



INSPIRING FUTURES

English Schools Foundation Annual Report 2015-16



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Message from our Chairman

It is my privilege to present the ESF Annual Report 2015-16.

2015-16 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 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 launch ESF's strategic plan for 2015-2020.

I would also like to take this opportunity to thank a number of long-serving Board members who are stepping down. Elizabeth Boshier, Robert Gazzi, Andy Lowe, Marc Castagnet and Michael Draeger have all played a significant role on the Board and have contributed generously to the work of ESF.

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



A handwritten signature in black ink, appearing to read 'A Shek', written in a cursive style.

Abraham Shek, SBS, JP
ESF Chairman

Message from our Chief Executive Officer



Belinda Greer

Belinda Greer
ESF Chief Executive Officer

2015-16 has been an outstanding year for ESF. We are proud to see so many students achieving remarkable results in a wide range of areas. Our graduates are confidently pursuing their personal field of interest, taking places in higher education institutions including many of the world's top universities and the wider world of work.

Last year, we 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 the guiding focus for ESF's work. Securing long-term financial sustainability is a key element in our five year strategy.

I look forward to working with our Board and the whole ESF community to continue to inspire futures for our young people and the communities they will serve and shape.

A Summary of the Board's Work 2015-16

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

2015-16 was the first year of implementation of the five-year strategic plan. To report on the progress, quarterly performance reports were presented by the Chief Executive Officer to the Board.

2. Finance

The Board approved the audited accounts of ESF and ESF Educational Services Ltd. (ESL) for the year 2014-15, and reviewed the monthly financial reports for the current year.

The Board approved the budget for the 2016-17 academic year and the Education Bureau approved an average fee increase of 5.2% for ESF schools, 6.2% 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 3.4% pay increase for all eligible teaching and senior staff, and a 4.8% increase for all support staff including educational assistants.

3. Secondary curriculum

Following the review of the middle years curriculum which resulted in agreement for all secondary schools to have a common curriculum framework, the Board agreed that the curriculum development should ensure coherence, progression and continuity from primary to secondary as outlined in the strategic plan.



4. Island School redevelopment and Sha Tin College project

Meetings with members of the Government and the Education Bureau were conducted in the year to agree the decanting arrangement for Island School and the approval process for Government funding for the redevelopment. The design for the decant sites has been completed and visits to the sites are ongoing. A proposal on transportation arrangement of students to and from the decant sites were presented to the Board following surveys and consultation with the Island School community. Structural surveys were conducted on the Borrett Road campus showing that school buildings are continuing to deteriorate. The Board considered the safety of students as the major priority which cannot be compromised. If necessary, the allocation of the decant sites may be delinked from the approval process of funding for redevelopment.

Due to the challenges around space in Sha Tin College, the Board approved the procurement for the Sha Tin College project.

5. Kowloon Learning Campus

The Board received regular updates on the progress of the Kowloon Learning Campus pilot project throughout the year. There were numerous opportunities for Board members to visit the campus.

6. Stakeholder Survey

The Board considered the results of the 2016 Stakeholder Survey. They noted that overall the results showed improvement from the previous two surveys in a number of key areas.

7. Education Committee

The Board established an Education Committee, a sub-committee of the Board. The Education Committee will monitor the progress made towards meeting the education strategic objective goals and actions.

The ESF Profile



ESF is the largest provider of English-medium international education in Hong Kong with 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

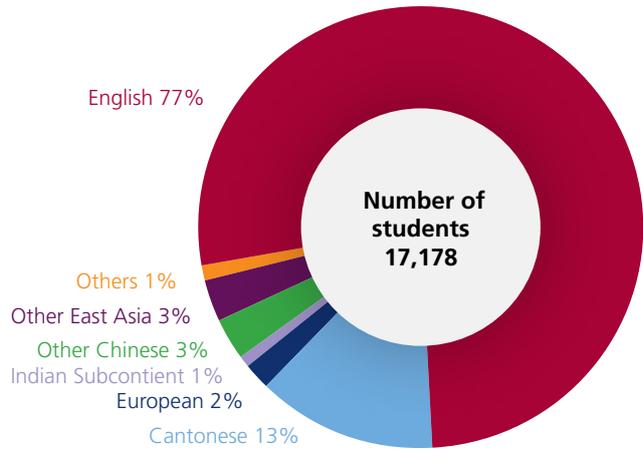
Special School

Jockey Club Sarah Roe School

ESF serves 17,178 students who represent a range of ethnicities and over 75 nationalities. Almost 70% of ESF parents are permanent residents of Hong Kong.

First Language of Students

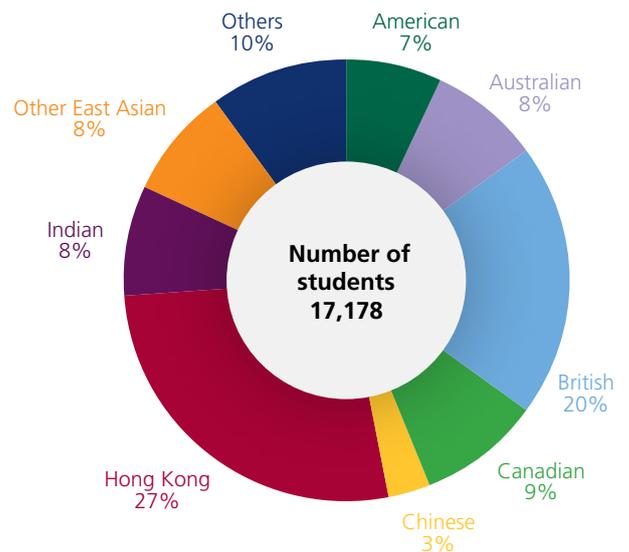
English is the first language of a significant majority of students (76.7%) in ESF schools while native Cantonese speakers account for 12.6%. Other East Asian speakers account for 2.9% and other Chinese 3.3%.



