to communicate with the PYP coordinators, and two more dates have been set for project work.

Learning Support Class Self-Evaluations and Reviews

In January 2014 Learning Support Classes (LSCs) across ESF schools were introduced to ESF's Learning Support Class Capability and Review Framework which supports schools to consider their success across eight outcome measures: Learning Skills and Learning Outcomes, Teaching and Assessment, Curriculum, Care and Support, Ethos, Leadership and Management, Management of Resources and ESF Compliance. Over the past three terms, nine schools have completed the self-evaluation and subsequent reviews. Teams for each review included SEN leaders from neighboring schools. Participants have spoken very positively about the opportunities to observe and learn from each others through the process.

ESF Career Development Services

ESF Career Development Service for students with Special Educational Needs continued to provide vocational training opportunities for Year 12 and 13 in ESF schools during 2014-15. Students attended work placements or work experience opportunities enabling them to use and apply classroom-based training and knowledge in real life job situations. Students gained confidence and independence through these opportunities to work outside the classroom.

Structured Workplace Learning

In 2014-15, there were 34 students from King George V School, South Island School, West Island School and Jockey Club Sarah Roe School involved in structured workplace learning with about 20 organisations in Hong Kong.

Work experience placements included Marks & Clerk; Mother's Choice; The Hong Kong Down Syndrome Association; KGV PTSA; Enlighten - Action for Epilepsy HK; The Helena May; ESF Hillside Kindergarten and SENSations.

Vocational Placements for Students at Jockey Club Sarah Roe School

In the 2014-15 academic year, 13 secondary-aged students from Jockey Club Sarah Roe School took part in our Vocational Placement Programme which led to work experience assignments at Crossroads International, Caritas Lok Kan School, the Sai Kung District Community Centre and KGV PTSA.



ORGANISATION

ESF is a large education provider with 21 schools which serve 17,500 students. A strong central team supports our schools in Education, Human Resources, Finance and Facilities Development. We do provide after-school language and sports programmes to over 5,500 students each week and during school holidays.

One of our goals is to operate more effectively and efficiently as a strong and unified organisation. To deliver best value, we are refining our structure so that the right things are done in the right place, by the right people. We aim to eliminate duplication of effort and work, and to streamline our systems. We want to capitalise on economies of scale. Building on the review carried out this year, we will be looking to define the operational framework for the Foundation, which will define which functions are performed where and the resources are required in schools to deliver an excellent experience for every student.

Student Admissions

The key strategic objectives of Admissions are: to sustain high enrolment; to support the development of the Nomination Rights Scheme; and to ensure a consistent approach to the administration of the admissions process.

ESF-wide, enrolment numbers were maintained throughout the year with the actual enrolment to target figure remaining at 99% or above.

Application Numbers

During the central application period in September 2014, 4,365 online applications were received for Year 1 and Year 7 at ESF schools, Discovery College and Renaissance College. A further 219 applications were submitted during the rest of the academic year. Including those starting in Year 1, a total of 2,462 students were admitted during the year.

During the central application period for the kindergartens in October 2014, 1,833 applications were received for K1. A further 179 applications were submitted during the academic year.

Nomination Rights

Nomination Rights provide an accelerated entry route for children who meet the admission requirements into ESF schools. An Individual Nomination Rights scheme was launched in October 2012 and supplemented with the introduction of a Corporate Nomination Rights scheme in August 2013. A small number of Corporate Nomination Rights are available each year for purchase by Hong Kong registered companies.



Human Resources

ESF employs around 3,000 people in a variety of roles. In total, 1,189 full-time and 66 part-time teachers are employed. In addition, there are 393 full-time and 354 part-time educational assistants (EAs) who support classroom teaching and learning. We have more than 763 full-time support staff.

Attracting and Retaining Talent

At the end of the 2014-15 academic year, the voluntary turnover rate for ESF teachers was 9.1%. The rates for the Private Independent Schools (PIS) and the kindergartens were 9.6% and 17.8% respectively. The overall voluntary turnover rate for all teachers was 9.5%. This represents stable attrition year-on-year.

For support staff, the voluntary turnover rates across ESF schools, PI Schools and the kindergartens were 10.8%, 13.9% and 22.7% respectively. The overall voluntary turnover rate was 12.3%.

For full-time EAs, the overall voluntary turnover rate was 23.7%. The rates for ESF schools, PIS and the kindergartens were 23.3%, 27.3% and 21.4% respectively.

We continue to monitor the new Scale 15 teachers' salary scale, introduced in August 2013 and have tracked the resignations from teachers on the old Scale 12 against resignations from teachers on the new Scale 15. Attrition was stable for both teaching pay scales.





In 2014-15, ESF welcomed over 100 new teachers, including 25 recruited from schools in Hong Kong and 76 from other countries. In addition, 39 teachers already working in ESF took up new posts. Most of our new teachers are expatriates, with nationalities including British, Australian, Canadian, Chinese, Irish and American.

In order to assist overseas teachers with preparing for their relocation prior to their arrival in Hong Kong, we continued to pioneer new tools to assist them to proactively learn about Hong Kong and even meet future colleagues through online social networking. Resources which were developed in-house to minimise cost included:

1. a video introducing new teachers to a wide variety of living locations for ESF teachers plus a check list of actions for them to remember before landing in Hong Kong;
2. A blog site for new teachers with important details related to working in Hong Kong and;
3. A Facebook Group especially for newly recruited teachers allowing them to virtually greet and meet new colleagues and some of our current ESF staff members.

Teachers and their spouses or partners participated in one of the two induction days. After the school term started, a 'Talented Spouse Tea' was organised for spouses of new teachers to help them get established in Hong Kong.



Talent Acquisition & Engagement

We used social media and the latest technologies, such as video interviewing, for recruitment. In December 2014, ESF won an "Evolving Employer" award from LinkedIn in recognition of our innovativeness in establishing ESF's social recruitment strategy and developing ESF's employer branding on LinkedIn in Hong Kong and across Asia.

We focused on empowering support staff through increased training opportunities, including the corporate social responsibility (CSR) team building events. As a result, the Tung Wah Group of Hospitals gave ESF a Corporate Social Responsibility award for the support staff's Sticky Rice Dumpling Day in 2014. The event has turned into an annual occasion with support staff distributing sticky rice dumplings to the homeless and at elderly community centres.

We developed innovative systems to optimise ESF's employer and manager self-service tools. This now makes it possible for staff members to use ESF's self-service tools through their mobile devices.

Going forward, we will be introducing a more holistic human capital strategy which is part of the five-year strategic plan. Talent management and success planning tools will be introduced for both teaching and support staff leadership, in addition to the enhanced career planning tools for all staff.

Infrastructure and Facilities

School Estate and Property

The key role of the centrally-based facilities team is to maintain our school estate and property to a high standard. In 2014-15 the team has upgraded and replaced assets and elements within schools which have reached the end of their useful life cycle, to provide an environment which supports 21st Century learning. Examples include the replacement of air-conditioning and essential safety systems such as automatic fire alarm systems as well as upgrading teaching and learning spaces such as classrooms, laboratories and outdoor play areas.

In addition to the maintenance and replacement programme, the team also undertakes health and safety related works, ensuring that 'hardware' hazards are managed appropriately, being repaired or replaced as soon as possible to ensure a safe and healthy learning and working environment for students, staff and visitors.

Our overall investment in school estate and property in 2014-15 was HK\$147.6 million. Examples of the work completed are:

- Replacement of Year 1 classrooms at Sha Tin Junior School
- Replacement of laboratories at West Island School
- Installation of non-slip flooring to common areas – Sha Tin College and South Island School
- New sports field at Discovery College

ESF Property Asset Portfolio

ESF owns 202 residential properties across Hong Kong, Kowloon and the New Territories. 50% of the units are occupied by ESF staff with the other 50% being leased to the private market in Hong Kong.

Since 2006, we have outsourced the day-to-day management of the property portfolio to an expert property management company via a service contract. In the last 12 months, we have undertaken a full market tender for the management contract as well as tenancy and leasing services.

Synergis Management Services Limited, in joint venture with Colliers International Hong Kong, won the tender and were appointed as our Residential Property Asset Management Service Provider in April 2015.

Regular performance reports are provided to the Finance Committee of the ESF Board as well as to the Senior Management Team of ESF. In the first six months of the new contract, we have seen significant improvements in asset performance.



Discovery College



Sha Tin College



Sha Tin Junior School



West Island School



South Island School

Alumni Development

We regard our alumni as a vital extension of the ESF community. To support their engagement we have staff whose primary purpose is to focus on building relationships with our alumni communities across all ESF schools.

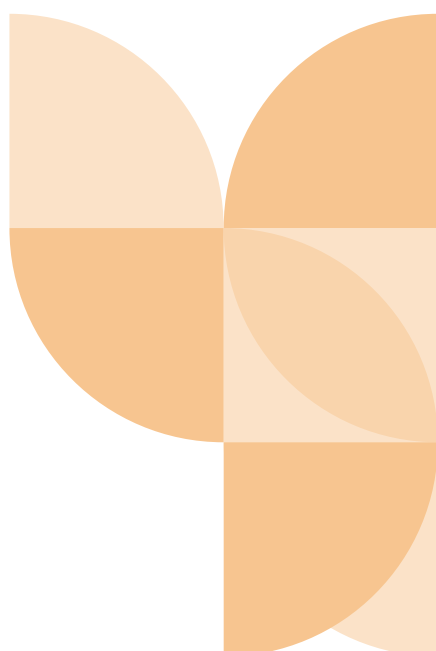


ESF Alumni News

ESF Alumni News is a platform for alumni, current students, parents, teachers and former staff to establish networks and keep up with the news and development of schools. Alumni also send updates about themselves and their stories are published in this alumni magazine. The publication is distributed to all ESF schools and ESF-related organisations. An electronic copy is also available at www.esf.edu.hk/alumni.

Alumni Networking Meetings

ESF alumni relations and communication staff meet regularly to share experience on building alumni networks and to discuss issues regarding advancement and new school-based projects. These sessions provide a platform for sharing of best practice and refining approaches to alumni engagement across ESF.





Alumni Gatherings

ESF schools organise regular alumni gatherings in Hong Kong and overseas. As well as lunch or dinner gatherings, schools have started to organise sporting events for alumni. Sha Tin College had their first Dragon Boat team this year, with the team taking fifth place in the Hong Kong Dragon Boat Short Race.

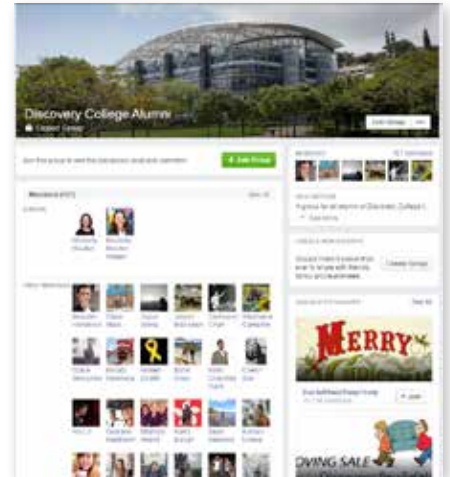
Alumni Website and Social Media

Many ESF schools have established alumni websites and social media accounts to communicate with alumni. Updates on school activities, current events and invitations relating to a wide variety of alumni events are posted on these platforms.

Fundraising

The Advancement Office

2014-15 saw the establishment of an Advancement Office. The remit of the office is to identify and develop ways of supporting the work of ESF through growing a philanthropic culture of fundraising and gift-giving. Our goal is to engage our community through various strategies to foster this culture of broader support. We recognise that gifts come in many forms, whether it be influence, networks, goods and services or finances.





ESF After School Programmes

By the end of the school year, over 5,500 students were engaging in an ESF Sports or an ESF Language & Learning programme across an increasingly wide range of activities. New courses were added in multi-sports and sports cubs for the youngest children, as well as in science and Spanish. The ESF Language & Learning Centre opened in April 2015.

Located conveniently in Wan Chai, the centre offers a new playgroup programme for young children. More after-school classes for primary and kindergarten-aged children will be added as the centre expands.



More students were involved in competitive sporting activities through ESF in 2014-15, with teams achieving success in Hong Kong's junior leagues for football and netball across all age groups. The ESF Sharks swimming programme achieved record numbers of

HKASA qualifying times and swimmers were able to compete in various galas and meets throughout the year. There were overseas tours for ESF Tigers, basketball and ESF Lions, football team. The

Tigers team had an audience with the Pope and the footballers trained at various English Premier Football Clubs facilities.

ESF Educational Services marked its 20th anniversary in 2014-15. The sports and language & learning programmes. A highlight of the anniversary year was the ESF Sports Star award which tested students' athletic aptitude and sports ability, resilience and dedication.



COMMUNICATIONS

Brand Audit

During the 2014-15 academic year, a brand audit was conducted by an external agency engaging 3,000 stakeholders, through focus groups, one-to-one interviews and large scale surveys. We wanted to find out three main things:

- How is ESF currently communicating?
- How is ESF perceived in the market place?
- How and what should ESF be communicating in the future?

We learned that we are perceived to have high credibility where it matters: parents and stakeholders rated ESF as having the highest quality teachers and ranked our ability to deliver a well-rounded education and high academic performance, while instilling a joy of learning for life in a relaxed environment. We learned that we could improve our communication and brand profile through managing and prioritising the amount of information given and by strengthening a single brand recognition and identity.

From the survey, 65% said that ESF and its schools should communicate more clearly on what it means to be an ESF school. 72% said that ESF and its schools should share the same values. 17% of parents with children on our waitlist did not realise they are waitlisted for an ESF school.



Brand Building

In 2014-15, a set of marketing materials and print advertisements were designed around these messages in order to build a stronger ESF brand. A number of advertorials was published with a focus on the outstanding academic achievements of ESF schools.

Moreover, ESF and schools are in the process of revamping all of our websites. In 2014-15, websites of Beacon Hill School, Bradbury School, Sha Tin College and South Island School were refreshed with a new 'look' and 'feel', integrating more effectively with social media platforms, with a more user-friendly content management system.



Publicising Achievements and Positive Stories

Achievements of ESF students and staff were widely covered in the media and through ESF's channels, including the website, social media channels and the ESF News.

The ESF Chairman's Awards for Excellence took place on 26 August 2015 to recognise the outstanding performance of 187 2014-15 ESF graduates in both academic and non-academic areas. The first "Carlson Tong Award" was presented to three students to celebrate excellence in the bilingual diploma.

Relations between ESF and the local media have been strong this year. ESF has been featured in a number of media reports on education. These included high academic results, introducing Hong Kong's first ever International Baccalaureate Career-related Certificate (IBCC) with SCAD (Hong Kong), the partnership with Hong Kong Sports Institute to provide a highly integrated and flexible curriculum for elite athletes, the opening of the ESF Language & Learning Centre in Wanchai, women in leadership, International education and the announcement of new Chairman.



CASE STUDY

Taking the global path to success

ESF schools have adopted the International Baccalaureate (IB) with enthusiasm, writes John Brennan

Having taught the IB diploma for over 20 years, I have seen an evolution in the way IB is perceived and the results it produces. The IB diploma is a rigorous, challenging programme that prepares students for the global marketplace. It is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world.

The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world.

CASE STUDY



It is easier to do lessons, attitudes and preferences, otherwise not speaking the same language throughout.

The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world.

IB Primary Years Programme nurtures a well-rounded lifelong learner

Although the IB PYP (International Baccalaureate Primary Years Programme) was introduced almost two decades ago in 1997, many parents still have only hazy ideas of the programme. Rebecca Demetri, an adviser from ESF (English Schools Foundation), offers more elucidation.

All your questions and solve the problems

The IB PYP programme is a well-rounded, inquiry-based approach to learning. It is designed to nurture a well-rounded, lifelong learner. The IB PYP programme is a well-rounded, inquiry-based approach to learning. It is designed to nurture a well-rounded, lifelong learner.



INTERNATIONAL SCHOOL

英基國際幼稚園(南區) 一條龍IB學校 小學直升中學



英基國際幼稚園(南區) 一條龍IB學校 小學直升中學

INTERNATIONAL CURRICULUM

It is easier to do lessons, attitudes and preferences, otherwise not speaking the same language throughout.

The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world. The IB diploma is a programme that is highly respected by universities and employers around the world.



INFANT FEATURE

英基國際幼稚園(南區) 遊戲主導學習

英基國際幼稚園(南區) 遊戲主導學習



英基國際幼稚園(南區) 遊戲主導學習



Results of the English Schools Foundation (ESF) and its subsidiary, ESF Educational Services Limited (ESL) for the year ended 31 August 2015.

(The data shown below are before any restatements because of change in accounting policy or adoption of new accounting standard, if any.)