Nationality of Students

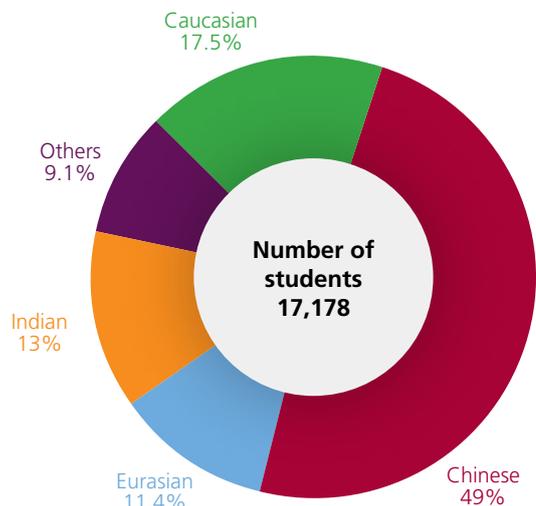
Over 75 nationalities were represented in our schools in 2015-16. Less than one quarter (20%) of students held a British passport, 29.9% held a Hong Kong or Chinese passport and a further 8.2% held a passport from another East Asian country.

Of the 12,899 students in ESF schools, 8,704 (67.8%) were permanent residents of Hong Kong. Of the 3,409 students in the PI Schools, 2,594 (76.1%) were permanent residents of Hong Kong.



Ethnicity of Students

The largest ethnic group in ESF schools was Chinese (49%) followed by Caucasian (17.5%), Indian (13%) and Eurasian (11.4%).



Education

Our vision is for every student to be the best that they can be. We aim to inspire creativity and curiosity, enabling our students to grow as global citizens and leaders of the future. The Education team has worked in partnership with principals and teachers over the last year to embed the strategic goals and priority actions as outlined in the strategic plan. These capture the teaching and learning approaches and outcomes that define an ESF education worth having.

A range of key performance indicators (KPIs) have been devised to measure progress against these priority actions and these are reported as follows:

Delivery of exceptional learning outcomes for all students

Much has been done around curriculum review and delivery to ensure breadth, continuity and progression for all our students. A review of the early years curriculum has been ongoing with the best practice in early learning in our kindergartens and in the early years of primary being used to inform our early years strategy.

The curriculum review led to a planned phased implementation of the International Baccalaureate Middle Years Programme (MYP) for Years 7 to 9. This builds on the excellent practice and outcomes within our two ESF all-through schools, Renaissance College and Discovery College, for whom the MYP is already embedded for students in Years 7 to 11. The MYP framework will be implemented over the coming two to three years. It will help students to develop an understanding of themselves as learners, support their emerging sense of self and their role in demonstrating responsible action within their community, both local and global.





Students have continued to achieve outstanding results in public examinations. It is very pleasing to note that 99.3% of students at Year 13 achieved the full IB diploma with a means point score of 36.3, these results are the highest yet achieved by ESF students.

Develop and implement a personalised approach to learning that promotes well-being and effectively meets students' needs

Personalised learning has been an area of high priority across ESF as evidenced by an ongoing review of the Applied Learning Pathway programmes to determine appropriateness of BTEC courses in meeting students' needs. Work has been conducted using data analysis around the structured Work and Lifeskills Pathway for students with additional support needs, as well as a programme of positive psychology to enhance well-being of all students. Further evidence includes the World Academy of Sport Accreditation, this in partnership with the IB, will allow ESF to support gifted athletes by offering the IB Diploma over a longer time frame in order to support both academic and sporting achievement. Accreditation has now been awarded and schools are currently using the increased flexibility to meet the needs of individual students.



A pilot programme has been implemented for those students wishing to participate in career related study related to art and design. Renaissance College, in partnership with the Savannah College of Art and Design developed the IB Career-related Programme (IBCP). Three students have successfully completed the IBCP and have gained entry to prestigious art colleges in the United States, Hong Kong and Canada.

The ESF Educational Psychology team has continued to offer an allocation of time to each ESF primary and secondary school for student assessment and advice on learning needs. Educational psychologists provided guidance and support to schools on wellbeing and special educational needs (SEN) professional development. This included delivery of the Emotional Literacy Support Assistant (ELSA) programme, launched in 2014 and designed to increase knowledge and skills in supporting the development of social and emotional skills. A further 24 educational assistants joined the programme in 2015-16. Another approach aimed at positive student health and wellbeing is the FRIENDS programme. This promotes resilience and develops life skills and coping strategies in children and adolescents. A further 116 ESF teachers and educational assistants were trained as FRIENDS programme facilitators during the year.



Across ESF schools, staff use levels of adjustment (LOA) to guide decisions regarding differentiation and support for students with individual needs (IN). In 2015-16 the SEN team improved guidance regarding LOAs 1 and 2 (for mainstream students with individual needs) in order to support the decision making process and increase consistency across schools in assigning LOAs. In addition to this, the ESF Model for Differentiation in the Curriculum was updated to reflect curricular access planning and provision examples for each of the LOAs 1-6.

In 2015 a secondary SEN referral and support module was designed following the template of the primary module. This will enable secondary teachers to make referrals for IN support and for IN/SEN colleagues to work collaboratively to plan students' support. The IEP module is also available for use by secondary colleagues.

In 2015 the remaining schools completed the Learning Support Class (LSC) Self-evaluation and review process using the LSC 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. Schools who completed their reviews in 2014-15 continued to receive support and follow up related to progress in their areas of recommendation.

Evidence from the 2016 Stakeholder Survey indicated that 96% of parents either agreed or strongly agreed that programmes offered by schools are preparing children for the future with 91% of parents agreeing or strongly agreeing that pastoral care is effective in ESF schools. Overall, 91% of parents responded that they either agreed or strongly agreed that their child was making good progress at school.

ESF Career Development Services

Career Evening

The fourth Career Evening for students with special educational needs was held in September 2015 which was part of the KGV Higher Education Fair 2015. This event aims to explore opportunity for higher education, vocational training and career pathways. Over a dozen organisations including SCAD, Yew Chung Community College, VTC, Shine Skills Centre participated in the event. There were also representatives from more than 50 universities from around the world.



Structured workplace learning

In 2015-16, 37 students from King George V School, South Island School, West Island School and Jockey Club Sarah Roe School were involved in structured workplace learning with about 22 organisations in Hong Kong. They included Country Club, Ocean Park, Escapade Sport, Marks & Clerk, Mother's Choice, The Hong Kong Down Syndrome Association, The Helena May, ESF International Kindergarten, Hillside, Man Sang, Cheerland Kindergartens, etc.

The work placements have been proved to be successful in making a real difference to students with special educational needs. The invaluable experiences have helped them grow and develop skills for employability and for the future.

Vocational Placements for Jockey Club Sarah Roe School

In 2015-16, 16 secondary students from Jockey Club Sarah Roe School took part in the Vocational Placement Programme which led to work experience assignments at Crossroads International, Caritas Lok Kan School, the Sai Kung District Community Center and KGV PTSA.



Learning Support Class students join career workshop to learn about the business world

15 students from South Island School, West Island School and King George V School Learning Support Classes (LSC) joined a career workshop jointly run by ESF Career Development Services and State Street, a global financial bank in April. 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 to continue their connection by joining the virtual mentorship programme run by State Street.

Quality assure effectiveness of learning and teaching



Peer review systems have been developed and implemented to quality assure learning and teaching. Evidence includes the use of 'instructional rounds', these reviews are led by education team members and are an evidence-based approach to assuring quality of teaching and learning. ESF Centre school reviews have also taken place which focused on individual curriculum subjects or themes, these were based on recommendations or findings from previous quality assurance processes. The focus for the coming academic year will be the implementation of a quality assurance framework designed to enhance school self-review and provide greater quality assurance of all learning and teaching.

In addition to these review processes a number of Council of International Schools external reviews have taken place. Review teams visited Beacon Hill School, Kennedy School, Sha Tin Junior School and Jockey Club Sarah Roe School. All of these visits were positive with continuing accreditation being confirmed and many comments regarding the strengths of each individual school.



Support professional thinking, practice and collaboration to ensure ESF delivers an education worth having

Good systems are in place with ESF colleagues working closely with school leaders to identify and plan relevant professional development and training. Capability frameworks have been successfully launched across all schools and are used as the basis for Professional Reflection and Development (PRD). All schools are now implementing this new PRD process. To further strengthen this approach to leadership a system of 360 reflections is being piloted and will be further developed during the 2016/17 academic year.

Evidence shows that 98% of teachers have completed the PRD process for the academic year and stakeholder survey evidence shows that 91% of teachers reported CPD met their expectations and was relevant to their current professional responsibilities.

A major aspect of this strategy has been to develop a world class programme around teacher training. Workshops have taken place with highly experienced trainers from across Asia. ESF has hosted and facilitated professional development opportunities for staff focusing on leadership and teaching and learning. This element of CPD continues to be a strength of the organisation. A full year calendar of professional development and networking opportunities are in place for 2016/17. Feedback and course evaluation is consistently positive and is used to inform future planning of provision.

This evidence shows that 91% of teachers felt that CPD enhanced their understanding and that they were able to apply this new learning to classroom practice.

A strategy has been implemented to ensure through recruitment that 'talent acquisition' is of high quality. A staff retention strategy is part of this delivery and is based on high quality CPD focused on classroom practice, aspiring leadership and leadership development. In August 2016, 120 new teachers were recruited to ESF, the skills and abilities of this cohort are high and provide evidence of the continuing ability of the foundation to attract the best teachers.

From survey responses, 98% of teaching & non-teaching staff agreed or strongly agreed that they felt enthusiastic and committed.

Curriculum Development: Kindergarten and Primary

English Language



In 2015-16, the primary language group (PLG) focused on 'Cross School Collaboration'. The group discussed their role as language leaders and grouped themselves based on their school priorities. Each group created an action plan for the year on how they were going to support each other in achieving their school priorities. Regular meetings were held to collaborate and discuss progress. Groups focused on assessing speaking and listening K-6, writing moderation, and a consistent approach to comprehension strategies using visible thinking strategies across K-6. The latter group will continue their focus next year and create a website, as a resource for teachers, to see these

comprehension strategies in action through class based practice. This will be linked to the scope and sequence to illustrate the content further.

These meetings were used as an opportunity to share resources, practice in schools and discuss ESF priorities.

English professional development this year included a series of one day workshops on speaking and listening, viewing and presenting, early reading and developing language and communication through play. All have been well received and will run again next academic year.

Arts

The amalgamated arts group has worked at raising the profile of the arts, as an integrated discipline, across the primary schools. The music, drama, visual arts and dance members of the group have actively developed a greater level of communication between schools and the informal links are strong across the foundation. The arts projects within schools are reflecting the collaborative nature of the arts. Individual schools are raising the profile of the arts and most school has events that celebrate some aspects of the arts.



Visual artists in residences have been working across schools and offered workshops for staff that wanted to up skill themselves. The performing arts day held at Renaissance College and Kennedy school highlighted the diversity and talents of our students with choirs, brass bands, creative dance, art work, Chinese ensemble, class choral speech, musical theatre and ukuleles. The Music group had a successful orchestral jam at Kowloon Junior School with over 200 students taking part in all orchestral areas, strings, woodwind, brass and percussion with music from renaissance to present day.

The group have started to develop an ESF wide scope and sequence document that covers all the art strands. Each strand was represented and the document will be continued to be a focus next academic year.

Information Literacy

The information literacy group made significant progress with the information literacy scope and sequence and the addition of sample materials. Collaborative meetings were scheduled with the purpose of refining the scope and sequence and collecting, reviewing and documenting many examples of steps throughout the teaching sequence, and this will be added to the scope and sequence documents on the teacher's hub. These additional materials will offer all schools an opportunity to look at some best practice research skills and lessons and offer insight into what's going on across the foundation in this subject area. Since information literacy is heavily embedded within inquiry-based learning in the classroom, we will continue to review and add to this bank of resources next year.



PE

The focus of development for the PE curriculum group was on providing all primary colleagues with professional development in implementing the PYP essential elements in the PE curriculum. At the beginning of the year a professional development session involved designing learning engagements to promote the learning outcomes in PE through the three curriculum strands of active living, interactions and identity with a focus on making the learner profile explicit to learners in various games. In addition to this day, many PE teachers attended the two-day Asia Pacific Physical Education Conference in Hong Kong.



Science and Social Studies



Over the past academic year, the focus for social studies has been the written curriculum, whilst for science, it has been the taught curriculum. The curriculum group spent a number of days creating four different documents to support learning and teaching across the Foundation.

For social studies, working parties created a continuum of understandings around the five strands: human systems and economic activities, social organisation and culture, continuity and change through time, human and natural environments, resources and the environment; and a skills continuum which elaborates further on the five specific social studies skills.