	2014/15		2013/14		2012/13	
	\$M	% of total income	\$M	% of total income	\$M	% of total income
Operating Income						
School Fees	1,636.8	75.5	1,538.9	75.4	1,443.1	73.4
Subvention	271.1	12.5	271.1	13.3	271.1	13.8
Other	183.3	8.4	167.5	8.2	170.3	8.7
	2,091.2	96.4	1,977.5	96.9	1,884.5	95.9
Capital Income	77.4	3.6	64.2	3.1	81.7	4.1
Total Income	2,168.6	100.0	2,041.7	100.0	1,966.2	100.0
Expenditure						
Staff cost	1,613.3	74.4	1,538.4	75.4	1,445.9	73.5
Depreciation	128.4	5.9	109.2	5.3	84.5	4.3
Repair and Maintenance	87.4	4.0	85.2	4.2	72.4	3.7
Other Operating Expenses	172.1	8.0	166.7	8.2	161.0	8.2
Scholarship fund and hardship allowance	37.2	1.7	33.6	1.6	29.9	1.5
	2,038.4	94.0	1,933.1	94.7	1,793.7	91.2
Surplus for the year	130.2	6.0	108.6	5.3	172.5	8.8
(Less)/add: re-measurement of net defined benefit asset	(11.3)	(0.5)	9.4	0.5	-	-
Total comprehensive income	118.9	5.5	118.0	5.8	172.5	8.8
Analysis of surplus:						
General	13.1		18.2		54.7	
Capital Fund	77.4		64.2		81.7	
Individual schools	28.4		35.6		36.1	
	118.9		118.0		172.5	

Average Student Enrolment

	2014-15	2013-14	2012-13
ESF primary schools	6,129	6,120	6,112
ESF secondary schools	6,814	6,812	6,794
Private Independent Schools	3,361	3,284	3,116
Kindergartens	1,217	1,214	1,198
Other programmes	4,992	4,908	4,316
Total average enrolment	22,513	22,338	21,536

Income

The Group's operating income increased by 5.7% to HK\$2,091.2m (2013-14: HK\$1,977.5m) as a result of the revenue from higher tuition fees, which represented 78.3% of the total operating income and the increased income from admissions. In 2014-15, tuition fees increased by 5.53%, on average, in order to cover pay rises and a number of educational enhancements. The number of students increased slightly by 0.8% compared with 2013-14.

The subvention to ESF schools remains frozen until 2016-17. Total receipts during the year were HK\$297.3m (2013-14: HK\$290.9m). This includes basic grants, hardship allowance and a refund of rent and rates from the Government. The increase was due to higher refund of rent and rates for school premises.

Income generated from language and sports programmes and Cambridge examinations rose by 5% to HK\$47.5m (2013-14: HK\$45.2m) as a result of increase in enrolment and the set-up of a new language and learning centre in Wan Chai.

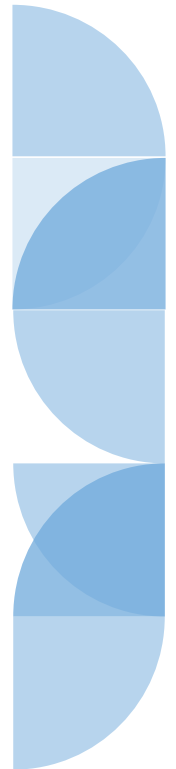
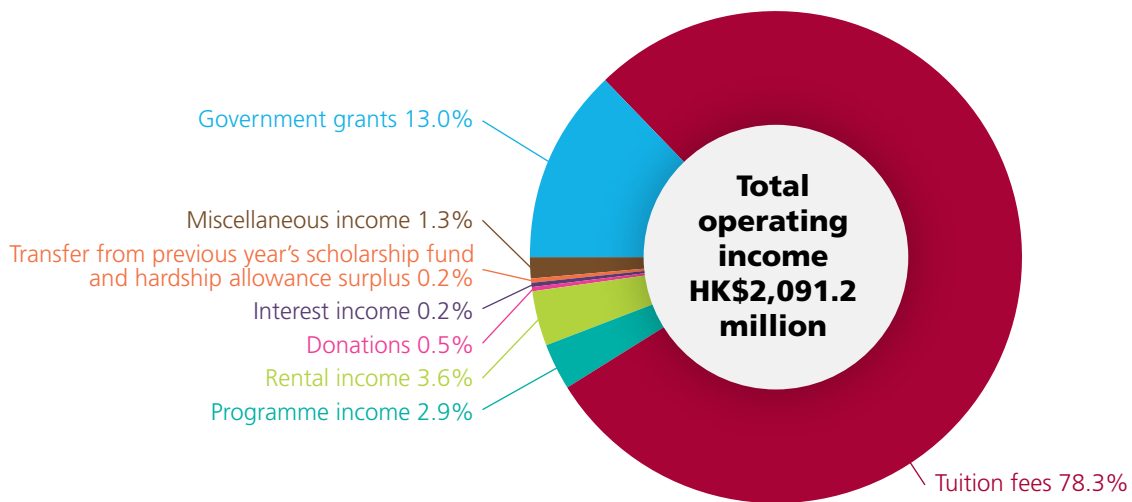


Income from the leasing of school premises increased slightly to HK\$23.4m (2013-14: HK\$21.3m). Rental income derived from residential properties decreased by 3.5% to HK\$52.8m (2013-14: HK\$54.7m) due to apartments being taken off the market as part of the major interior upgrade project which was still in progress during the year.

Interest income increased by 9.8% to HK\$5.6m (2013-14: HK\$5.1m) as a higher sum was placed under fixed deposits. Miscellaneous income is mainly derived from therapy services, application fees, forfeited deposits and other income from schools.

The Group introduced various schemes to finance capital expenditure, such as the Nomination Rights Schemes and non-refundable building/capital levies. This revenue is designated solely to finance capital expenditure/redevelopment projects and hence is included in the capital fund. This year, these schemes generated an income of HK\$77.4m (2013-14: HK\$64.2m).

Total operating income by source for the year ended 31 August 2015



Expenditure

Staff and facilities costs, including depreciation on schools and offices, and repairs and maintenance, continued to be the major expenditure items, representing approximately 80% and 10% of total expenses respectively. Other operating expenses had been the main focus in the past for review on cost efficiency. The management has been cost-conscious while mindful of the need to maintain staff morale, high-quality recruitment and retention.

Other operating expenses consisted mainly of IT expenditure, recruitment expenses, office and general expenses, training and curriculum development expenses, utilities, teaching materials and rental expenses.

Staff costs increased by 4.9% to HK\$1,613.3m (2013-14: HK\$1,538.4m), mainly due to salary adjustments for existing employees. This was in line with the labour market and inflation, and reflected higher teaching staff salaries because of staff progression up the salary scales, and new curricular initiatives introduced during the year. These initiatives included the continuous improvement of the Chinese curriculum and the provision of additional Learning Support Classes. Additional staff were also required as the two private independent schools continued to grow in student population. Harmonisation of remuneration between ESF and ESL staff members, new staff hired in preparation of the new kindergarten in Tung Chung, and higher number of staff eligible for education allowances also contributed to the overall increase in staff costs.

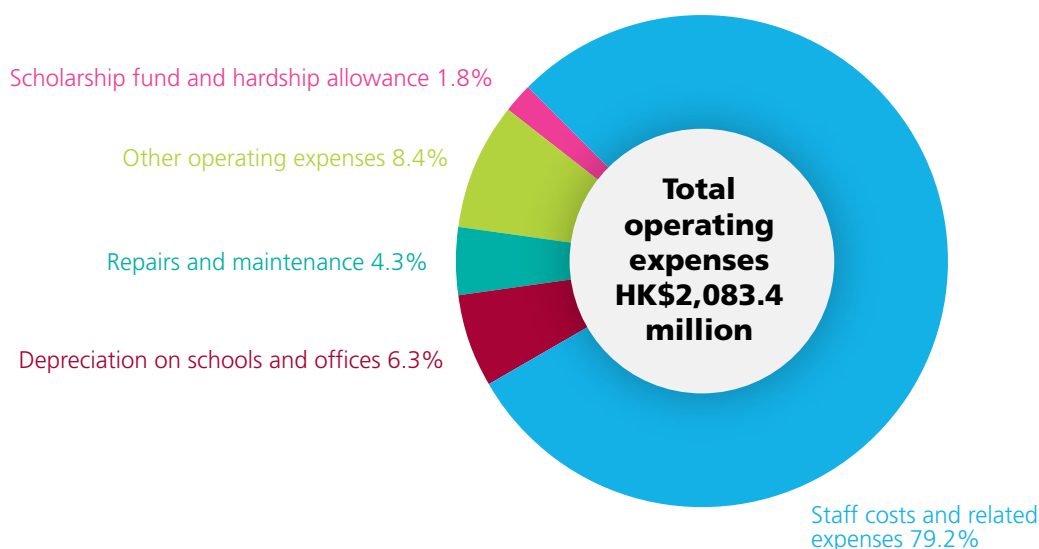
Depreciation expenses increased by 17.6% to HK\$128.4m (2013-14: HK\$109.2m) as new facilities of King George V School and Renaissance College were completed. Additional purchase of furniture and equipment by the PI Schools also contributed to the increase.

The cost of repairs and maintenance increased by 2.6% to HK\$87.4m (2013-14: HK\$85.2m). These expenses include summer works, annual maintenance contracts, facility consultancy fees and periodic inspection services.

Other operating expenses increased by 3.2% to HK\$172.1m (2013-14: HK\$166.7m), due primarily to inflation and higher spending on branding.

Individual schools surplus represent surplus generated by the 22 schools, including kindergartens, primary, secondary and private independent schools.

Operating expenses by category for the year ended 31 August 2015





Sha Tin College



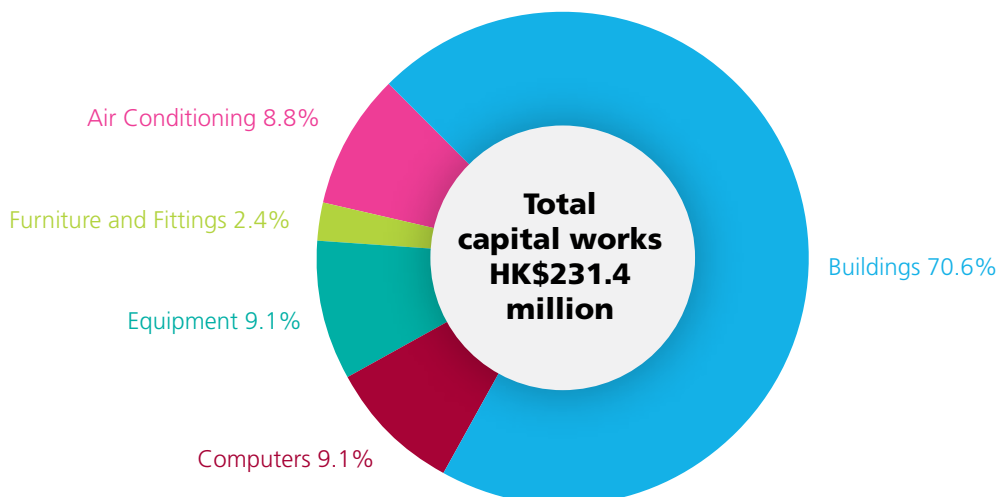
Quarry Bay School

Balance sheet and capital expenditure

Fixed assets


The Group's balance sheet remained strong and well capitalised in 2014-15. As at 31 August 2015, total assets increased by 5.2% to HK\$2,338.5m (2013-14: HK\$2,223.5m). Fixed assets represented 72.7% of total assets, at HK\$1,699.8m (2013-14: HK\$1,609.8m). Capital expenditure decreased by 23.3% to HK\$231.4m (2013-14: HK\$301.7m) as the major works related to the Kowloon Junior School redevelopment and the King George V School expansion projects (Redevelopment Projects) were completed in 2013-14. Capital expenditures in different areas are shown in the chart: Capital works by category.

Capital works by category for the year ended 31 August 2015



Group's Balance Sheet

(the data shown below are before any restatements because of change in accounting policy or adoption of new accounting standard, if any)



	2014/15 \$M	2013/14 \$M	2012/13 \$M
Assets employed			
Fixed assets	1,699.8	1,609.8	1,454.5
Bank deposits with original maturities over three months	352.9	314.2	232.0
Cash and cash equivalents	192.5	207.0	223.6
Other assets	93.3	92.5	108.6
	2,338.5	2,223.5	2,018.7
Less:			
Other liabilities	603.8	666.4	666.6
Refundable capital levy	222.5	218.8	173.4
Debenture	9.2	8.4	4.3
Deferred income - Non-refundable capital/building levy	78.2	-	-
Corporate nomination rights	24.4	24.9	-
Net assets	1,400.4	1,305.0	1,174.4
Financed by			
Reserves (retained surpluses)	1,400.4	1,305.0	1,174.4

Cash and deposits

Total cash and deposits increased by 4.6% to HK\$545.4m at 31 August 2015 (31 August 2014: HK\$521.2m). Of this amount, cash held on deposit with original maturities over three months increased by 12.3% to HK\$352.9m (2013-14: HK\$314.2m). This was mainly attributable to the net effect of payments for capital expenditure, the collection of non-refundable building/capital levy (HK\$69.1m) and nomination rights and receipts in advance (HK\$60.3m), and free cash generated from surplus for the year. With capital commitments of HK\$441.2m, representing mainly school extension projects, and the redevelopment of Island School, capital planning and cash management continue to be priorities for the future.

Non-refundable building/capital levy

During the year, ESF schools started to collect non-refundable capital levy which replaced the refundable capital levy. The non-refundable capital levy is applicable to new students joining ESF schools from August 2015 onwards. Parents of existing students who join Year 7 from another ESF school will be liable for the refundable capital levy.

The private independent schools charge a non-refundable building levy. Renaissance College charges the levy as a one-time payment upon a student's acceptance of a school place. Discovery College collects the levy on an annual basis for all students. During the year, Renaissance College changed its income recognition policy on the non-refundable building levy such that the levy is now recognised over the number of years individual students are expected to remain at the school.

Reserves

Reserves represent the excess of assets over liabilities. They include school reserves of ESF schools of HK\$144.7m (2013-14: HK\$138.9m). These are accumulated surplus of ESF schools derived from individual school devolved budget. From the total amount of, HK\$21.5m (2013-14: HK\$23.7m) has been designated to finance capital activities at schools according to the approval of the school councils. A sum for future infrastructure upgrades is also reserved. School surplus planning is a continuous agenda for ESF.

Group's cash flow

(the data shown below are before any restatements because of change in accounting policy or adoption of new accounting standard, if any)

	2014/15 \$M	2013/14 \$M	2012/13 \$M
Cash generated from operations	185.4	149.0	204.6
Investing activities			
Capital expenditure	(300.9)	(293.2)	(495.6)
Bank deposits with original maturities over three months	(40.5)	(80.4)	91.1
Government grants received	3.3	62.2	51.1
Other	5.1	4.8	7.1
	(333.0)	(306.6)	(346.3)
Financing activities			
Refundable capital levy	3.7	45.4	54.2
Proceeds from issue of nomination rights	60.3	72.7	69.8
Proceeds from non-refundable capital/building levy	69.1	19.3	13.9
Proceeds from debenture	0.8	4.1	4.3
Other	(0.8)	(0.5)	(0.2)
	133.1	141.0	142.0
(Decrease)/increase in cash and cash equivalents	(14.5)	(16.6)	0.3

In 2014-15, the Group's cash and cash equivalents reduced by HK\$14.5m. If all fixed deposits and restricted cash were taken into consideration, total cash and bank was increased by HK\$26.5m. The cash generated from operations increased by HK\$36.4m to HK\$185.4m during the year (2013-14: HK\$149.0m). This was primarily due to increase in surplus for the year. Residential properties upgrade and continuous investment in school facilities drove the increase in capital expenditure. The introduction of the non-refundable capital levy in ESF schools reduced the cash inflow from refundable capital levy and increased the proceeds from non-refundable capital/building levy. Major capital projects financing is a continuous challenge.

The above financial analysis concentrates on one year's financial performance, with a comparison against the previous year. A five year summary on the Group's financial performance is available on P.42.

Outlook

School operations are expected to remain stable in 2015-16. Student enrolment continues to be strong with a high demand for ESF and ESL school places at the beginning of the academic year. While Renaissance College (RCHK) has reached full roll, Discovery College (DC) will continue to grow until the school reaches its capacity in 2017-18.

DC remains in a deficit position in 2014-15; however, with steady growth in enrolment, the school is expected to show a surplus by 2019. Other segments of ESL including the kindergartens, language and sports sections are expected to remain operationally and financially stable in the foreseeable future.

The subvention review was concluded in July 2013. All existing students of ESF schools will continue to benefit from the subvention until they leave or graduate from ESF schools. All students joining ESF schools in the school year 2015-16 will also benefit from the subvention which continue to be frozen at current levels. In addition to inflation adjustment, tuition fees for students entering Year 1 of ESF schools in August 2016 could rise by approximately HK\$17,000 to fully cover the reduction in the subvention. Management are conscious of the impact fee increases will have on parents with children entering Year 1 in August 2016 and afterwards, and recognise the need to plan ahead to ensure efficiency and financial sustainability.