For science, to support the continued 'roll out' of the continuum of understandings and skills documents, working parties created a guide for teachers outlining suggested science investigations based on the forces and energy phase-based learning outcomes. The group also began work on helpful 'question starters' to support learners' scientific thinking as well as a mechanism to support teachers to assist learners in making their thinking visible, based on the Harvard Thinking Routines.

Secondary teachers joined the primary social studies scope and sequence groups and skills continuum working parties to assist with the transition element. The equivalent group in secondary will look to further support the development of these documents as they look to elaborate on the phase-based continuum. Secondary science teachers lead a professional development day for primary teachers. The day was full of practical and engaging science ideas and experiments.



The 2016-17 academic year will see support offered to schools in the translation of the new written documentation. It will also see the continuum progression elaborated upon in conjunction with the development of the Middle Years Programme (MYP).

Mathematics

The scope and sequence and rubrics was published on the teacher hub, bringing together four years work by the Primary Math Group. Considerable effort has continued this year with the gathering of class work samples of rich learning tasks that illustrate the outcomes from the scope and sequence. Moderation of presentation has been completed and samples have been uploaded to the new online scope and sequence.

The Primary Math Group had two full day opportunities to work with Professor Peter Sullivan where they continued the Foundation's work on problem solving and also looked at procedural fluency. Some schools chose to do further work with Peter Sullivan within their school environments and this work will culminate in an action research project next year around multiplicative thinking in Years 3 to 6 and additive thinking in Years 1 to 2. All schools will have the opportunity to be involved in this project.



Staff new to the Foundation had the opportunity to be involved in two day professional learning around mathematical inquiry.

The year ended with primary Math Group leaders sharing the process for developing the scope and sequence and rubrics with secondary representatives. As a result of this, secondary colleagues will contribute to outcomes and indicators that extend Year 6.

Chinese



The number of students studying Chinese for their IB Diploma has remained high in the past three years, 69% of the 2016 cohort being the highest on record to date. This is partly attributable to the fact that classes of 2014-16 are the first three cohorts to have benefited from a full six-year daily Chinese programme in primary schools.

IB results have remained healthy, of the 230 students who achieved full score of 7 in Chinese, more than half had been in ESF schools for 13 or 12 years. All seven IB Chinese courses were offered in ESF schools and in four of them students exceeded or matched the world average.

The annual ESF Chinese benchmark system is now well established. Standardised tests are administered in Year 6, 9 and 11, involving more than 3,000 students each year. The system is a tool of assessment for learning and of quality assurance.



Continuing professional development has continued to target classroom practice. The ESF Teaching Chinese in International Context workshop series saw its 85th session offered at the end of 2015, bringing significant changes in classroom methodology.

Work on primary-secondary curricular articulation to support both transition and progression is well underway. An ESF K-16 Chinese Curriculum is envisaged to develop as the next phase.

A common Chinese curriculum has been developed and implemented by the five ESF kindergartens. The curriculum offers flexibility for different quantity of provision time and draws on the ESF Chinese curriculum for connectivity with Year 1 daily Chinese.



Deepen partnership across ESF schools and with parents and with the wider ESF community

In order to enable parents to have information about their child's learning more readily available, a number of schools have introduced IT systems that allow parents to monitor their child's progress more closely. All schools have systems in place via school websites or school learning platforms informing on progress and curriculum. Reporting via learning platforms continues to be rolled out to participating schools. This allows greater interaction between schools and parents and will continue to be developed.



Stakeholder Survey indicates that 88% of parents agree that they are informed about their child's progress, including areas that their child can improve.

There has been a wide range of activities across ESF aimed at developing collaborative practice between schools. The aim has been to develop partnerships and to promote a culture of working collaboratively across schools to develop innovative ways to enhance students' learning. A range of professional development activities have been in place to promote a collaborative culture. Schools are engaged in peer review activity aimed at developing innovative practice. This includes design of learning environments with schools being keen to learn from each other around creative use of existing teaching spaces. There have been many examples of staff visiting other ESF schools to observe and share good practice.

Good evidence of this approach has been observed at the ESF Kowloon Learning Campus with students from KGV, KJS and JCSRS all benefiting from greater collaboration. There is also good evidence from Sha Tin Junior School and Sha Tin College with much closer links developing as well at Kennedy School and West Island School. This work will continue to develop but evidence around much improved transition for students shows the positive work that has taken place.

Primary: Academic Achievements

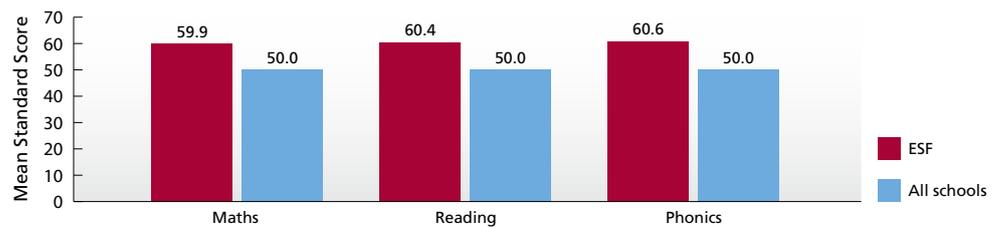


There are three core external assessments taken by students.

- Years 1 and 2: Performance Indicators in Primary Schools (PIPs),
- Years 4 and 6: International Schools' Assessment (ISA).
- Year 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 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.