Financing major capital projects over the coming years will continue to be a key challenge. The largest is the imminent redevelopment of Island School. Subject to approval by the Legislative Council Finance Committee, a capital grant will be made available to subsidise the redevelopment project. With the introduction of the non-refundable capital levy (NCL) for students entering ESF schools from August 2015, together with the Individual and Corporate Nomination Rights Schemes, ESF has set its medium term capital funding strategy. Bridge loans will be required from time to time, but in view of the financial stability of ESF and the independent valuation of its residential property portfolio at approximately HK\$3.2 billion as at 31 August 2015, ESF is in a position to borrow at a favourable interest rate to meet funding requirements of major capital projects.

A new primary block at RCHK is expected to be completed in 2017-18 with a total cost of \$98.9m. The financing of this project is coming from a combination of existing cash reserves, income from the non-refundable building levy and nomination rights schemes, and an interest-bearing financing arrangement with ESF.

Fundraising is a new strategic element and will provide diversity to our sustainable financial model. Gaining support from our community of stakeholders through a variety of gift-giving mechanisms will provide our community with meaningful participation in the development and growth of our vision and mission within our schools.

Our fundraising strategies are being designed in such a way that they will be applicable and transferable to all our schools, but our first focus will be on the Island School re-development.

We anticipate that all ESF schools will in time benefit from what will be our first capital fundraising campaign experience.



Five-year Financial Summary

(the data shown below are before any restatements because of change in accounting policy or adoption of new accounting standard, if any)

	2014/15 \$M	2013/14 \$M	2012/13 \$M	2011/12 \$M	2010/11 \$M
Consolidated Profit & Loss Account					
Operating Income					
School Fees	1,636.8	1,538.9	1,443.1	1,357.1	1,293.6
Subvention	271.1	271.1	271.1	271.1	269.8
Other	183.3	167.5	170.3	156.7	139.8
	2,091.2	1,977.5	1,884.5	1,784.9	1,703.2
Capital Income	77.4	64.2	81.7	14.9	-
Total Income	2,168.6	2,041.7	1,966.2	1,799.8	1,703.2
Expenditure					
Staff cost	1,613.3	1,538.4	1,445.9	1,353.6	1,267.7
Depreciation	128.4	109.2	84.5	114.9	101.1
Repair and Maintenance	87.4	85.2	72.4	60.3	65.5
Other Operating Expenses	172.1	166.7	161.0	152.4	150.0
Scholarship fund and hardship allowance	37.2	33.6	29.9	26.3	23.2
	2,038.4	1,933.1	1,793.7	1,707.5	1,607.5
Surplus for the year	130.2	108.6	172.5	92.3	95.7
(Less)/add: remeasurement of net defined benefit assets	(11.3)	9.4	-	-	-
Total comprehensive income	118.9	118.0	172.5	92.3	95.7
General	13.1	18.2	54.7	44.8	51.1
Capital fund	77.4	64.2	81.7	14.9	-
Individual schools	28.4	35.6	36.1	32.6	44.6
	118.9	118.0	172.5	92.3	95.7

Five-year Financial Summary (continued)

(the data shown below are before any restatements because of change in accounting policy or adoption of new accounting standard, if any)

	2014/15 \$M	2013/14 \$M	2012/13 \$M	2011/12 \$M	2010/11 \$M
Consolidated Balance Sheet					
Non-current assets	1,734.4	1,659.6	1,486.6	1,109.1	931.3
Current assets	604.1	563.9	532.1	594.5	592.8
Current liabilities	615.5	668.6	666.5	582.3	556.2
Net current (liabilities)/assets	(11.4)	(104.7)	(134.4)	12.2	36.6
Total assets less current liabilities	1,723.0	1,554.9	1,352.2	1,121.3	967.9
Non-current liabilities	(322.6)	(249.9)	(177.8)	(119.4)	(58.2)
Net assets	1,400.4	1,305.0	1,174.4	1,001.9	909.7
General reserve	1,041.1	1,005.4	919.1	862.3	789.6
Capital fund	214.6	160.7	96.5	14.9	-
School controlled reserves	144.7	138.9	158.8	124.7	119.8
Schools' donation fund	-	-	-	-	0.3
Total reserves	1,400.4	1,305.0	1,174.4	1,001.9	909.7





Review of Business

The opening of the new kindergarten at Tung Chung was postponed by one year to August 2016 because of a delay to the developer's building project. 30 students who had applied to Tung Chung for K2 were accommodated into Tsing Yi kindergarten for 2014-15. Demand for places in the new Tung Chung kindergarten for the 2016-17 school year has been strong and we expect it to open close to full capacity next year.

The ESF Language & Learning Centre opened in April, offering playgroup classes to children from six months. The Centre will be an additional venue for the language and learning programme and for examinations.

GOVERNANCE

ESF Board of Governors

ESF has a strong and balanced management structure that effectively enables a variety of stakeholders to participate in the decision-making process.

The Board of Governors has overall responsibility for managing ESF’s affairs, maintaining its educational standards and administering its property portfolio. The Board is broadly constituted and includes ten independent governors, seven directly elected parent governors, one committee of parents governor, three school council chairmen, four members of staff (including a principal) and the Chief Executive Officer (ex officio). It is supported by a number of committees, including standing committees for remuneration, audit and finance.

Board Composition

In 2014-15, the membership of the Board was as follows:

Independent Members		School Council Chairmen	Gordon Lamb (until 19 Sep 2014) Elaine Leung Virginia Morris Judy Vas
Chairman	Carlson Tong, JP (until 2 May 2015) Abraham Shek, GBS, JP (since 20 May 2015)	Elected Parent Members	Ronald Abbott Francis Carroll Connie Liu Andrea Lowe Scarlett Mattoli Schumann Tang
Vice Chairman	Elizabeth Boshier	Elected SEN Parent Member	Kim Anderson
Treasurer and Chairman of the Finance Committee	Robert Gazzi	Committee of Parents Member	Marc Castagnet
Chairman of the Audit Committee	P M Kam	Committee of Principals Member	Brenda Cook
Chairman of the Remuneration Committee	Pauline Ng, SBS	Committee of Teaching Staff Members	Matthew Caplin Paul Clarke
	Alexander Chan Kim Mak, JP (until 27 Oct 2014) Nirmala Rao Kelvin Wong Judy Woo Kumar Ramanathan, SC (since 29 Oct 2014)	Committee of Support Staff Member	Mike Draeger
		Chief Executive Officer (ex officio)	Belinda Greer



Meeting Attendance

In 2014-15, the Board met seven times, with an average attendance rate of 77.4%. Attendance records of individual members are as follows:

Carlson Tong	5/5	Elaine Leung	6/7
Elizabeth Boshier	6/7	Andrea Lowe	6/7
Robert Gazzi	6/7	Connie Liu	4/7
Kim Mak	1/1	Francis Carroll	5/7
P M Kam	6/7	Ronald Abbott	5/7
Alexander Chan	4/7	Scarlett Mattoli	5/7
Judy Woo	6/7	Schumann Tang	3/7
Pauline Ng	7/7	Kim Anderson	7/7
Nirmala Rao	5/7	Marc Castagnet	5/7
Kelvin Wong	2/7	Brenda Cook	4/7
Kumar Ramanathan	5/6	Paul Clarke	6/7
Abraham Shek	2/2	Matthew Caplin	7/7
Judy Vas	4/7	Mike Draeger	5/7
Virginia Morris	7/7	Belinda Greer	7/7

Standing Committees

The Board of Governors is supported by Committees for Audit, Finance and Remuneration, each committee advises on matters relating to the auditing of ESF's business, the management of finances, staff remuneration and terms and conditions of service.

Audit Committee

The Audit Committee met three times during the 2014-15 academic year. During the year, in addition to fulfilling its primary responsibilities as stipulated by the English Schools Foundation (General) Regulation, the Committee received the report on the annual compliance review which was conducted by the Senior Management Team. The compliance review evaluated the inherent risks involved in running ESF against the effectiveness of the controls in place to assess the residual risks. The review found that these risks were being managed at either a low or medium level across a range of areas. A number of initiatives have been taken to strengthen compliance. These include the review and update of various policies relating to school and organisational operations with a focus on Health and Safety and Copyright; briefings to staff and school council members on compliance related matters, including procurement; and establishing a ESF Risk Register.

Based on information received from management, external and internal auditors, the Committee concluded that the overall financial and operating controls for ESF during 2014-15 were effective. Issues raised by the auditors were satisfactorily addressed by management.

The members of the Audit Committee in 2014-15 were:

- P M Kam, Chairman and Independent Board Member;
- Pauline Ng, Independent Board Member; and
- Judy Woo, Independent Board Member.

Belinda Greer, Chief Executive Officer, Vivian Cheung, Chief Financial Officer and Eva Pang, Internal Auditor attended all meetings.



Finance Committee

The Finance Committee met five times in 2014-15 including a joint meeting with Remuneration Committee to discuss fees and pay increase for the following year, and a joint meeting with Audit Committee to review and endorse the audited accounts. In addition to fulfilling its primary responsibilities as stipulated by the English Schools Foundation (General) Regulation, the Committee also reviewed a number of issues and where appropriate made recommendations to the Board. As the property portfolio forms a significant part of the Foundation's asset base, the Committee took a keen interest in monitoring the performance of those assets. Decisions were taken on what class of assets the portfolio should be held in. Furthermore, the financial strategy within the ESF Strategic Plan 2015-20 was reviewed and endorsed by the Finance Committee.

The Committee continues to monitor the performance of the various elements of the Long Term Capital Funding Strategy to ensure it is meeting the targets set.

The members of the Finance Committee in 2014-15 were:

- Robert Gazzi, Chairman and Treasurer;
- Elizabeth Boshier, Independent Board Member;
- Alexander Chan (until December 2014), Independent Board Member;
- P M Kam, Independent Board Member;
- Robert Gibson, School Council Chairman;
- Sam Houston, Committee Appointed Member; and
- Andrea Lowe, Committee Appointed Member.

Belinda Greer, Chief Executive Officer and Vivian Cheung, Chief Financial Officer attended all meetings.

Remuneration Committee

The Remuneration Committee met seven times in 2014-15 and also held a joint meeting with the Finance Committee. The main responsibilities of the Remuneration Committee are to review the salaries and benefits of ESF employees and appraise the financial implications of any proposed revisions. The Committee also advises on amendments to its remuneration policy and employee benefits and ensures the appropriate arrangements are made for consulting employees at each stage of the process.

The focus of discussion during 2014-15 has been on employee salaries, pay, conditions and benefits. A compensation pulse survey was conducted, to follow up on the 2013-14 pay study, by an external consultant to review effectiveness of implementation of new salary scales for new teachers. In addition, the Committee also monitored and supported projects related to the medical and dental insurance scheme, support staff pay and the best use of resources to make ESF an employer of choice.

The members of the Remuneration Committee in 2014-15 were:

- Pauline Ng, Chairman;
- Kelvin Wong, Independent Board Member;
- Malcolm Keys, School Council Chairman; and
- Frankie Lam, Committee Appointed Member.

Belinda Greer, Chief Executive Officer and Charles Caldwell, Director of Education attended all meetings.

Advisory Committees

The Chief Executive Officer is supported by five advisory committees, representing principals, school council chairmen, parents, teaching staff and support staff.

Committee of Principals

The Committee of Principals comprises the principals of all ESF schools, private independent schools and the five kindergartens; the Chief Executive Officer and the school development advisers for secondary and primary. The Chairman in 2014-15 was Brenda Cook, Principal of Glenealy School. Other members included:

Secondary Schools		Special School	
Island School	Chris Binge	Jockey Club Sarah Roe School	Karin Wetselaar
King George V School	Ed Wickins	Private Independent Schools	
Sha Tin College	Marc Morris	Discovery College	Mark Beach
South Island School	Graham Silverthorne	Renaissance College	Harry Brown
West Island School	Jane Foxcroft	ESF International Kindergartens	
Primary Schools		Abacus	Frances Wilkinson
Beacon Hill School	James Harrison	Hillside	Christopher Duncan
Bradbury School	Sandra Webster	Tsing Yi	Victoria Bewsey
Clearwater Bay School	Chris Hamilton	Tung Chung	Sandra Hite
Glenealy School	Brenda Cook (Chairman)	Wu Kai Sha	Christopher Coyle
Kennedy School	John Brewster	ESF Centre	
Kowloon Junior School	Mark Cripps	Chief Executive Officer	Belinda Greer
Peak School	Bill Garnett	School Development Adviser (Primary)	David Fitzgerald
Quarry Bay School	Mina Dunstan	School Development Adviser (Secondary)	Chris Durbin
Sha Tin Junior School	Perry Tunesi		

In 2014-15, the Committee of Principals met seven times. Strategic planning for Year 2015-2020 was the key focus. This included setting strategic objectives and direction, strategies for ESF education and positioning ourselves for future challenges. Other topics discussed included:

- development of the Kowloon Learning Campus and the consultation process;
- revisions on the leadership and teaching capability frameworks;
- senior leaders' and emerging leaders' professional development;
- continuous professional development strategy;
- review of IT systems;
- finance matters including budget, fees, fee collection and procurement policies;
- overseas travel policy;
- human resources issues such as performance management, fee adjustment, Scale 15 introduction and support staff issues;
- brand audit and future directions in brand and communications strategies;
- setting up of an Executive Committee formed by the senior management team and six principals.

Committee of School Council Chairmen

The Committee of School Council Chairmen comprises the Chairmen of all the School Councils. The Chairman in 2014-15 was Mike Hudson who represented Kowloon Junior School. Other members included:

Primary Schools		Secondary Schools	
Beacon Hill School	Malcolm Keys	Island School	Malcolm Gibson
Bradbury School	Eleni Istavridis	King George V School	Neville Shroff
Clearwater Bay School	Geoff Daniel	Sha Tin College	Elaine Leung
Glenealy School	Judy Vas	South Island School	Paul Brough
Kennedy School	Martin Franks	West Island School	Cynthia Lam
Kowloon Junior School	Mike Hudson	Private Independent Schools	
Peak School	Duncan Pescod	Discovery College	Simon Wong
Quarry Bay School	Jan Blaauw	Renaissance College	Anne Choi
Sha Tin Junior School	B J Gran	Special School	
ESF Centre		Jockey Club Sarah Roe School	Virginia Morris
Chief Executive Officer	Belinda Greer		

In 2014-15, the Committee of School Council Chairmen met seven times. Items discussed included: development of the ESF Strategic Plan 2015-2020 and the new vision, mission and core values of ESF;

- introduction of the Kowloon Learning Campus and the consultation process;
- contract renewal of principals;
- Scale 15 introduction;
- progress of student admissions;
- Island School redevelopment;
- the secondary and primary students' examination and test results;
- the report on university destinations;
- results of the ESF Stakeholders' Survey 2014;
- finances and budget for 2015-18 and initiatives;
- brand audit and future directions in ESF brand and communications strategy;
- policy for overseas travel; and
- rental of school facilities to ESF Educational Services.



Committee of Parents

The Committee of Parents comprises the Chairman of each of the parent teacher associations (PTAs), one elected parent member of each school council and the parent members of the Board of Governors. The Chairman in 2014-15 was Stewart Aldcroft, representative of the West Island School Parent Teacher Association. Other members included:

Primary Schools		Secondary Schools	
Beacon Hill School	Rowena Chow Shareen Hellen	Island School	Christine Brendle Susan Finder Sonali Laul Viv Lonergan
Bradbury School	Ken Dubinsky Cassie Jullienne Vincci Lo	King George V School	Lena Chan David Cowe Elke Wiedemann
Clearwater Bay School	Emma Burns Marisa Flores	Sha Tin College	Mimi Hsiao
Glenealy School	Christine Meaney Nick Phillips	South Island School	Fiona Bishop
Kennedy School	Japneet Chahal Laurel Dillon	West Island School	Mike Abbs Terri Donlon Tess Lyons
Kowloon Junior School	Sheila Gridley Karina Aswani	Discovery College	Fahima Ahmad
Peak School	Chris Cosgrove Brian Schroeder	Renaissance College	Whyment Lee Yip Cham Por
Quarry Bay School	Michelle Saad Angela Schael	Parent Members of the Board	
Sha Tin Junior School	Angie Chu Warren Linger		Ronald Abbott Kim Anderson Francis Carroll Marc Castagnet Connie Liu Andrea Lowe Scarlett Mattoli Schumann Tang
Special School			
Jockey Club Sarah Roe School	John Greene		
ESF Centre			
Chief Executive Officer	Belinda Greer		
Student Support	Jonathan Straker		

In 2014-15 the Committee of Parents met five times. Topics discussed included:

- A series of updates on strategic planning;
- Progression to higher education from ESF schools;
- Secondary examination results;
- Progress report on Chinese;
- ESF calendar 2015-2016;
- Strategies in schools' action planning to improve performance;
- Horizon scanning on fees and pay;
- Shape and models of school calendar;
- PTA articles of association;
- Procurement of auditors;
- Kowloon learning campus;
- New websites for schools;
- Level of compensation of PTA employed administrative staff; and
- Issues shared by all PTAs, including uniform stocktaking procedures setting, payment of membership fees and levels of compensation for PTA employed administrative staff.

Committee of Teachers

The Committee of Teaching Staff comprises elected representatives from each school and the school development advisers for secondary and primary. The Chairman in 2014-15 was Michael Fraser, teacher of Discovery College. Other members included:

Secondary Schools		Special School	
Island School	Kate Sommerville Angela Worthington	Jockey Club School	Sarah Roe Heidi Lee
King George V School	Amanda Barton Kate Wilson	Private Independent Schools	
Sha Tin College	Paul Clarke Laura Ryan	Discovery College	Andy Kai-Fong Peter Lasscock Rick Smith
South Island School	Andy Llewellyn Edward Davis	Renaissance College	David Harvey
West Island School	Tarne Bay Charlotte Luck Sarah Milner	ESF International Kindergartens	
Primary Schools		Abacus	Greta Holmes
Beacon Hill School	Andrew Greene	Hillside	Zoe Heggie
Bradbury School	Suzanne Allan	Tsing Yi	Suzannah Large
Clearwater Bay School	Heidi Cooke	ESF Centre	
Glenealy School	Christopher Angelosante	Chief Executive Officer	Belinda Greer
Kennedy School	Claire Robinson	Human Resources Director	Charles Caldwell
Kowloon Junior School	Matthew Caplin	School Development Adviser (Primary)	David Fitzgerald
Peak School	Mark Evans	School Development Adviser (Secondary)	Chris Durbin
Quarry Bay School	Mina Dunstan Rick Leone		
Sha Tin Junior School	Katie Stears		

In 2014-15, the Committee of Teaching Staff met six times and discussed a number of issues including:

- ESF Strategic Plan 2015-2020;
- development of the Kowloon Learning Campus and the consultation process;
- revisions on performance management system;
- issues on teachers' wellbeing;
- leadership and teaching capability frameworks;
- curriculum review;
- sharing of innovation practices; and
- findings of the mathematics review.



Committee of Support Staff

The Committee of Support Staff comprises elected representatives from each school and the Human Resources Director. The Chairman in 2014-15 was Michael Draeger who represented King George V School. Other members included:

Secondary Schools		Special School	
Sha Tin College	Kelly Lane	Jockey Club Sarah Roe School	Wai Wong
South Island School	Wincy Cheung	Private Independent Schools	
West Island School	Joanne Bowers Margaret Lau	Discovery College	Bob Priest Clement Tam
Primary Schools		Renaissance College	Katherine Evans Cornel Marais
Beacon Hill School	Barbara Woo	ESF International Kindergartens	
Bradbury School	Ruth Haslett	Hillside	Sharon Briones
Clearwater Bay School	Caroline Glen	ESF Centre	
Glenealy School	Pam Stanley	Chief Executive Officer	Belinda Greer
Kennedy School	Hana Hesova	Human Resources Director	Charles Caldwell
Kowloon Junior School	Fion Sze		
Peak School	Kimberley Carder		
Quarry Bay School	Noami De Alwis		
Sha Tin Junior School	Hazel Chan Monica Chan		

In 2014-15, the Committee of Support Staff met five times. Members discussed matters including:

- pay review;
- contracts and annual leaves of educational assistants;
- education remission for support staff;
- health professionals;
- development of the Kowloon Learning Campus;
- Higher education fund for support staff; and
- Educational assistants loyalty bonus.

SCHOOLS



Kindergartens



ESF Abacus International Kindergarten

1A Mang Kung Uk Village, Clearwater Bay Road, New Territories

Tel: +852 2719 5712

Fax: +852 2719 6690

Email: kinder@abacus.esf.org.hk

School web site: www.esfkindergartens.org.hk/schools/abacus/welcome.html

Principal: Frances Wilkinson



ESF International Kindergarten, Hillside

43B Stubbs Road, Hong Kong

Tel: +852 2540 0066

Fax: +852 2517 0923

Email: kinder@hs.esf.org.hk

School website: www.esfkindergartens.org.hk/schools/hillside/welcome.html

Principal: Christopher Duncan

ESF International Kindergarten, Tsing Yi

Maritime Square, 33 Tsing King Road, Tsing Yi, New Territories

Tel: +852 2436 3355

Fax: +852 2436 3105

Email: tykinder@esf.org.hk

School website: www.esfkindergartens.org.hk/schools/ting-yi/welcome.html

Principal: Victoria Bewsey



ESF International Kindergarten, Wu Kai Sha

Level 1, No. 599, Sai Sha Road, Shatin, New Territories

Tel: +852 2435 5291

Fax: +852 2435 6322

Email: kinder@wks.esf.org.hk

School website: www.wks.esf.org.hk

Principal: Christopher Coyle



ESF International Kindergarten, Tung Chung

(opening in August 2016)

The Visionary, Tung Chung, New Territories

Tel: +852 3969 1066

Email: kinder@tc.esf.org.hk

School website: www.esfkindergartens.org.hk/schools/tung-chung/welcome-and-about-us.html

Principal: Sandra Hite

Primary Schools



Beacon Hill School

23 Ede Road, Kowloon Tong, Kowloon

Tel: +852 2336 5221

Fax: +852 2338 7895

Email: bhs@bhs.edu.hk

School website: www.beaconhill.edu.hk

Principal: John Brewster

School Council Chairman: Malcolm Keys



Bradbury School

43C Stubbs Road, Hong Kong

Tel: +852 2574 8249

Fax: +852 2834 7880

Email: enquiries@bs.esf.edu.hk

School website: www.bradbury.edu.hk

Principal: Sandra Webster

School Council Chairman: Eleni Istavridis



Clearwater Bay School

DD 229, Lot 235, Clearwater Bay Road, New Territories

Tel: +852 2358 3221

Fax: +852 2358 3246

E-mail: info@cwbs.edu.hk

School web site: www.cwbs.edu.hk

Principal: Chris Hamilton

School Council Chairman: Geoff Daniel

Glenealy School

7 Hornsey Road, Mid Levels, Hong Kong

Tel: +852 2522 1919

Fax: +852 2521 7838

Email: enquiry@glenealy.edu.hk

School website: www.glenealy.edu.hk

Principal: Brenda Cook

School Council Chairman: Charles Grieve



Kennedy School

19 Sha Wan Drive, Pokfulam, Hong Kong

Tel: +852 2855 0711

Fax: +852 2817 7471

Email: admissions@kennedy.edu.hk

School website: www.kennedy.edu.hk

Principal: Paul Hay

School Council Chairman: Judy Vas



Kowloon Junior School

20 Perth Street, Kowloon

Tel: +852 3765 8700

Fax: +852 3765 8701

Email: office@kjs.edu.hk

School website: www.kjs.edu.hk

Principal: Mark Cripps

School Council Chairman: Mike Hudson





Peak School

20 Plunketts Road, The Peak, Hong Kong

Tel: +852 2849 7211

Fax: +852 2849 7151

Email: office@peakschool.net

School web site: www.ps.edu.hk

Principal: Bill Garnett

School Council Chairman: Duncan Pescod



Quarry Bay School

6 Hau Yuen Path, Braemar Hill, Hong Kong

Tel: +852 2566 4242

Fax: +852 2887 9849

Email: office@qbs.edu.hk

School website: www.qbs.edu.hk

Principal: Mina Dunstan

School Council Chairman: Jan Blaauw



Sha Tin Junior School

3A Lai Wo Lane, Fo Tan, Sha Tin, New Territories

Tel: +852 2692 2721

Fax: +852 2602 5572

Email: info@sjs.edu.hk

School website: www.sjs.edu.hk

Principal: Perry Tunesi

School Council Chairman: B J Gran

Secondary Schools

Island School

20 Borrett Road, Hong Kong

Tel: +852 2524 7135

Fax: +852 2840 1673

Email: school@online.island.edu.hk

School website: www.island.edu.hk

Principal: Christopher Binge

School Council Chairman: Malcolm Gibson



King George V School

2 Tin Kwong Road, Homantin, Kowloon

Tel: +852 2711 3029

Fax: +852 2760 7116

E-mail: office@kgv.edu.hk

School website: www.kgv.edu.hk

Principal: Ed Wickins

School Council Chairman: Neville Shroff



Sha Tin College

3 Lai Wo Lane, Fo Tan, Sha Tin, New Territories

Tel: +852 2699 1811

Fax: +852 2695 0592

E-mail: info@shatincollege.edu.hk

School website: www.shatincollege.edu.hk

Principal: Marc Morris

School Council Chairman: Elaine Leung





South Island School

50 Nam Fung Road, Hong Kong

Tel: +852 2555 9313

Fax: +852 2553 8811

Email: sis@mail.sis.edu.hk

School website: www.sis.edu.hk

Principal: Graham Silverthorne

School Council Chairman: Paul Brough



West Island School

250 Victoria Road, Pokfulam, Hong Kong

Tel: +852 2819 1962

Fax: +852 2816 7257

E-mail: wis@wis.edu.hk

School website: www.wis.edu.hk

Principal: Jane Foxcroft

School Council Chairman: Cynthia Lam



Private Independent Schools

Discovery College

38 Siena Avenue, Discovery Bay, Lantau Island

Tel: +852 3969 1000

Fax: +852 2987 8115

Email: office@discovery.edu.hk

School website: www.discovery.edu.hk

Principal: Mark Beach

School Council Chairman: Simon Wong



Renaissance College

5 Hang Ming Street, Ma On Shan, New Territories

Tel: +852 3556 3556

Fax: +852 3556 3446

Email: admissions@rchk.edu.hk

School website: www.rchk.edu.hk

Principal: Harry Brown

School Council Chairman: Annie Choi



Special School

Jockey Club Sarah Roe School

2B Tin Kwong Road, Homantin, Kowloon

Tel: +852 2761 9893

Fax: +852 2381 4081

Email: info@jcsrs.esf.edu.hk

School website: www.jcsrs.edu.hk

Principal: Karin Wetselaar

School Council Chairman: Virginia Morris



The English Schools Foundation
英基學校協會

Consolidated Financial Statements
for the year ended 31 August 2015

Report of the Board of Governors

The Board of Governors (“the Board”) have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 August 2015.

Principal place of business

The English Schools Foundation (“the Foundation”) is a subvented organisation incorporated in Hong Kong under The English Schools Foundation Ordinance and has its office and principal place of business at 25/F, 1063 King’s Road, Quarry Bay, Hong Kong.

Principal activity

The principal activity of the Foundation and its subsidiary (“the Group”) is to own, manage, administer and operate schools to provide a modern liberal education through the medium of English language. In note 9, the Group sets out the principal activities and other particulars of the Foundation’s subsidiary. The Foundation and its subsidiary are exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

Financial statements

The surplus of the Group for the year ended 31 August 2015 and the state of the Group’s affairs as at that date are set out in the consolidated financial statements on pages 5 to 53.

Transfer to reserves

The Group has transferred the surplus for the year of HK\$130.2 million (2014: HK\$100.1 million (restated)) to reserves.

At 31 August 2015, the Group’s reserves amounted to HK\$1,400.4 million (2014: HK\$1,281.5 million (restated)), being the excess of assets over liabilities. The Group sets out details of the reserves in note 23 and the statement of changes in reserves.

Under the terms of The English Schools Foundation Ordinance, no dividend or bonus whatsoever can be paid and no gift or division of money or any property whatsoever can be made by or on behalf of the Foundation to any of the officers or employees of the Foundation, any of the members of the Board or any of the students of the schools of the Foundation except by way of prize, reward or special grant or in the case of an employee of the Foundation, by way of a dividend or bonus payable under a contract of employment.

Fixed assets

Fixed assets include properties, leasehold improvements, furniture and equipment of the Group's schools, office and residential properties. At 31 August 2015, the net book value of the fixed assets was HK\$1,699.8 million (2014: HK\$1,609.8 million) and the depreciation charge for the year then ended was HK\$134.8 million (2014: HK\$111.2 million), respectively; see note 5 to the financial statements for details of movements in fixed assets.

Members of the Board

The members of the Board during the financial year and up to the date of this report are:

Abraham Shek (Chairman)	(nominated by the Nominating Committee on 3 May 2015)
Pauline Ng (Vice-chairman)	(elected by members of the Board on 16 December 2015)
Robert Gazzi (Treasurer)	
Alexander Chan	
Brenda Cook	
Connie Liu	
Elaine Leung	
Francis Carroll	
Judy Woo	
Kelvin Wong	
Nirmala Rao	
P M Kam	
Amanda Barton	(elected by the Committee of Teaching Staff on 17 September 2015)
Andrew Greene	(elected by the Committee of Teaching Staff on 17 September 2015)
Christine Brendle	(elected by the Committee of Parents on 2 October 2015)
Dannis Au	(elected by parents of students of schools of the Foundation , Renaissance College and Discovery College on 21 November 2015))
Dayna Lim Cheung	(elected by parents of students of schools of the Foundation from among the parents of students with special educational needs on 17 September 2015)
Joanne Bowers	(elected by the Committee of Support Staff on 6 November 2015)
Judy Vas	(elected by the Committee of School Council Chairmen on 24 September 2014)
Kumar Ramanathan	(nominated by the Nominating Committee on 29 October 2014)
Paul Varty	(nominated by the Nominating Committee on 25 November 2015)

Members of the Board (continued)

The members of the Board during the financial year and up to the date of this report are:
(continued)

Ronald Abbott	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 24 September 2014)
Scarlett Mattoli	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 24 September 2014)
Schumann Tang	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 24 September 2014)
Virginia Morris	(elected by the Committee of School Council Chairmen on 24 September 2014)
Andrea Lowe	(resigned on 20 November 2015)
Carlson Tong (Chairman)	(resigned on 2 May 2015)
Elizabeth Bosher (Vice-chairman)	(resigned on 26 October 2015)
Gordon Lamb	(resigned on 19 September 2014)
Kim Anderson	(resigned on 30 June 2015)
Kim Mak	(resigned on 27 October 2014)
Marc Castagnet	(resigned on 30 September 2015)
Matthew Caplin	(resigned on 12 September 2015)
Mike Draeger	(resigned on 4 November 2015)
Paul Clarke	(resigned on 12 September 2015)
Paul Varty	(resigned on 5 September 2014)
Belinda Greer (Chief Executive Officer, ex officio)	

The term of office of a member, other than an ex officio member, shall be 3 years. A member is eligible for re-nomination or re-election at the expiry of his term as a member, but a person shall not serve as a member consecutively for more than 2 terms.

At no time during the year was the Group a party to any arrangement to enable the members of the Board to acquire benefits by means of the acquisition of interest in the Group or any other body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Foundation has been proposed.

By order of the Board

Abraham Shek

Chairman

Hong Kong,

16 December 2015

Statement of comprehensive income for the year ended 31 August 2015 (Expressed in Hong Kong dollars)

	Note	<i>The Group</i>		<i>The Foundation</i>	
		2015	2014	2015	2014
		\$'million	\$'million (restated)	\$'million	\$'million
Income					
<i>Operating income</i>					
Government grants	14	271.1	271.1	271.1	271.1
Tuition fees		1,636.8	1,538.9	1,185.8	1,129.7
Programme income		60.3	58.2	-	-
Rental income		76.2	76.0	79.4	77.1
Donations		9.8	4.9	8.7	4.3
Interest income		5.6	5.1	5.3	4.8
Income from subsidiary					
- From Development and Operating Agreement		-	-	21.2	21.2
- Management and administrative income		-	-	11.7	7.9
Transfer from previous years' scholarship fund and hardship allowance surplus	15	3.5	1.3	-	-
Miscellaneous income		27.9	22.0	13.0	11.4
		<u>2,091.2</u>	<u>1,977.5</u>	<u>1,596.2</u>	<u>1,527.5</u>
<i>Non-operating income</i>					
Individual nomination rights		62.5	44.8	45.9	30.6
Amortisation of corporate nomination rights		0.5	0.1	0.5	0.1
Non-refundable building levy		12.5	10.8	-	-
Non-refundable capital levy		1.9	-	1.9	-
		<u>77.4</u>	<u>55.7</u>	<u>48.3</u>	<u>30.7</u>
Total income		<u>2,168.6</u>	<u>2,033.2</u>	<u>1,644.5</u>	<u>1,558.2</u>

Statement of comprehensive income
for the year ended 31 August 2015 (continued)
(Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2015	2014	2015	2014
		\$'million	\$'million (restated)	\$'million	\$'million
Expenditure					
<i>Staff expenses</i>					
Basic salaries					
- Professional		921.2	894.8	688.4	673.8
- Other staff		274.8	255.3	206.2	194.0
Gratuities and allowances		350.8	331.8	265.1	255.4
Accommodation		24.1	18.9	24.1	18.9
Medical expenses		39.8	34.4	30.7	26.7
Passage and other allowances		2.6	3.2	2.1	2.8
	2(a)	<u>1,613.3</u>	<u>1,538.4</u>	<u>1,216.6</u>	<u>1,171.6</u>
<i>Other expenses</i>					
Depreciation on schools and offices		128.4	109.2	119.1	101.7
Repairs and maintenance		87.4	85.2	74.7	72.2
Other operating expenses	3	172.1	166.7	114.3	114.8
Scholarship fund and hardship allowance	15	37.2	33.6	-	-
		<u>425.1</u>	<u>394.7</u>	<u>308.1</u>	<u>288.7</u>
Total expenses		<u>2,038.4</u>	<u>1,933.1</u>	<u>1,524.7</u>	<u>1,460.3</u>
Surplus for the year	2	<u>130.2</u>	<u>100.1</u>	<u>119.8</u>	<u>97.9</u>

Statement of comprehensive income
for the year ended 31 August 2015 (continued)
(Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2015 \$'million	2014 \$'million (restated)	2015 \$'million	2014 \$'million
Surplus for the year		130.2	100.1	119.8	97.9
Other comprehensive income for the year					
<i>Item that will not be reclassified to surplus or deficit:</i>					
Remeasurement of net defined benefit asset	6(b)(v)	(11.3)	9.4	(11.3)	9.4
Total comprehensive income for the year		<u>118.9</u>	<u>109.5</u>	<u>108.5</u>	<u>107.3</u>
Represented by:					
Operating surplus		41.5	53.8	60.2	76.6
Capital fund surplus		<u>77.4</u>	<u>55.7</u>	<u>48.3</u>	<u>30.7</u>
		<u>118.9</u>	<u>109.5</u>	<u>108.5</u>	<u>107.3</u>

The notes on pages 15 to 53 form part of these financial statements.