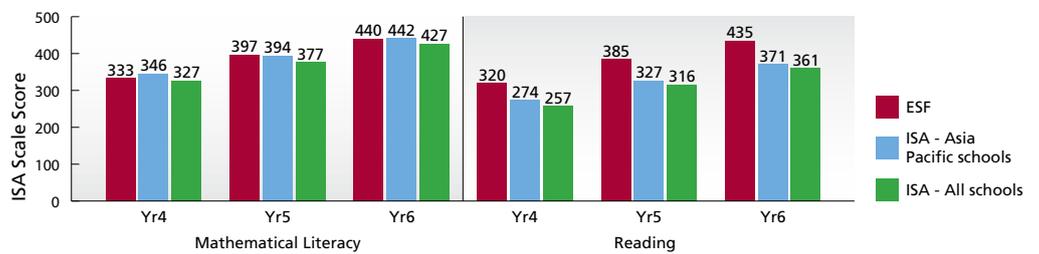
Year 2 PIPs (Mean Standardised Scores)



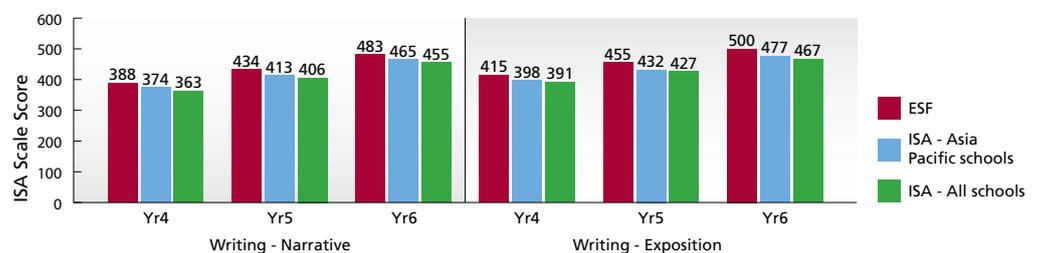
The Year 2 PIPs results (above) indicate that ESF students in Year 2 have made progress well above the CEM cohort.

The tables below indicate the achievement of ESF students in Years 4 to 6 using the ISA data related to mathematical literacy, reading and writing. It is positive that students continue to achieve above other schools including Asia Pacific international schools in reading and both narrative and exposition writing in all year groups.

ISA: Mathematical Literacy and Reading (Mean Score)



ISA: Writing (Mean Score)



Secondary: Academic Achievements

Schools continued to achieve outstanding results in public examinations in 2016.

IB Diploma

956 Year 13 students completed the IB Diploma in May. 99.3% of students achieved the full IB Diploma, with 65.8% of our students achieving 35 or more IB points and 26.7% achieving 40 or more points. The average points score for students is 36.3 total points and the average grade per subject is 5.7 points. 11.7% of ESF students achieved the bilingual diploma award. 16 ESF students achieved the maximum 45 points. There were only 146 students worldwide who achieved this in the 2016 pre-appeal results.

	ESF (2016)	ESF (2015)	ESF (2014)	ESF (2013)	ESF (2012)	World* (2015)
Number of students entered for the full IB Diploma	956	934	935	851	779	69,995
% of students achieving the full IB Diploma	99.3%	98.0%	98.0%	98.4%	97.7%	80.8%
Mean points score for students entered for the IB Diploma	36.3	35.6	35.0	34.7	35.2	30.2
% of students achieving 30+ IB Diploma points	91.5%	88.3%	84.9%	83.8%	84.6%	49.2%
% of students achieving 35+ IB Diploma points	65.8%	61.5%	55.4%	53.1%	55.3%	22.0%
% of students achieving 40+ IB Diploma points	26.7%	24.9%	22.1%	18.9%	25.4%	5.1%

* Worldwide results are for May 2015 as a full set of 2016 data is not available yet.





Applied Learning Pathway

In 2016, 96 Year 13 students completed the Applied Learning Pathway. These students followed personal pathways that involved 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 include art and design; business; media; engineering; performing arts; public services; travel and tourism and sport. Three students from Renaissance College also successfully completed the IB Career-Related Programme (IBCP).

For the BTEC Level 3 Subsidiary Diploma, 44% of entries were awarded a *distinction* or above and 84% *merit* or above. For the BTEC Level 3 Diploma, 71% of entries were awarded a *double distinction* or above and 94% *double merit* or above. For the BTEC Level 3 Extended Diploma, 49% of entries were awarded a *triple distinction* or above and 83% *triple merit* or above.

GCSE/IGCSEs

Approximately 1,000 Year 11 students participated in the General Certificate of Secondary Education (GCSE) and its international equivalent the International General Certificate of Secondary Education (IGCSE). 54% of all examinations were awarded either A* or A grades and 92% awarded A* - C grades. This is the eighth consecutive year that more than 50% of examinations were awarded A* or A grades.

	2016	2015	2014	2013	2012	UK average for GCSE (2016)
A*	27%	29%	29%	28%	28%	6%
A*-A	54%	55%	57%	56%	56%	22%
A*-C	92%	92%	93%	94%	93%	67%



IB Middle Years Programme (MYP)

2016 is the eighth year that Year 11 students at Renaissance College have completed the International Baccalaureate Middle Years Programme and the fifth year for Discovery College students. The 2016 internal assessment results for both schools are again very strong.

- The mean grade per assessment for ESF students is 5.62 points, which compares favourably to the worldwide mean of 5.04;
- The mean total points per student is 50.8 points (out of a maximum of 63 points), which is the highest figure yet for ESF.



Learning Support Classes

Individual students in our Learning Support Centres (LSCs) achieved success in learning. Students took a range of external qualifications appropriate to their needs. These include: BTEC awards, (I)GCSEs, Edexcel Entry Level awards and the ASDAN Personal Development Programme awards.

Higher Education Destinations



Students graduating from ESF in 2016 are attending higher education institutions in 19 different countries around the world; the most popular being the UK (40% of students), Hong Kong (22%), USA (16%) and Canada (12%). A small number of students (roughly 7%) have decided to take either a 'gap year', start full-time employment or do military service.

Students will study in over 200 higher education institutions, the most popular being The University of Hong Kong, which accounts for roughly 8% of the cohort (84 students).

Our schools offer students an opportunity to study an array of subjects at university and there is hardly an area of study unrepresented. The most popular courses for our class of 2016 include business related courses (150 students), law (60 students), engineering (58 students), psychology (53 students) art and design (47 students), economics (47 students) and medicine (45 students).