Statement of financial position as at 31 August 2015

(Expressed in Hong Kong dollars)

		<i>The Group</i>			<i>The Foundation</i>	
		<i>31 August</i>	<i>31 August</i>	<i>1 September</i>	<i>31 August</i>	<i>31 August</i>
		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>
		\$'million	\$'million	\$'million	\$'million	\$'million
			(restated)	(restated)		
Non-current assets						
Fixed assets	5					
- Investment properties		65.3	-	-	65.3	-
- Other properties, plant and equipment		1,634.5	1,609.8	1,454.5	1,541.9	1,551.3
		1,699.8	1,609.8	1,454.5	1,607.2	1,551.3
Defined benefit retirement scheme	6	34.6	49.8	44.6	34.6	49.8
		1,734.4	1,659.6	1,499.1	1,641.8	1,601.1
Current assets						
	7					
Inventories		0.8	0.8	0.7	-	-
Rental, utility and other deposits		11.4	10.6	10.3	7.0	6.9
Prepayments		15.7	13.5	13.0	8.5	8.4
Loans to staff		5.8	4.7	7.1	4.3	3.2
Fees and other receivables	8	13.8	6.1	3.0	3.1	4.9
Government grants receivable		8.9	7.0	40.9	8.9	7.0
Restricted cash	10	2.3	1.8	1.5	-	-
Deposits with original maturities over three months		352.9	312.4	232.0	340.0	310.3
Cash and cash equivalents	11	192.5	207.0	223.6	111.0	116.4
		604.1	563.9	532.1	482.8	457.1

Statement of financial position as at 31 August 2015
(continued)
(Expressed in Hong Kong dollars)

		<i>The Group</i>			<i>The Foundation</i>	
		<i>31 August 2015</i>	<i>31 August 2014</i>	<i>1 September 2013</i>	<i>31 August 2015</i>	<i>31 August 2014</i>
		\$'million	\$'million (restated)	\$'million (restated)	\$'million	\$'million
Current liabilities	7					
Fees received in advance		143.2	154.2	165.1	64.9	76.9
Nomination rights received in advance		3.6	5.8	2.9	2.9	4.5
Amount due to subsidiary	9	-	-	-	2.4	35.3
Provision to meet staff conditions of service	12	102.9	88.3	88.3	80.7	69.9
Accounts payables and accruals	13	296.0	353.0	341.1	255.8	309.7
Government hardship allowance	14(b)	31.9	34.1	35.6	31.9	34.1
Scholarship fund and hardship allowance	15	25.2	28.1	33.4	-	-
Obligations under finance leases	16	0.3	0.7	0.1	0.3	0.7
Debenture	18	5.0	4.1	-	-	-
Deferred income						
- Non-refundable building levy	19	3.4	4.0	2.7	-	-
- Non-refundable capital levy	20	3.5	-	-	3.5	-
Corporate nomination rights	22	0.5	0.3	-	0.5	0.3
		<u>615.5</u>	<u>672.6</u>	<u>669.2</u>	<u>442.9</u>	<u>531.4</u>
Net current (liabilities)/ assets		<u>(11.4)</u>	<u>(108.7)</u>	<u>(137.1)</u>	<u>39.9</u>	<u>(74.3)</u>
Total assets less current liabilities		<u>1,723.0</u>	<u>1,550.9</u>	<u>1,362.0</u>	<u>1,681.7</u>	<u>1,526.8</u>

Statement of financial position as at 31 August 2015

(continued)

(Expressed in Hong Kong dollars)

		<i>The Group</i>			<i>The Foundation</i>	
		<i>31 August 2015</i>	<i>31 August 2014</i>	<i>1 September 2013</i>	<i>31 August 2015</i>	<i>31 August 2014</i>
		\$'million	\$'million (restated)	\$'million (restated)	\$'million	\$'million
Non-current liabilities						
Obligations under finance leases	16	0.7	2.2	*-	0.7	2.2
Refundable capital levy	17	222.5	218.8	173.4	222.5	218.8
Debenture	18	4.2	4.3	4.3	-	-
Deferred income						
- Non-refundable building levy	19	26.4	19.5	12.3	-	-
- Non-refundable capital levy	20	44.9	-	-	44.9	-
Corporate nomination rights	22	23.9	24.6	-	23.9	24.6
		<u>322.6</u>	<u>269.4</u>	<u>190.0</u>	<u>292.0</u>	<u>245.6</u>
NET ASSETS		<u>1,400.4</u>	<u>1,281.5</u>	<u>1,172.0</u>	<u>1,389.7</u>	<u>1,281.2</u>
RESERVES						
General reserve		1,041.1	1,005.4	931.7	1,116.5	1,062.1
Capital fund		214.6	137.2	81.5	128.5	80.2
Schools reserves		144.7	138.9	158.8	144.7	138.9
		<u>1,400.4</u>	<u>1,281.5</u>	<u>1,172.0</u>	<u>1,389.7</u>	<u>1,281.2</u>

* Less than \$0.1 million

Approved and authorised for issue by the Board of Governors on 16 December 2015

Abraham Shek)	
)	
Robert Gazzi)	Members of the Board of Governors
)	
)	
)	

The notes on pages 15 to 53 form part of these financial statements.

Statement of changes in reserves for the year ended 31 August 2015 (Expressed in Hong Kong dollars)

The Group

	<i>General reserve</i>	<i>Capital fund</i>	<i>Schools reserves</i>	<i>Total</i>
	\$'million	(note 23(a)) \$'million (restated)	(note 23(b)) \$'million	\$'million (restated)
As previously reported at 1 September 2013	931.7	96.5	158.8	1,187.0
Impact of change in accounting policy	-	(15.0)	-	(15.0)
Restated balance at 1 September 2013	<u>931.7</u>	<u>81.5</u>	<u>158.8</u>	<u>1,172.0</u>
Surplus for the year	(14.6)	55.7	59.0	100.1
Transfers	78.9	-	(78.9)	-
Other comprehensive income	9.4	-	-	9.4
Total comprehensive income	<u>73.7</u>	<u>55.7</u>	<u>(19.9)</u>	<u>109.5</u>
Restated balance at 31 August 2014 and 1 September 2014	<u>1,005.4</u>	<u>137.2</u>	<u>138.9</u>	<u>1,281.5</u>
Surplus for the year	10.0	77.4	42.8	130.2
Transfers	37.0	-	(37.0)	-
Other comprehensive income	(11.3)	-	-	(11.3)
Total comprehensive income	<u>35.7</u>	<u>77.4</u>	<u>5.8</u>	<u>118.9</u>
At 31 August 2015	<u>1,041.1</u>	<u>214.6</u>	<u>144.7</u>	<u>1,400.4</u>

Statement of changes in reserves
for the year ended 31 August 2015 (continued)
(Expressed in Hong Kong dollars)

The Foundation

	<i>General reserve</i>	<i>Capital fund</i>	<i>Schools reserves</i>	<i>Total</i>
	\$'million	(note 23(a)) \$'million	(note 23(b)) \$'million	\$'million
At 1 September 2013	965.6	49.5	158.8	1,173.9
Surplus for the year	8.2	30.7	59.0	97.9
Transfers	78.9	-	(78.9)	-
Other comprehensive income	9.4	-	-	9.4
Total comprehensive income	96.5	30.7	(19.9)	107.3
At 31 August 2014 and 1 September 2014	1,062.1	80.2	138.9	1,281.2
Surplus for the year	28.7	48.3	42.8	119.8
Transfers	37.0	-	(37.0)	-
Other comprehensive income	(11.3)	-	-	(11.3)
Total comprehensive income	54.4	48.3	5.8	108.5
At 31 August 2015	1,116.5	128.5	144.7	1,389.7

The notes on pages 15 to 53 form part of these financial statements.

Cash flow statement
for the year ended 31 August 2015
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Operating activities					
Net cash generated from operating activities	11(b)	185.4	149.0	169.7	159.4
Investing activities					
Payments for the purchase of fixed assets less capital creditors		(300.9)	(293.2)	(251.5)	(270.6)
Increase in bank deposits with original maturities over three months		(40.5)	(80.4)	(29.7)	(80.2)
Government grants received		3.3	62.2	3.3	62.2
Increase in deposits pledged with bank		(0.5)	(0.3)	-	-
Interest received		5.6	5.1	5.3	4.8
Net cash used in investing activities		(333.0)	(306.6)	(272.6)	(283.8)

Cash flow statement for the year ended 31 August 2015 (continued) (Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2015 \$'million	2014 \$'million	2015 \$'million	2014 \$'million
Financing activities					
Increase in refundable capital levy		3.7	45.4	3.7	45.4
Proceeds from issue of nomination rights		60.3	72.7	44.3	57.4
Proceeds from non-refundable building levy		18.8	19.3	-	-
Proceeds from non-refundable capital levy		50.3	-	50.3	-
Proceeds from issuance of debenture		0.8	4.1	-	-
Capital element of finance lease rentals paid		(0.7)	(0.4)	(0.7)	(0.4)
Interest element of finance lease rentals paid		(0.1)	(0.1)	(0.1)	(0.1)
Net cash generated from financing activities		<u>133.1</u>	<u>141.0</u>	<u>97.5</u>	<u>102.3</u>
Net decrease in cash and cash equivalents		(14.5)	(16.6)	(5.4)	(22.1)
Cash and cash equivalents at beginning of the year		<u>207.0</u>	<u>223.6</u>	<u>116.4</u>	<u>138.5</u>
Cash and cash equivalents at end of the year	11(a)	<u>192.5</u>	<u>207.0</u>	<u>111.0</u>	<u>116.4</u>

The notes on pages 15 to 53 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Background

The English Schools Foundation (“the Foundation”) is incorporated in Hong Kong under The English Schools Foundation Ordinance. The Foundation has a wholly owned subsidiary, ESF Educational Services Limited (“ESL”) (together referred to as “the Group”). The Board of Governors of the Foundation (“the Board”) is responsible for the preparation of consolidated financial statements.

The principal activity of the Group is to own, manage, administer and operate schools to provide a modern liberal education through the medium of English language. The principal activities and other particulars of the Foundation’s subsidiary are set out in note 9 to the financial statements.

2 Surplus for the year

Surplus for the year is arrived at after charging/(crediting):

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>\$’million</i>	<i>\$’million</i>	<i>\$’million</i>	<i>\$’million</i>
(a) Staff costs					
Contribution to defined contribution retirement schemes		35.6	30.5	26.6	22.6
Net defined benefit retirement schemes expenses	6(b)(v)	3.9	4.2	3.9	4.2
Retirement costs		39.5	34.7	30.5	26.8
Salaries, wages and other benefits		1,573.8	1,503.7	1,186.1	1,144.8
		<u>1,613.3</u>	<u>1,538.4</u>	<u>1,216.6</u>	<u>1,171.6</u>

2 Surplus for the year (continued)

Surplus for the year is arrived at after charging/(crediting): (continued)

	Note	<i>The Group</i>		<i>The Foundation</i>	
		2015 \$'million	2014 \$'million	2015 \$'million	2014 \$'million
(b) Other items					
Gross rental income from investment properties		(32.6)	-	(32.6)	-
Direct rental outgoings in respect of investment properties:					
- generated rental income		16.7	-	16.7	-
- did not generate rental income		1.9	-	1.9	-
Depreciation	5	134.8	111.2	125.5	103.7
Loss on disposals of fixed assets		1.4	4.4	1.3	4.3
Operating lease charges:					
- equipment rentals	3	0.3	0.2	0.3	0.2
- property rentals	3	19.3	17.6	10.1	10.0

3 Other operating expenses

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Audit fees		1.0	1.1	0.8	0.9
Cost of goods sold		1.3	1.2	-	-
Finance lease interest expenses		0.1	0.1	0.1	0.1
Impairment loss of fees and other receivables		0.1	0.7	-	0.7
Information technology expenses		17.8	18.7	13.8	14.4
Insurance		5.7	5.1	4.0	3.7
Leased equipment rentals	2(b)	0.3	0.2	0.3	0.2
Legal and professional fees		2.6	3.1	2.0	1.8
Library		2.0	1.9	1.3	1.4
Net government rent and rates	14(c)	1.4	1.3	0.7	0.8
Professional development and training		14.2	16.2	11.8	13.4
Property rentals	2(b)	19.3	17.6	10.1	10.0
Property management fee		3.1	2.9	1.8	1.7
Public relations and marketing expenses		4.2	2.1	2.4	0.7
Printing and stationery		8.1	8.6	6.0	6.4
Recruitment expenses		5.4	5.4	4.4	4.5
Teaching resources and materials		37.1	33.5	21.0	19.9
Utilities		29.5	29.3	21.1	21.3
General expenses		18.9	17.7	12.7	12.9
		<u>172.1</u>	<u>166.7</u>	<u>114.3</u>	<u>114.8</u>

4 Taxation

The Foundation and ESL are exempted from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

5 Fixed assets

Accounting policy

The Group records fixed assets other than construction in progress in the statement of financial position at cost less related government grants, accumulated depreciation and impairment losses.

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 27(f)) to earn rental income and / or for capital appreciation. Rental income from investment properties is accounted for as described in note 27(d).

The Group records construction in progress at cost less related government grants, and is transferred to other categories of fixed assets when substantially all the activities necessary to prepare the assets for their intended use are completed.

The Group charges depreciation that is designed to write off the cost of fixed assets, less related government grants to their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings/investment properties	20 - 50 years
- Building improvements	10 - 20 years
- Leasehold improvements	Shorter of the lease term or useful life
- Computer equipment	3 - 5 years
- Furniture and other equipment	5 - 10 years

Annually the Group reviews the estimated life of the assets and the estimates of residual value. The Group states construction in progress at cost and it is not subject to any depreciation charge. Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

The Group adds subsequent expenditure relating to fixed assets that the Group has already recognised to the carrying amount of the asset provided the Group considers that it is probable that the Group will obtain future economic benefits, in excess of the originally assessed standard of performance of the existing asset, from the expenditure. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

On the date of the retirement or disposal of an item of fixed assets, the Group recognises the related gains and losses being the difference between the net disposal proceeds and the carrying amount of the item.

5 Fixed assets (continued)

(a) The Group

	Buildings and building improvements		Furniture and equipment					Investment properties \$ million	Total \$ million		
	Foundation's Schools \$ million	Renaissance College & Discovery College \$ million	Quarters & others \$ million	Leasehold improvements \$ million	Foundation's Schools \$ million	Renaissance College & Discovery College \$ million	Quarters and others*** \$ million			Construction in progress \$ million	
Cost:											
At 1 September 2014	1,957.3	599.1	280.5	30.0	381.4	64.8	42.9	49.4	3,405.4	-	3,405.4
Additions	49.4	17.9	-	3.6	40.4	15.4	2.1	102.4	231.2	0.2	231.4
Transfers of construction in progress	42.0	3.5	-	-	4.6	-	5.7	(91.1)	(35.3)	35.3	-
Transfers of investment properties	-	-	(199.7)	-	-	-	-	-	(199.7)	199.7	-
Disposals/adjustments*	(1.7)	-	-	-	(35.4)	(1.4)	(0.6)	-	(39.1)	(2.9)	(42.0)
At 31 August 2015	2,047.0	620.5	80.8	33.6	391.0	78.8	50.1	60.7	3,362.5	232.3	3,594.8
Government grants:											
At 1 September 2014	(241.1)	(328.7)	(45.5)	-	-	-	-	-	(615.3)	-	(615.3)
Additions	(5.2)	-	-	-	-	-	-	-	(5.2)	-	(5.2)
At 31 August 2015	(246.3)	(328.7)	(45.5)	-	-	-	-	-	(620.5)	-	(620.5)
Accumulated depreciation:											
At 1 September 2014	(666.9)	(64.0)	(191.4)	(24.1)	(153.5)	(45.6)	(34.8)	-	(1,180.3)	-	(1,180.3)
Charge for the year**	(64.6)	(7.6)	(0.4)	(2.2)	(44.1)	(6.8)	(4.3)	-	(130.0)	(4.8)	(134.8)
Transfer of investment properties	-	-	162.2	-	-	-	-	-	162.2	(162.2)	-
Write-back on disposals/adjustments*	0.4	-	-	-	35.4	1.2	3.6	-	40.6	-	40.6
At 31 August 2015	(731.1)	(71.6)	(29.6)	(26.3)	(162.2)	(51.2)	(35.5)	-	(1,107.5)	(167.0)	(1,274.5)
Net book value:											
At 31 August 2015	1,069.6	220.2	5.7	7.3	228.8	27.6	14.6	60.7	1,634.5	65.3	1,699.8

* Adjustments on cost and depreciation of fixed assets relate to certain fixed assets capitalised at the time of commissioning based on estimates. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

** Depreciation charge of quarters of the Group for the year ended 31 August 2015 was \$6.4 million (2014: \$2.0 million). The amount is included in "Accommodation" in the statement of comprehensive income. Remaining charges represent depreciation on schools and offices and are shown separately in the statement of comprehensive income.

*** The cost and related accumulated depreciation of the furniture and equipment of the Group's kindergartens are included in "Quarters and others" under "Furniture and Equipment" category.

5 Fixed assets (continued)

(a) The Group (continued)

	Buildings and building improvements					Furniture and equipment					Total \$ million	
	Foundation's Schools \$ million	Renaissance College & Discovery College \$ million	Quarters & others \$ million	Leasehold improvements \$ million	Foundation's Schools \$ million	Renaissance College & Discovery College \$ million	Quarters and others*** \$ million	Construction in progress \$ million				
Cost:												
At 1 September 2013	1,745.7	577.9	257.3	29.7	339.9	58.7	40.5	80.9				3,130.6
Additions	84.5	0.8	0.7	0.3	41.3	8.5	3.0	162.6				301.7
Transfers	133.4	24.5	22.5	-	13.5	0.2	-	(194.1)				-
Disposals/adjustments*	(6.3)	(4.1)	-	-	(13.3)	(2.6)	(0.6)	-				(26.9)
At 31 August 2014	1,957.3	599.1	280.5	30.0	381.4	64.8	42.9	49.4				3,405.4
Government grants:												
At 1 September 2013	(205.8)	(338.6)	(45.5)	-	-	-	-	-				(589.9)
Additions	(35.3)	-	-	-	-	-	-	-				(35.3)
Disposals	-	9.9	-	-	-	-	-	-				9.9
At 31 August 2014	(241.1)	(328.7)	(45.5)	-	-	-	-	-				(615.3)
Accumulated depreciation:												
At 1 September 2013	(620.6)	(59.0)	(189.8)	(19.9)	(125.9)	(40.2)	(30.8)	-				(1,086.2)
Charge for the year**	(46.5)	(6.1)	(1.6)	(4.2)	(40.4)	(7.8)	(4.6)	-				(111.2)
Write-back on disposals/adjustments*	0.2	1.1	-	-	12.8	2.4	0.6	-				17.1
At 31 August 2014	(666.9)	(64.0)	(191.4)	(24.1)	(153.5)	(45.6)	(34.8)	-				(1,180.3)
Net book value:												
At 31 August 2014	1,049.3	206.4	43.6	5.9	227.9	19.2	8.1	49.4				1,609.8

* Adjustments on cost and depreciation of fixed assets relate to certain fixed assets capitalised at the time of commissioning based on estimates. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

** Depreciation charge of quarters of the Group for the year ended 31 August 2015 was \$6.4 million (2014: \$2.0 million). The amount is included in "Accommodation" in the statement of comprehensive income. Remaining charges represent depreciation on schools and offices and are shown separately in the statement of comprehensive income.

*** The cost and related accumulated depreciation of the furniture and equipment of the Group's kindergartens are included in "Quarters and others" under "Furniture and Equipment" category.

5 Fixed assets (continued)

(b) The Foundation

	<u>Buildings and building improvements</u>				<u>Furniture and equipment</u>				<i>Investment properties</i> \$'million	<i>Total</i> \$'million
	<u>Renaissance College and Discovery College</u>		<u>Quarters and others</u>		<u>Renaissance College and Discovery College</u>		<u>Quarters and others</u>			
	<i>Foundation's Schools</i> \$'million	<i>Discovery College</i> \$'million	<i>Quarters and others</i> \$'million	<i>Leasehold improvements</i> \$'million	<i>Foundation's Schools</i> \$'million	<i>Discovery College</i> \$'million	<i>Construction in progress</i> \$'million	<i>Sub-total</i> \$'million		
Cost:										
At 1 September 2014	1,957.3	425.8	280.5	7.0	381.4	50.7	33.4	43.0	3,179.1	3,179.1
Additions	49.4	0.1	-	-	40.4	-	0.9	96.9	187.7	187.9
Transfers of construction in progress	42.0	-	-	-	4.6	-	5.7	(87.6)	(35.3)	-
Transfer of investment properties	-	-	(199.7)	-	-	-	-	-	(199.7)	-
Disposals/adjustments*	(1.7)	-	-	-	(35.4)	(1.3)	1.5	-	(36.9)	(39.8)
At 31 August 2015	2,047.0	425.9	80.8	7.0	391.0	49.4	41.5	52.3	3,094.9	3,327.2
Government grants:										
At 1 September 2014	(241.1)	(188.9)	(45.5)	-	-	-	-	-	(475.5)	(475.5)
Additions	(5.2)	-	-	-	-	-	-	-	(5.2)	(5.2)
At 31 August 2015	(246.3)	(188.9)	(45.5)	-	-	-	-	-	(480.7)	(480.7)
Accumulated depreciation:										
At 1 September 2014	(666.9)	(61.7)	(191.4)	(6.4)	(153.5)	(44.4)	(28.0)	-	(1,152.3)	(1,152.3)
Charge for the year***	(64.6)	(4.5)	(0.4)	(0.6)	(44.1)	(3.2)	(3.3)	-	(120.7)	(125.5)
Transfer of investment properties	-	-	162.2	-	-	-	-	-	162.2	-
Write-back on disposals/adjustments*	0.4	-	-	-	35.4	1.2	1.5	-	38.5	38.5
At 31 August 2015	(731.1)	(66.2)	(29.6)	(7.0)	(162.2)	(46.4)	(29.8)	-	(1,072.3)	(1,239.3)
Net book value:										
At 31 August 2015	1,069.6	170.8	5.7	-	228.8	3.0	11.7	52.3	1,541.9	1,607.2

* Adjustments on cost and depreciation of fixed assets relate to certain fixed assets capitalised at the time of commissioning based on estimates. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

** The amount represented the construction cost not covered by Government grants according to the final project subvention. The Foundation would bear this cost under the Development and Operating Agreement dated 23 August 2006.

*** Depreciation charge of quarters of the Foundation for the year ended 31 August 2015 was \$6.4 million (2014: \$2.0 million). The amount is included in "Accommodation" in the statement of comprehensive income. Remaining charges represent depreciation on schools and offices and are shown separately in the statement of comprehensive income.

5 Fixed assets (continued)

(b) The Foundation (continued)

	Buildings and building improvements		Furniture and equipment				Total \$ million	
	Foundation's Schools \$ million	College and Discovery College \$ million	Quarters and others \$ million	Leasehold improvements \$ million	Foundation's Schools \$ million	College and Discovery College \$ million		Quarters and others \$ million
Cost:								
At 1 September 2013	1,745.7	421.1	257.3	7.0	339.9	51.6	32.3	54.7
Additions	84.5	0.3	0.7	-	41.3	-	1.5	157.9
Transfers	133.4	-	22.5	-	13.5	0.2	-	(169.6)
Disposals/adjustments*	(6.3)	(4.1)	-	-	(13.3)	(1.1)	(0.4)	-
Transfers from ESL**	-	8.5	-	-	-	-	-	-
At 31 August 2014	1,957.3	425.8	280.5	7.0	381.4	50.7	33.4	43.0
Government grants:								
At 1 September 2013	(205.8)	(190.3)	(45.5)	-	-	-	-	-
Additions	(35.3)	-	-	-	-	-	-	-
Disposals	-	1.4	-	-	-	-	-	-
At 31 August 2014	(241.1)	(188.9)	(45.5)	-	-	-	-	-
Accumulated depreciation:								
At 1 September 2013	(620.6)	(58.2)	(189.8)	(5.1)	(125.9)	(39.9)	(24.7)	-
Charge for the year***	(46.5)	(4.6)	(1.6)	(1.3)	(40.4)	(5.6)	(3.7)	-
Write-back on disposals/adjustments*	0.2	1.1	-	-	12.8	1.1	0.4	-
At 31 August 2014	(666.9)	(61.7)	(191.4)	(6.4)	(153.5)	(44.4)	(28.0)	-
Net book value:								
At 31 August 2014	1,049.3	175.2	43.6	0.6	227.9	6.3	5.4	43.0

* Adjustments on cost and depreciation of fixed assets relate to certain fixed assets capitalised at the time of commissioning based on estimates. Such assets' final values have been adjusted following finalisation of contract claims with contractors at final contract values during the year.

** The amount represented the construction cost not covered by Government grants according to the final project subvention. The Foundation would bear this cost under the Development and Operating Agreement dated 23 August 2006.

*** Depreciation charge of quarters of the Foundation for the year ended 31 August 2015 was \$6.4 million (2014: \$2.0 million). The amount is included in "Accommodation" in the statement of comprehensive income. Remaining charges represent depreciation on schools and offices and are shown separately in the statement of comprehensive income.

5 Fixed assets (continued)

(c) The Group's and the Foundation's schools are built on sites provided by the Government (either free of premium or nominal premium) on education leases which impose certain restrictions on use. All the leases run until 2047 or later, except for Renaissance College and Discovery College, which are on temporary leases renewable until the lease is terminated by the Government.

(d) *Residential properties*

The Group and the Foundation own 202 (2014: 202) housing units which are used as staff quarters or leased to third parties.

The Board has reviewed the residential property portfolio. Non-assignment clauses contained in the Conditions of Grants for the 87 units of Braemar Heights prevent their sale on the open market. Majority of the 115 remaining property units are leased to third parties and hence the Group and the Foundation transferred the carrying value of these units from buildings and building improvements to investment properties with effect from 1 September 2014. An independent firm of surveyors, Knight Frank Petty Limited, valued the investment properties owned by the Group and the Foundation as at 31 August 2015 at \$3,209.0 million (2014: \$2,703.6 million).

(e) *Mortgage of residential properties for banking facilities*

The banking facilities of the Group and the Foundation granted by The Hong Kong and Shanghai Banking Corporation Limited are secured by mortgages over 12 residential properties with net book value of \$3.4 million at 31 August 2015 (2014: 12 residential properties with net book value of \$1.8 million). The market value of the 12 residential properties as at 31 August 2015 based on external valuations was \$181.0 million (2014: \$167.1 million).

(f) *Equipment held under finance leases*

The Group and the Foundation have acquired office equipment under finance leases with terms ranging from two to five years. At the end of the lease term the Group and the Foundation have options to purchase the equipment at a price deemed to be a bargain purchase option.

The net book value of equipment held under finance leases as at 31 August 2015 was \$1.1 million (2014: \$3.3 million) and the depreciation charge for the year ended 31 August 2015 was \$0.3 million (2014: \$0.1 million).

6 Retirement schemes

Accounting policy

- (i) *The Group recognises as expense obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, as they are incurred.*
- (ii) *The Group calculates the Group's net obligation in respect of defined benefit retirement schemes separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; the Group discounts that benefit to determine the present value, and the fair value of any scheme assets is deducted. A qualified actuary performs the calculation using the projected unit credit method. When the calculation results in a benefit to the Group, the Group recognises asset limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.*

The Group recognises service cost and net interest expense (income) on the net defined benefit liability (asset) in the statement of comprehensive income. The Group measures current service cost as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the Group recognises the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, as an expense in the statement of comprehensive income at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. The Group determines net interest expense (income) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability (asset). The discount rate is the yield at the end of reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

The Group recognises remeasurements arising from defined benefit retirement plans in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

- (a) The Group and the Foundation operates three employee retirement schemes for staff:
 - (i) the Senior Staff and Teaching Staff Elective Provident Fund;
 - (ii) the Non-Teaching Staff Superannuation Scheme (the "NT Scheme"), eligible staff are non-teaching staff employed before 19 January 2000 under the conditions of service applicable before that date; and
 - (iii) the Terminal Award Scheme (the "TA Scheme"), eligible staff are teaching and senior staff employed before 1 September 1988.

6 Retirement schemes (continued)

- (a) The Group and the Foundation operates three employee retirement schemes for staff:
 (continued)

The Senior Staff and Teaching Staff Elective Provident Fund is a defined contribution retirement scheme, therefore once contributions are made no further liability accrues to the Group and the Foundation. The other two schemes are defined benefit retirement schemes funded by contributions from the Group and the Foundation in accordance with an independent actuary's recommendation based on annual actuarial valuations.

(b) *Defined benefit retirement schemes*

- (i) The amount recognised in the statement of financial position is as follows:

	<i>The Group and the Foundation</i>	
	<i>2015</i>	<i>2014</i>
	\$'million	\$'million
Present value of defined benefit obligations	(77.8)	(87.6)
Fair value of scheme assets	112.4	137.4
	34.6	49.8

The Group and the Foundation expect that a portion of the above defined benefit retirement schemes assets will be recovered within one year. However, it is not practicable to segregate this amount from the amounts recoverable in later periods, as future contributions will relate to future services rendered and future changes in actuarial assumptions and market conditions. Accordingly, the Group and the Foundation have recorded the assets as non-current assets.

The Group and the Foundation do not expect to make any contribution to the schemes in the year ending 31 August 2016.

- (ii) Scheme assets for each of the TA Scheme and the NT Scheme consist of the following:

	<i>The Group and the Foundation</i>			
	<i>TA Scheme</i>		<i>NT Scheme</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million	\$'million	\$'million
Equities	13.4	14.3	49.7	56.1
Fixed income securities	11.9	18.1	25.7	46.7
Cash	3.0	0.6	8.7	1.6
	28.3	33.0	84.1	104.4

6 Retirement schemes (continued)

(b) Defined benefit retirement schemes (continued)

(iii) Movements in the present value of defined benefit obligations were as follows:

	<i>The Group and the Foundation</i>	
	2015	2014
	\$'million	\$'million
At beginning of the year	(87.6)	(90.7)
Remeasurements:		
- Actuarial gain arising from changes in experience	0.7	1.8
- Actuarial loss arising from changes in financial assumptions	(0.6)	(3.7)
	0.1	(1.9)
Current service cost	(3.9)	(4.2)
Interest cost	(1.5)	(2.1)
Transfer out	1.5	-
Less: actual benefits paid and payable	13.6	11.3
At end of the year	(77.8)	(87.6)

(iv) Movements in the fair value of scheme assets were as follows:

	<i>The Group and the Foundation</i>	
	2015	2014
	\$'million	\$'million
At beginning of the year	137.4	135.3
Interest income	2.2	2.9
Return on scheme assets (less)/greater than discount rate	(11.4)	11.3
Transfer out	(1.5)	-
Less: actual benefits paid and payable	(13.6)	(11.3)
Less: administrative expenses paid from scheme assets	(0.7)	(0.8)
At end of the year	112.4	137.4

6 Retirement schemes (continued)

(b) Defined benefit retirement schemes (continued)

(v) Income recognised in the statement of comprehensive income is as follows:

	<i>The Group and the Foundation</i>	
	<i>2015</i>	<i>2014</i>
	\$'million	\$'million
Current service cost	3.9	4.2
Net interest on net defined benefit asset	(0.7)	(0.8)
Administrative expenses paid from scheme assets	0.7	0.8
	-----	-----
Total amounts recognised in income and expenditure	3.9	4.2
	-----	-----
Actuarial (gain)/loss	(0.1)	1.9
Return on scheme assets less/(greater) than discount rate	11.4	(11.3)
	-----	-----
Total amounts recognised in other comprehensive income	11.3	(9.4)
	-----	-----
Total defined benefit return	15.2	(5.2)

The Group and the Foundation include the current service cost, net interest on net defined benefit asset and administrative expenses paid from scheme assets under gratuities and allowances in the statement of comprehensive income.