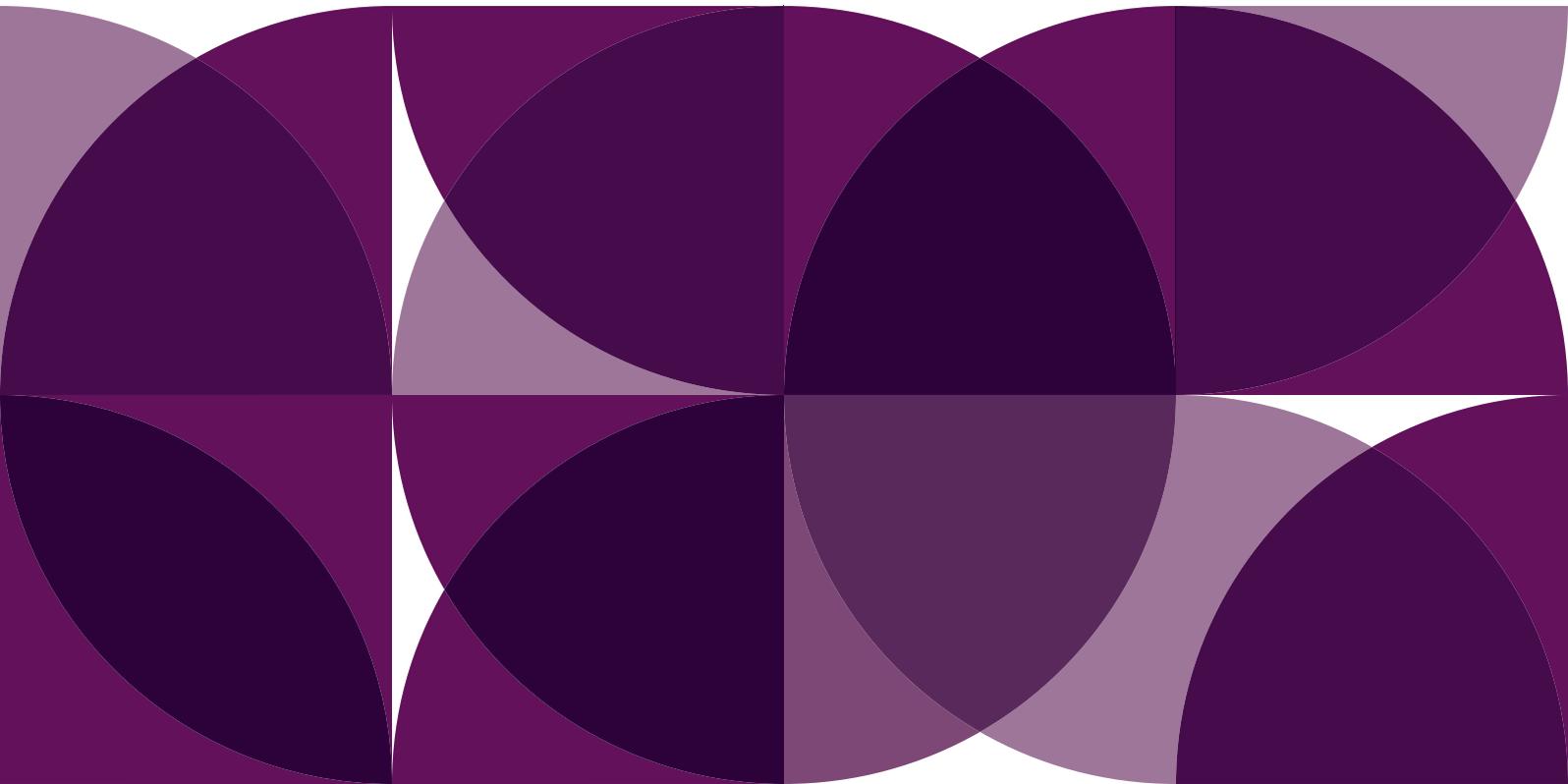
The most popular university destinations for ESF graduates in 2015-16

University	Country	Number of students
The University of Hong Kong	HK	84
University of British Columbia	Canada	48
Hong Kong University of Science and Technology	HK	44
The Chinese University of Hong Kong	HK	41
University College London	UK	27
University of Exeter	UK	24
Durham University	UK	24
The University of Bath	UK	19
The University of Warwick	UK	18
Imperial College London	UK	15
Northeastern University	USA	13
University of Leeds	UK	13
The University of Nottingham	UK	12
University of Toronto	Canada	12
New York University	USA	12

Organisation

ESF is a large education provider with 21 schools which serve 17,200 students. A strong central team supports our schools in Education, Human Resources, Finance and Facilities Development. We also 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 2015, 3,394 online applications were received for Year 1 and Year 7 at ESF schools, Discovery College and Renaissance College. A further 250 applications were submitted during the rest of the academic year. Including those starting in Year 1, a total of 2,400 students were admitted during the year.

During the central application period for the kindergartens in October 2015, 1,635 applications were received for K1. A further 363 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 approximately 3,000 people in a variety of roles. In total, 1,215 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. To support staff members and the implementation of the five-year strategic plan, ESF HR's goal was to provide a human resources shared services model.



New Initiatives – Child Protection

A priority taken this year was the enhanced child protection screening. Staff have always had to undergo background and reference checks. In 2011, the Hong Kong Police introduced the Sexual Conviction Record Check Scheme. ESF was one of the first school organisations to use the service. In 2013, further enhanced and rigorous background checks were introduced for new staff inbound to Hong Kong from other countries. During the 2015-16 academic year, ESF HR introduced a programme to refresh the background checks for all staff, using the latest, most rigorous international screening systems available. The first year of this two-year project was met with overwhelming success.



Attracting and Retaining Talent

At the end of the 2015-2016 academic year, the voluntary turnover rate for ESF teachers was 8.1%. The rates for the Private Independent Schools (PIS) and the kindergartens were 11.7% and 5.3% respectively. The overall voluntary turnover rate for all teachers was 8.8%. This represents stable attrition year-on-year. For support staff, the voluntary turnover rates across ESF schools, PI Schools and the kindergartens were 15.3%, 17% and 10% respectively. The overall voluntary turnover rate was 14.6%. For full-time EAs, the overall voluntary turnover rate was 20.6%. The rates for ESF schools, PIS and the kindergartens were 19.7%, 28.4% and 13.7% respectively. During the year, ESF HR continued to monitor the new Scale 15 teachers' salary scale, introduced in August 2013. This involved an in-depth stress test data analysis of Scale 12 compared to Scale 15. ESF HR also 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 2015-16, ESF welcomed over 100 new teachers, recruited from schools in Hong Kong and from all over the world. A number of teachers already working in ESF were appointed to promoted posts. Most of our new teachers were 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 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 establish themselves in Hong Kong.