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	<i>The Group and the Foundation</i>			
	<i>TA Scheme</i>		<i>NT Scheme</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Discount rate	1.0%	1.1%	1.7%	1.8%
Future salary increases	3.5%	3.5%	3.5%	3.5%

6 Retirement schemes (continued)

(b) Defined benefit retirement schemes (continued)

(vi) (continued)

The below analysis shows how the defined benefit obligation as at 31 August 2015 and 2014 would have increased (decreased) as a result of 0.25% change in the significant actuarial assumptions:

	<i>2015</i>			
	<i>The Group and the Foundation</i>			
	<i>TA Scheme</i>		<i>NT Scheme</i>	
	<i>Increase in 0.25% \$'million</i>	<i>Decrease in 0.25% \$'million</i>	<i>Increase in 0.25% \$'million</i>	<i>Decrease in 0.25% \$'million</i>
Discount rate	(0.1)	0.1	(1.4)	1.5
Future salary increases	* ₋	* ₋	1.4	(1.3)

	<i>2014</i>			
	<i>The Group and the Foundation</i>			
	<i>TA Scheme</i>		<i>NT Scheme</i>	
	<i>Increase in 0.25% \$'million</i>	<i>Decrease in 0.25% \$'million</i>	<i>Increase in 0.25% \$'million</i>	<i>Decrease in 0.25% \$'million</i>
Discount rate	(0.1)	0.1	(1.5)	1.6
Future salary increases	0.1	(0.1)	1.5	(1.4)

* Less than \$0.1 million

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

7 Current assets and current liabilities

With the exception of the Group's and the Foundation's deposits given for the rental of properties and utilities of \$11.2 million (2014: \$10.5 million) and \$7.0 million (2014: \$6.8 million) respectively, the Group's other receivables and prepayments of \$1.3 million (2014: \$0.4 million) and the Group's and the Foundation's deferred income of \$36.3 million (2014: \$34.9 million) and \$32.1 million (2014: \$34.9 million) respectively, the Group expect all other current assets and liabilities to be recovered or settled within one year of the end of reporting period.

8 Fees and other receivables

Accounting policy

Initially the Group recognises fees and other receivables at fair value, thereafter the Group states these at amortised cost using the effective interest method, less allowance for impairment of doubtful debts. Where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial, the Group states the receivables at cost less allowance for impairment of doubtful debts.

The Group calculates the allowance for impairment of doubtful debts as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Fees receivables	3.9	5.1	2.1	3.6
Other receivables	12.0	4.2	2.7	4.1
Less: Allowance for impairment of doubtful debts	<u>(2.1)</u>	<u>(3.2)</u>	<u>(1.7)</u>	<u>(2.8)</u>
	<u>13.8</u>	<u>6.1</u>	<u>3.1</u>	<u>4.9</u>

Impairment of fees receivables

Fees receivables are due immediately from the date of billing. The Group and the Foundation record impairment losses in respect of fees and other receivables using an allowance account, unless the Group and the Foundation satisfy that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly.

8 Fees and other receivables (continued)

The movement in the allowance for impairment of doubtful debts during the year, including both specific and collective loss components, was as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	2015	2014	2015	2014
	\$'million	\$'million	\$'million	\$'million
At beginning of the year	3.2	3.8	2.8	3.2
Impairment loss recognised	0.1	0.7	-	0.7
Uncollectible amounts written off	(1.2)	(1.3)	(1.1)	(1.1)
At end of the year	<u>2.1</u>	<u>3.2</u>	<u>1.7</u>	<u>2.8</u>

At 31 August 2015, no debtors of the Group and the Foundation were individually determined to be impaired. Based on ageing of fees receivables and repayment patterns of customers the Group and the Foundation have determined that the Group's and the Foundation's fees receivables collectively to be impaired by \$2.1 million (2014: \$3.2 million) and \$1.7 million (2014: \$2.8 million) respectively. The Group and the Foundation do not hold any collateral over these balances.

9 Subsidiary

Accounting policy

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The Group consolidates a subsidiary in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

ESL, a company incorporated in Hong Kong and limited by guarantee, is a controlled subsidiary of the Group. Its activities are the operation of four kindergartens and two private independent schools, the provision of English as an Additional Language (EAL) courses and sports activities for young people. The management expertise and administration of ESL are substantially provided by the Foundation.

Amount due to subsidiary is unsecured, interest free and has no fixed terms of repayment.

10 Restricted cash

A deposit of \$2.3 million (2014: \$1.8 million) is pledged to a bank for guarantees issued by that bank in favour of MTR Corporation Limited under the terms of two separate tenancy agreements.

11 Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(a) *Cash and cash equivalents comprise:*

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million	\$'million	\$'million
Deposits with original maturities less than three months	94.7	121.2	34.1	55.9
Cash at bank and in hand	97.8	85.8	76.9	60.5
	192.5	207.0	111.0	116.4

The effective interest rates per annum relating to cash and cash equivalents of the Group and the Foundation at the end of reporting period are 0.11% (2014: 0.27%) and 0.05% (2014: 0.25%) respectively.

11 Cash and cash equivalents (continued)

(b) Reconciliation of surplus for the year to cash generated from operating activities:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million (restated)	\$'million	\$'million
Operating activities				
Surplus for the year	130.2	100.1	119.8	97.9
Adjustments for:				
Interest income	(5.6)	(5.1)	(5.3)	(4.8)
Nomination rights	(63.0)	(44.9)	(46.4)	(30.7)
Non-refundable building/capital levy	(14.4)	(10.8)	(1.9)	-
Interest expense	0.1	0.1	0.1	0.1
Loss on disposals of fixed assets	1.4	4.4	1.3	4.3
Depreciation	134.8	111.2	125.5	103.7
Expense recognised under defined benefit retirement schemes	3.9	4.2	3.9	4.2
	<u>187.4</u>	<u>159.2</u>	<u>197.0</u>	<u>174.7</u>
Changes in working capital:				
Increase in inventories	-	(0.1)	-	-
(Increase)/decrease in rental and utility deposits	(0.8)	(0.3)	(0.1)	0.2
(Increase)/decrease in prepayments	(2.2)	(0.5)	(0.1)	0.9
(Increase)/decrease in loans to staff	(1.1)	2.4	(1.1)	2.0
(Increase)/decrease in fees and other receivables	(7.7)	2.5	1.8	(3.0)
Decrease in fees received in advance	(11.0)	(10.9)	(12.0)	(13.5)
(Decrease)/increase in amount due to subsidiary	-	-	(32.9)	8.2
Increase/(decrease) in provision to meet staff conditions of service	14.6	-	10.8	(3.2)
Increase/(decrease) in accounts payables and accruals excluding capital creditors	11.3	3.5	8.5	(5.4)
Decrease in government hardship allowance	(2.2)	(1.5)	(2.2)	(1.5)
Decrease in scholarship fund and hardship allowance	(2.9)	(5.3)	-	-
	<u>(2.9)</u>	<u>(5.3)</u>	<u>-</u>	<u>-</u>
Net cash generated from operating activities	<u><u>185.4</u></u>	<u><u>149.0</u></u>	<u><u>169.7</u></u>	<u><u>159.4</u></u>

12 Provision to meet staff conditions of service

Accounting policy

The Group accrues salaries, gratuities, paid annual leave, leave passage and the cost to the Group of non-monetary benefits in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, the Group states these amounts at their present values.

Movements in the provision to meet staff conditions of service were as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
At beginning of the year	88.3	88.3	69.9	73.2
Provision for the year	243.2	224.7	185.5	174.9
Payments made during the year	(228.6)	(224.7)	(174.7)	(178.2)
At end of the year	<u>102.9</u>	<u>88.3</u>	<u>80.7</u>	<u>69.9</u>

13 Accounts payables and accruals

Accounting policy

Initially the Group recognises accounts and other payables at fair value, subsequently the Group states these at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Accounts payable	24.4	14.7	15.4	5.4
Other accruals	69.1	99.0	59.5	81.0
Accruals for major repairs	84.1	130.8	84.1	130.8
Deferred income	86.5	76.5	66.2	62.2
Retention money	16.1	17.1	16.1	17.1
Deposits received	10.0	7.9	9.8	7.7
Other payables	5.8	7.0	4.7	5.5
	<u>296.0</u>	<u>353.0</u>	<u>255.8</u>	<u>309.7</u>

14 Government grants

Accounting policy

The Group recognises government grants when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. The Group recognises grants relating to expenditure on a systematic basis in the same year in which the related expenditure is incurred. The Group deducts grants provided to the Group relating to fixed assets from the cost of acquisition in arriving at the carrying amount of the related asset.

The Government provides basic grants and hardship allowance to the Foundation. The total grants received by the Group and the Foundation were as follows:

	Note	<i>The Group</i>		<i>The Foundation</i>	
		2015	2014	2015	2014
		\$'million	\$'million	\$'million	\$'million
Basic grants	14(a)	271.1	271.1	271.1	271.1
Hardship allowance	14(b)	6.9	6.9	6.9	6.9
Refund of rent and rates	14(c)	19.3	12.9	12.2	10.0
		<u>297.3</u>	<u>290.9</u>	<u>290.2</u>	<u>288.0</u>

The subvention review was concluded in July 2013. Excluding subvention of \$28.3 million for students with special education needs in the Foundation's mainstream schools and the Jockey Club Sarah Roe School, the basic grants and hardship allowance (collectively the "Subvention") is expected to be phased out in 13 years starting from the 2016/17 school year until 2028/29 school year. The phase out amount in each year will vary and range from approximately \$17 million to \$22 million according to the Subvention currently provided to each year group of the Foundation's mainstream schools. All existing students of the Foundation will continue to benefit from the Subvention, frozen at its current level, until they either graduate from the schools in Year 13 or leave the system. The phasing out of the Subvention will affect children entering Year 1 of the Foundation's schools in August 2016 and thereafter.

(a) Grant per class

The Government's basic recurrent grant is a grant per class calculated to be equivalent to the grant allowed for each class provided to other schools in the public-aided education sector in 1999/2000. Since 1999/2000, the basic recurrent grant has been reduced by 12.372% in various stages through to 31 March 2007. No further reductions have been made since 1 April 2007. The grant per class is paid for each qualifying class in a Foundation school at 30 November each year and is used for education purposes only.

14 Government grants (continued)

(b) *Hardship allowance*

In addition to the grant per class, the Government also provides an allowance for the relief of hardship based upon a percentage of the recurrent grant per class. The movement for the year was as follows:

	<i>The Group and the Foundation</i>	
	<i>2015</i>	<i>2014</i>
	\$'million	\$'million
At beginning of the year	34.1	35.6
Received from the Government	6.9	6.9
	41.0	42.5
Utilised to permit fee relief in cases of hardship	(9.1)	(8.4)
At end of the year	31.9	34.1

The Group and the Foundation include the amount utilised to permit fee relief during the year in income as a component of tuition fees.

(c) *Refund of rent and rates*

The Group and the Foundation also receives from the Government a reimbursement of rent and rates actually paid for school premises. The charge for rent and rates, which is included in other operating expenses, was arrived at as follows:

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		\$'million	\$'million	\$'million	\$'million
Gross rent and rates for the year		20.7	14.2	12.9	10.8
Less: Recovered or recoverable from the Government		(19.3)	(12.9)	(12.2)	(10.0)
	3	1.4	1.3	0.7	0.8

15 Scholarship fund and hardship allowance

Pursuant to the service agreement between ESL and the Government, ESL shall set aside a sum, which shall not be less than 10% of its total school fee income from its Private Independent Schools, to provide scholarships and other financial assistance for deserving students at such schools in each school year. During the year ended 31 August 2015, Renaissance College and Discovery College have each set aside 10% of their respective tuition fees which consists of 8% (2014: 8%) as scholarship fund and 2% (2014: 2%) as hardship allowance.

Tuition fees of Renaissance College and Discovery College transferred to scholarship fund/hardship allowance during the year amounted to \$22.4 million (2014: \$20.9 million) and \$14.8 million (2014: \$12.7 million) respectively.

	<i>The Group</i>		
	<i>Scholarship fund</i> \$'million	<i>Hardship allowance</i> \$'million	<i>Total</i> \$'million
At 1 September 2013	13.8	19.6	33.4
Addition	26.9	6.7	33.6
Utilisation	(35.2)	(2.4)	(37.6)
Transfer	-	(1.3)	(1.3)
At 31 August 2014 and 1 September 2014	5.5	22.6	28.1
Addition	29.7	7.5	37.2
Utilisation	(34.3)	(2.3)	(36.6)
Transfer	-	(3.5)	(3.5)
At 31 August 2015	<u>0.9</u>	<u>24.3</u>	<u>25.2</u>

The Group includes the amount utilised to permit fee relief during the year in income as a component of tuition fees.

16 Obligations under finance leases

At 31 August 2015, the Group and the Foundation had obligations under finance leases repayable as follows:

	<i>The Group and the Foundation</i>					
	<u>2015</u>			<u>2014</u>		
	<i>Present</i>	<i>Interest</i>	<i>Total</i>	<i>Present</i>	<i>Interest</i>	<i>Total</i>
	<i>value of the</i>	<i>expense</i>	<i>minimum</i>	<i>value of the</i>	<i>expense</i>	<i>minimum</i>
	<i>lease</i>	<i>relating</i>	<i>lease</i>	<i>lease</i>	<i>relating</i>	<i>lease</i>
	<i>payments</i>	<i>to future</i>	<i>payments</i>	<i>payments</i>	<i>to future</i>	<i>payments</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Within one year	0.3	0.1	0.4	0.7	0.2	0.9
Between one and two years	0.3	-	0.3	0.7	0.1	0.8
Between two and five years	0.4	0.1	0.5	1.5	0.3	1.8
	<u>0.7</u>	<u>0.1</u>	<u>0.8</u>	<u>2.2</u>	<u>0.4</u>	<u>2.6</u>
	<u>1.0</u>	<u>0.2</u>	<u>1.2</u>	<u>2.9</u>	<u>0.6</u>	<u>3.5</u>

17 Refundable capital levy

Refundable capital levy was introduced and payable by the parents of children joining the Foundation's school system from August 2011 to June 2015. After the introduction of non-refundable capital levy (see note 20), the refundable capital levy is applicable to children that join Year 7 from another school of the Foundation if their parents did not pay refundable capital levy for them before. The levy is \$25,000 per child. Certain concessions are granted to families with more than two children studying at ESF schools and teachers who are also parents of students studying at ESF schools.

Refundable capital levy is repayable by the Group when the student leaves the school. The refundable capital levy is non-transferable, interest-free, non-depreciating and unsecured. Initially the Group recognises the refundable capital levy at fair value, subsequently the Group states this at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost.

18 Debenture

In August 2013, the Group introduced the debenture which is payable by parents of children joining the Group's kindergartens in August 2013 and subsequent years. The debenture is \$7,000 for each child entering one of the kindergartens for the first time from August 2013 onwards.

The debenture is repayable when the student leaves the school with sufficient notice. The debenture is non-transferable, interest-free, non-depreciating and unsecured. Initially the Group recognises the debenture at fair value, thereafter the Group states this at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost.

19 Non-refundable building levy

The Group charges non-refundable building levy to finance capital expenditures of Renaissance College and Discovery College. In the case of Renaissance College, the levy is charged as a one-time payment upon a student's acceptance of a school place. The levy is set at \$50,000 (2014: \$50,000) for Year 1 entrants with pro-rated amounts set for Year 2 to Year 12 new entrants. For Discovery college students, the levy is collected on an annual basis at \$5,900 (2014: \$5,900) per annum for all students.

The Group recognise non-refundable building levy over the number of years individual students are expected to remain at the school.

20 Non-refundable capital levy

The Group charges non-refundable capital levy to finance capital expenditures of various capital projects of the ESF schools. The levy is charged as a one-time payment upon a student's acceptance of a school place. The levy is set at \$38,000 for Year 1 entrants with pro-rated amounts set for Year 2 to Year 13 new entrants.

The Group recognise non-refundable capital levy over the number of years individual students are expected to remain at the school.

21 Individual nomination rights

Accounting policy

The Group recognises deposits made in respect of individual nomination rights as receipt in advance and transfer them to income when offers are made. The Group recognises the remaining balance from the sale of individual nomination rights when the rights are exercised for the acceptance of school place offers, which is generally on receipt of cash.

The individual nomination rights is a means to gain priority on the waiting list and a school place subject to success of interview.

22 Corporate nomination rights

Accounting policy

The corporate nomination rights (“CNR”) scheme entitles the holder of the CNR (the “Holder”) to identify one nominee in relation to any CNR at any time according to the terms and conditions of the CNR. The CNR is non-transferrable, interest-free, depreciating and unsecured.

The Group recognises receipt of cash made in respect of CNR as liabilities and amortises to income when the holder of the CNR notifies the Group the first nominee under the terms and conditions of the corporate nomination rights scheme.

Each CNR is redeemable at the date 20 years following the first nomination date for that CNR at zero value. The Holder may redeem a CNR at any date following 10 years after the first nomination date for that CNR. The redeemable amount is the remaining value of that CNR at the date of redemption. Initially the Foundation recognises the CNR at fair value, subsequently the Foundation states this at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost less accumulated amortisation.

Movements in the corporate nomination rights were as follows:

	<i>The Group and the Foundation</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$’million</i>	<i>\$’million</i>
At beginning of the year	24.9	-
Issued	-	25.0
Less: Amortisation to statement of comprehensive income	(0.5)	(0.1)
At end of the year	24.4	24.9
Less: Within one year or on demand	(0.5)	(0.3)
After one year	<u>23.9</u>	<u>24.6</u>

23 Reserves

The reserves of the Group and the Foundation represent the excess of assets over liabilities; the opening and closing balances and the movements during the year are set out in the statement of changes in reserves.

(a) *Capital fund*

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
The Foundation	128.5	80.2	128.5	80.2
Renaissance College	44.5	27.2	-	-
Discovery College	41.6	29.8	-	-
	214.6	137.2	128.5	80.2
	214.6	137.2	128.5	80.2

The Foundation introduced individual and corporate nomination rights schemes and non-refundable capital levy. The income from the schemes is designated solely to finance redevelopment projects of the Foundation and hence is included in the capital fund. During the year, payments are made against Kowloon Junior School, King George V School and Island School redevelopment projects. Renaissance College and Discovery College of the Group introduced non-refundable building levy and nomination rights. The income is designated solely to finance capital expenditure and hence is included in the capital fund.

(b) *Schools reserves*

The Group's reserves include the accumulated surplus of individual schools of the Foundation which amounted to \$144.7 million as at 31 August 2015 (2014: \$138.9 million). These reserves have been designated to finance operating and capital activities at individual schools at the discretion of the respective School Councils. From their reserves as at 31 August 2015, the respective School Councils have authorised or contracted for capital commitments of \$21.5 million (2014: \$23.7 million). The respective School Councils also reserve certain sums for major upgrades at schools.

During the year, \$37.0 million (2014: \$78.9 million) was transferred from schools reserves to general reserve. The transfer represented various schools capital expenditure during the year which was funded by the schools reserves.

23 Reserves (continued)

(c) Capital management

The Group is a non-profit making organisation whose principal activity is the operation of schools to provide education through the medium of English language. The Group is not subject to any externally imposed capital requirements; its activities are mainly funded by tuitions fees, government subventions, donations, and investment income.

In the absence of any capital the Group's reserves are maintained at a level necessary to meet the Group's short and long term objectives taking account the importance of safeguarding the Group's ability to continue as a going concern.

24 Financial risk management and fair values

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's activities. The Group describes below the Group's exposure to these risks and the financial risk management policies and practices used to manage these risks.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, cash and cash equivalents and account receivables and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The Group's bank deposits and cash and cash equivalents are placed with major financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(b) Liquidity risk

The Group's policy is to regularly monitor liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to bank deposits, cash at bank and obligations under finance leases. The Group's interest rate profile as is set out in (i) below.

24 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) The following table details the Group's and the Foundation's interest rate profile, deposits and borrowing (as defined above) at the end of reporting period:

	The Group		The Foundation	
	2015	2014	2015	2014
	Effective interest rate %	Effective interest rate %	Effective interest rate %	Effective interest rate %
	\$'million	\$'million	\$'million	\$'million
Finance lease liabilities	3.70%	3.85%	3.70%	3.85%
Deposits with original maturities greater than three months	0.80%	1.09%	0.81%	1.10%
Restricted cash	0.01%	0.01%	-	-
Cash and cash equivalents	0.11%	0.27%	0.05%	0.25%
	546.7	518.3	450.0	423.8

24 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 August 2015, it is estimated that a general increase/decrease of 100 basis points (2014: 100 basis points) in interest rates, with all other variables held constant, would have increased/decreased the Group's surplus for the year by approximately \$5.5 million (2014: \$5.2 million). Other components of reserves would not be affected (2014: nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's surplus that would arise assuming that the change in interest rates had occurred at the end of reporting period and had been applied to re-measure these financial instruments which expose the Group to fair value interest rate risk at the end of reporting period. The analysis has been performed on the same basis for 2014.

(d) Currency risk

The Group operates in Hong Kong and have limited exposure to currency risk which arises from foreign currency purchases and receipts/payments for school activities jointly organised with overseas institutions.

(e) Fair value measurement

All financial assets and liabilities are carried at amounts not materially different from their fair values at the end of reporting period because of their short term maturity.

25 Commitments

(a) The Group and the Foundation have certain capital commitments relating mainly to the renovation of the schools and major upgrades of information technology systems. Capital commitments outstanding at 31 August 2015 not provided for in these financial statements were as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million	\$'million	\$'million
Contracted for	198.8	188.7	100.7	178.3
Authorised but not contracted for	242.4	133.2	242.2	133.1
	<u>441.2</u>	<u>321.9</u>	<u>342.9</u>	<u>311.4</u>

25 Commitments (continued)

- (b) At 31 August 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million	\$'million	\$'million
Leased properties				
Within one year	19.9	13.0	9.8	6.0
Between one and five years	31.3	10.8	14.2	-
Over five years	17.1	2.6	-	-
	<u>68.3</u>	<u>26.4</u>	<u>24.0</u>	<u>6.0</u>

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	\$'million	\$'million	\$'million	\$'million
Leased equipment				
Within one year	1.0	-	1.0	-
Between one and five years	3.6	-	3.6	-
	<u>4.6</u>	<u>-</u>	<u>4.6</u>	<u>-</u>

The Group leases a number of properties under operating leases. The leases run for an initial period of three to ten years, with some having an option to renew upon expiry when all terms will be renegotiated. Contingent rental payable are based on a pre-determined percentage of the monthly gross turnover on the condition that it is higher than the minimum fixed rentals under the operating lease agreements.

The Group leases certain equipment under operating leases. The leases typically run for an initial period of two to five years, with the option to return, renew or buy the equipment upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

26 Material related party transactions

Accounting policy

- (a) *A person, or a close member of that person's family, is related to the Group if that person:*
- (i) *has control or joint control over the Group;*
 - (ii) *has significant influence over the Group; or*
 - (iii) *is a member of the key management personnel of the Group or the Group's parent.*
- (b) *An entity is related to the Group if any of the following conditions applies:*
- (i) *The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).*
 - (ii) *One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).*
 - (iii) *Both entities are joint ventures of the same third party.*
 - (iv) *One entity is a joint venture of a third entity and the other entity is an associate of the third entity.*
- (b) *An entity is related to the Group if any of the following conditions applies: (continued)*
- (v) *The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.*
 - (vi) *The entity is controlled or jointly controlled by a person identified in (a).*
 - (vii) *A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

26 Material related party transactions (continued)

Board of Governors and key management personnel remuneration

Key management personnel consist of the following:

- (i) Full time paid employees who are also members of the Board of Governors, namely, representatives of the Committee of Principals, the Committee of Teachers, the Committee of Support Staff and the Chief Executive Officer who is an ex-officio member of the Board of Governors; and
- (ii) Director of Education, Chief Operating Officer of ESL, Director of Facilities, Chief Financial Officer and Director of Human Resources.

The members of the Board of Governors other than those mentioned in note (i) did not receive any remuneration during the current and previous year.

Remuneration for key management personnel is as follows:

	<i>2015</i>	<i>2014</i>
	\$'million	\$'million
Salaries, allowances and benefits in kind	17.9	20.7
Retirement costs	0.2	0.2
	<u>18.1</u>	<u>20.9</u>

27 Other significant accounting policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, the other significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Statement of compliance

The consolidated financial statements for the year ended 31 August 2015 comprise the Foundation and its subsidiary.

The Board has prepared the consolidated financial statements to comply with the requirements under The English Schools Foundation Ordinance and The English Schools Foundation (General) Regulation and in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong.

27 Other significant accounting policies (continued)

(a) *Statement of compliance (continued)*

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current reporting year. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Group has not applied any new standard or interpretation that is not yet effective for the current reporting year (see note 29).

(b) *Basis of preparation of the financial statements*

The Group uses the historical cost basis to prepare the financial statements.

In order to prepare financial statements that comply with HKFRSs the Group has to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The Group believes the estimates and associated assumptions, which the Group makes based on historical experience and various other factors, are reasonable under the circumstances. Actual results may differ from these estimates.

The Group reviews the estimates and underlying assumptions on an ongoing basis. The Group recognises revisions to accounting estimates in the year the Group revises the estimate if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In note 28, the Group discusses the significant judgements the Group made in applying HKFRSs on the financial statements and major sources of estimation uncertainty.

(c) *Change in accounting policy*

Non-refundable building levy

During the year, the Group voluntarily changed its accounting policy for the recognition of non-refundable building levy income. Previously, non-refundable building levy income was recognised when it was probable that the levy would be received, which was generally on receipt of cash.

The Group now recognises non-refundable building levy over the number of years individual students are expected to remain at the school. The Group judges that this policy better reflects the period of time over which the performance obligation associated with the non-refundable building levy is satisfied.

27 Other significant accounting policies (continued)

(c) Change in accounting policy (continued)

Non-refundable building levy (continued)

This change in accounting policy has been applied retrospectively by restating the balances at 1 September 2013 and 31 August 2014, with consequential adjustments to comparatives for the year ended 31 August 2014 as follows:

	<i>As previously reported</i> \$'million	<i>Effect of change in accounting policy</i> \$'million	<i>As restated</i> \$'million
Consolidated statement of comprehensive income for year ended 31 August 2014:			
Non-refundable building levy	19.3	(8.5)	10.8
Surplus for the year	108.6	(8.5)	100.1
Total comprehensive income for the year	118.0	(8.5)	109.5
Consolidated statement of financial position as at 31 August 2014			
Current portion of non-refundable building levy	-	4.0	4.0
Total current liabilities	668.6	4.0	672.6
Non-refundable building levy	-	19.5	19.5
Total non-current liabilities	249.9	19.5	269.4
Net assets	1,305.0	(23.5)	1,281.5
Capital fund	160.7	(23.5)	137.2
Consolidated statement of financial position as at 1 September 2013			
Current portion of non-refundable building levy	-	2.7	2.7
Total current liabilities	666.6	2.7	669.3
Non-refundable building levy	-	12.3	12.3
Total non-current liabilities	177.7	12.3	190.0
Net assets	1,187.0	(15.0)	1,172.0
Capital fund	96.5	(15.0)	81.5

27 Other significant accounting policies (continued)

(d) *Income recognition*

The Group measures income at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the income and costs, if applicable, can be measured reliably, the Group recognises income as follows:

(i) Tuition fees

For an academic year which ends within the financial year, the Group recognises tuition fees when they are receivable.

The Group classifies tuition fees received in respect of the following academic year as fees received in advance and the Group carries these in the Statement of financial position as liabilities at the end of the financial year.

(ii) Programme income

The Group recognises programme income on an accruals basis in respect of programmes provided; unearned programme fees are treated as fees received in advance.

(iii) Rental income

The Group recognises rental income, which is income earned from the licensing use of school facilities, investment properties and other properties on an accruals basis.

(iv) Donations

The Group recognises donations when the Group becomes entitled to the donations and it is probable that they will be received. The Group recognises donations relating to expenditure on a systematic basis in the same year in which the related expenditure is incurred. The Group recognises donations that compensate for the cost of an asset as deferred income that is recognised as income on a straight-line basis over the useful life of the related asset.

(v) Interest income

The Group recognises interest income as it accrues using the effective interest method.

(vi) Resale income

The Group uses an accruals basis to recognise resale income that represents income earned from selling textbooks, stationery and school uniforms.

27 Other significant accounting policies (continued)

(e) *Impairment of assets*

The Group uses internal and external sources of information at the end of each reporting period to identify indications that fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the Group estimates the asset's recoverable amount and recognise an impairment loss if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less cost of disposal (if measurable) or value in use (if determinable). In assessing value in use, the Group discounts the estimated future cash flows to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the Group determines the recoverable amount for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

The Group reverses an impairment loss if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The Group credits reversals of impairment losses as income in the year in which the reversals are recognised.

(f) *Leased assets*

Under HKFRSs an arrangement, comprising a transaction or a series of transactions, is or contains a lease if the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. The Group determines whether the Group is a party to a lease based on the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

The Group classifies assets held under leases which transfer substantially all the risks and rewards of ownership as being held under finance leases. The Group classifies other leases as operating leases.

27 Other significant accounting policies (continued)

(f) *Leased assets (continued)*

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the Group includes the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments of such assets in Fixed assets and the corresponding liabilities, net of finance charges, as obligations under finance leases.

The Group charges depreciation at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 5. The Group accounts for impairment losses in accordance with the accounting policy as set out in note 27(e).

The Group charges as an expense the finance charges implicit in the lease payments over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each reporting year.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, the Group expenses payments made under the leases in equal instalments over the reporting years covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. The Group recognises lease incentives received as an integral part of the aggregate net lease payments made.

(g) *Inventories*

The Group carries inventories that consist of uniforms held for resale at the lower of cost and net realisable value.

The Group calculates cost using the first-in-first-out method and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the Group's estimate of selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the Group recognises the carrying amount of those inventories as an expense in the year in which the related income is recognised. The Group recognises the amount of any write-down of inventories to net realisable value and all losses of inventories as an expense in the year the write-down or loss occurs and the amount of any reversal of any write-down of inventories as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

27 Significant accounting policies (continued)

(h) Provisions and contingent liabilities

The Group recognises provisions for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the Group can make a reliable estimate. Where the time value of money is material, the Group states provisions at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the Group discloses the obligation as a contingent liability, unless the probability of outflow of economic benefits is remote. Unless the probability of outflow of economic benefits is remote, the Group also discloses as contingent liabilities possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events.

(i) Functional and presentation currency

These financial statements are presented in Hong Kong dollars, which is the Group's and the Foundation's functional and presentation currency. All financial information presented in Hong Kong dollars has been rounded to \$0.1 million unless stated otherwise.

28 Accounting estimates and judgements

Notes 6 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement scheme obligations and financial instruments respectively. Other key sources of estimation uncertainty are as follows:

(a) Useful lives and impairment of fixed assets

The Group has significant fixed assets and is required to estimate the useful lives of these assets in order to ascertain the amount of depreciation charge for each reporting period. The useful lives are estimated at the time of purchase of these assets and each year the Group assesses the appropriateness of the estimated useful lives. The assessment takes into account any unexpected adverse changes in circumstances or events such as declines in projected results and changes in the operating environment. The Group extends or shortens the useful lives and/or makes impairment provisions based on the assessment.

28 Accounting estimates and judgements (continued)

(a) *Useful lives and impairment of fixed assets (continued)*

At the end of each reporting period, the Group reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount. The sources utilised to identify indications of impairment are often subjective in nature and the Group has to use judgement in applying such information to its operations. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given end of reporting period. If an indication of impairment is identified, such information is further subjected to an exercise that requires the Group to estimate the recoverable amount of the asset, which is the greater of its net selling price and its value in use.

The Group is required to make assumptions to make this assessment, including the utilisation of such assets, the cash flows to be generated, appropriate discount rates, etc. Changes in any of these assumptions could result in a material change in future estimates of the recoverable amount of any asset.

(b) *Accruals for development project costs and major repairs*

The Group undertakes capital projects and various repairs and maintenance work. Invoices from the contractors are often received some time after the work is performed. Accordingly the Group has to review the status of each of the projects and to make certain estimates on the stage of completion of the projects. Actual costs may be higher or lower than estimated at the end of reporting period.

29 Possible impact of amendments to standards, new standards and interpretations to standards issued but not yet effective for the current reporting year

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 August 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

*Effective for
accounting periods
beginning on or after*

HKFRS 15, *Revenue from contracts with customers* 1 January 2018

HKFRS 9, *Financial instruments* 1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application.

Independent auditor's report to the members of The English Schools Foundation

(Incorporated in Hong Kong under The English Schools Foundation Ordinance)

We have audited the consolidated financial statements of The English Schools Foundation (“the Foundation”) and its subsidiary (“the Group”) set out on pages 5 to 53, which comprise the consolidated and Foundation statement of financial position as at 31 August 2015, the consolidated and Foundation statements of comprehensive income, the consolidated and Foundation statements of changes in reserves and the consolidated and Foundation cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Governors' responsibility for the consolidated financial statements

The Board of Governors of the Foundation are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Board of Governors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Governors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent auditor's report to the members of
The English Schools Foundation (continued)
(Incorporated in Hong Kong under The English Schools Foundation Ordinance)

Auditor's responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Foundation and of the Group as at 31 August 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
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16 December 2015

The English Schools Foundation Annual Report 2014-15 is published by the English Schools Foundation (ESF). It can be viewed and downloaded on the ESF website: www.esf.edu.hk/about-esf/accounts-and-annual-report.

We would like to thank our staff, parents, students and partners and all those who contributed their time, information and photographs to this Annual Report.

For further information about ESF and the schools, please contact ESF communications department at info@esfcentre.edu.hk

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