Talent Acquisition & Engagement

ESF HR continued to use social media and the latest technologies, such as video interviewing, to assist with attracting talent. Traditionally, ESF recruitment follows a “gathering” model by posting advertisements to attract candidates. This has now shifted to more of a hunting model, by using strategies and tools that will attract both active and passive candidates. ESF HR also focused on empowering support staff through increased training opportunities, including corporate social responsibility (CSR) team building activities that encourage staff to give back to Hong Kong.



ESF HR continued to develop 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. All schools were expected to use these tools effective 1 September, 2016.

ESF HR commenced work this past year on a more holistic human capital strategy that is planned with respect to talent management and succession planning of current and future leaders. This included the formal introduction of a 360 leadership development tool and a shift of the traditional annual performance appraisal system to more real time feedback entitled Professional Reflection and Development.



Infrastructure and Facilities

School Estate and Property

A critical element of ESF operations, our school estate and property are maintained to a high standard by the facilities team working out of ESF Centre. Over the last 12 months the team has continued working in two main teams across our school built estate: maintenance of operating systems, elements and areas (Facilities Management or “FM”), and; planned full replacement of major systems, elements and areas that have reached the end of their useful life (Capital Works or “CW”). Both teams are critical as they manage the risks associated with building use, aging assets and operational availability of core systems and areas.

Examples of work in the CW area would be replacement of air-conditioning systems, fire safety systems, classroom areas, design and technology workshops, laboratories and school auditorium.

Examples of work in the FM area would be maintenance and repair of various systems, repair of rooms and operational areas as well as emergency responses to unforeseen events that affect the physical environment in our schools.

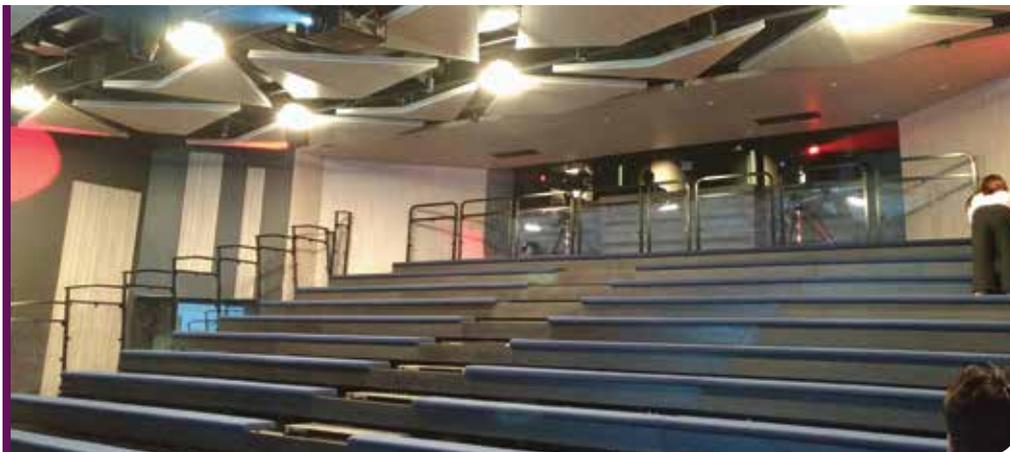
In addition to the maintenance and replacement program, the team also undertakes health and safety related works, ensuring that hardware hazards are repaired or replaced as soon as possible to minimise risk to our students and staff.

Our overall investment in school estate and property in 2015-16 was HK\$157.3 million. Some examples of the work completed are shown below:

New D&T workshops in West Island School



New Auditorium in Glenealy School



New Auditorium in Kennedy School



Non-School Property Asset Portfolio

ESF owns 202 residential properties across Hong Kong, Kowloon and the New Territories. Around 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 a property management company via a service contract. Over the last 18 months, we have been increasingly involved in the day to day management of the portfolio to ensure delivery against performance targets and generate maximum revenue.

Based on this, we have taken the decision to bring the day to day management in house from which we expect improvements in service quality and asset performance as well as some cost savings over time. Leasing and tenancy expertise will continue to be outsourced to a service partner.

As part of the performance management of the property asset, regular reports are provided to the ESF Board Finance Committee. These reports cover areas of income, occupancy, possible future rental market trends, transaction volume and cost of ownership.

Rental income from the portfolio was HK\$78.7m compared to our budget of HK\$74.0m for the year.

Occupancy of the portfolio was 94% averaged for the year.

ESF Health, Safety & Sustainability

Strategic Plans

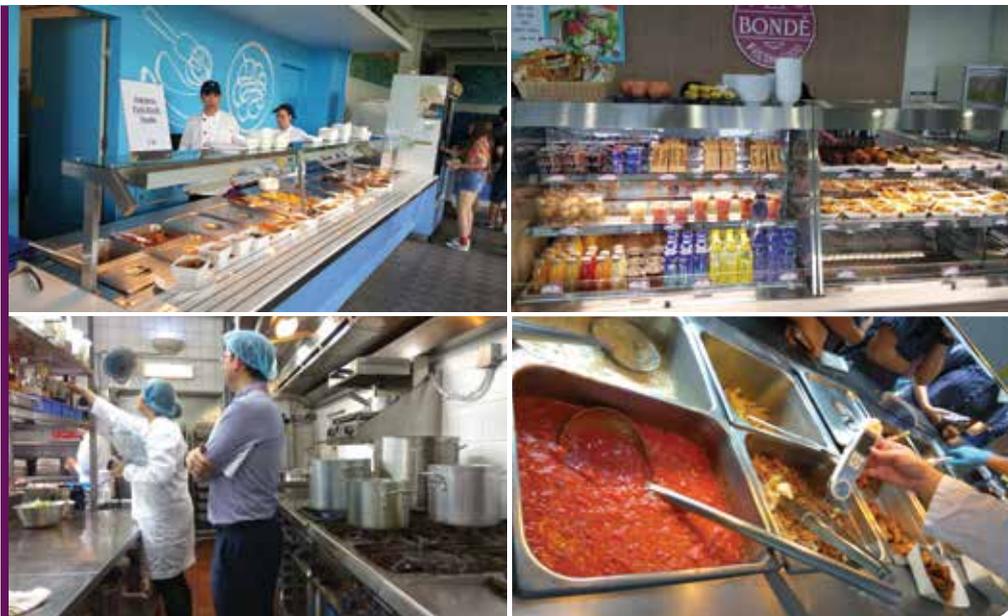
Prevention of hazards is the best approach to ensure the health and safety of our students and staff. For this, our team has developed a systematic risk assessment methodology to aid in identifying hazards and implementing preventive actions. This is a key strategic development in the past year and will continue into the next year at all our schools.

Responding to adverse weather conditions and atmospheric air pollution in a timely and effective manner could mean avoiding confusion and lessening impact on our schools and their communities. We have started a detailed review of our policies, procedures and communications channels to ensure that we are aligned with international best practices applicable to Hong Kong.

Sustainability in ESF has a twofold meaning. Our schools and properties consume natural resources, generate waste and have a carbon footprint. Effort on conservation is our social responsibility and can also help to reduce our operating costs. At the same time, our work on sustainability can be real life examples in the education of students. We are embarking on a programme to first understand the amount and types of waste generated in our schools and properties, and then to formulate strategies and actions on conservation and recycling.

Health

In the past year, we have commissioned an international quality assurance company to conduct inspection of all our school canteens. Food hygiene was reviewed and the outcome was positive.



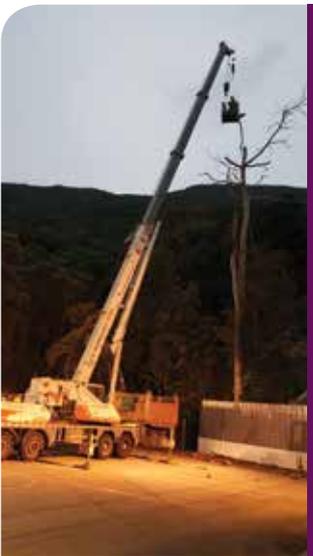
Safety

We continuously ensure our teaching staff members are fully conversant and accredited with management of workshop safety.



Trees are regularly maintained to ensure biodiversity as well as campus safety.

Evacuation drills are conducted with participation by all students and staff members.



We provide to our support staff the most up-to-date safety equipment and training.

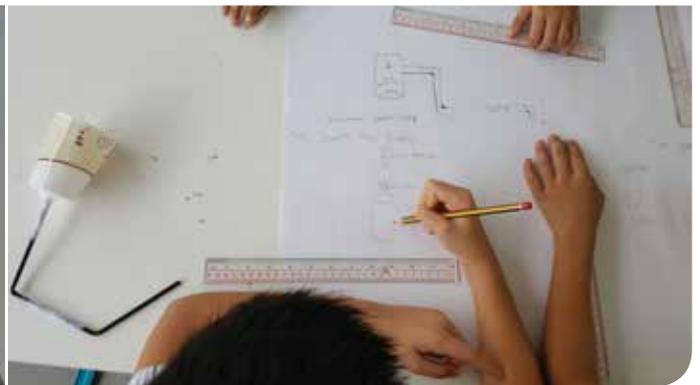


Sustainability

At Kowloon Junior School, we began an education programme called “Greenprint”. Students appointed as Environmental Ambassadors attended lectures by experts and participated in special projects.



Students are encouraged to ask questions and to develop their own solutions and plans.



Alumni Development

Alumni Website and Social Media



Along with numerous anniversary celebration activities happening across the ESF in 2017, all ESF secondary schools are launching their new alumni websites. Island School and King George V School launched their new websites in October 2016; South Island School will launch their site in April 2017; while West Island School, Sha Tin College, Renaissance College and Discovery College will launch their websites in June 2017.

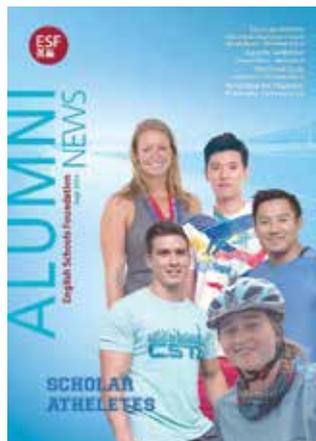
Alumni Mentor

ESF schools hold regular career evenings inviting alumni to give advice and career information to current students. Some offer one-to-one mentorship sessions, giving advice on specific professional fields. In a few of our secondary schools, internship opportunities were also offered to students by our alumni.

Alumni News

ESF Alumni News was launched in December 2011 as a platform for alumni, current students, parents, teachers and former staff to keep up with interesting news and developments within our system of schools. Alumni sent updates about themselves and their stories were published.

The ESF Alumni News was published three times in the year (May, September and December). It was distributed to all ESF schools and other partner organisations. All of the issues are available at www.esf.edu.hk/alumni.



Alumni Gathering



ESF schools organise regular alumni gatherings in Hong Kong and overseas. Gatherings include meals, sports teams, school visits and special guest speaker gatherings.

Key Community Relations and Alumni Staff Meetings

ESF alumni and community relations and communications staff meet regularly to share their experiences on building alumni networks, sharing best practises, learning new advancement strategies and techniques, and launching new projects. This year we will begin to gather communications staff from across the schools to begin similar types of sharing and learning approaches.

Fund-raising

In 2015-16, we completed the design and implementation of the annual fund initiative at Island School as part of the strategic approach to development for that school. The fund is called the Spirit Fund. With a six-month active period marked by multiple community education activities and giving requests, we gained almost HK\$450,000 in cash gifts; developed a working donor database; and identified a few key leadership donors within the community. This year we will continue community education as we shift the annual fund strategy to a crowd funding approach, to allow donors to designate gifts for specific areas of need within the school. We learnt many things from this initial entry into active school-based fundraising about the community, its responses to various types of communications outlets, the cultural spectrum of donors and the language or labels that would best reach each of these groups.

We also continued to refine activities for fundraising education, donor engagement and stewardship at a few of our schools and at the ESF Centre. Most notably at King George V School, West Island School and South Island School. This was achieved by presenting at various stakeholder meetings, participating in community events and reviewing written materials to ensure development language and messages are consistent within the schools' identified goals.

ESF Sports and ESF Language & Learning



Each term in 2015-16 over 5,500 students of all ages participated in an ESF Sports or ESF Language & Learning programme class hosted at an ESF school or kindergarten. The majority of students joining a Language & Learning English class attend local schools and are from outside of ESF. They learned the language through ESF Language & Learning's progressive, age appropriate curriculum that covers kindergarten through to secondary, developing their skills, understanding and developing confidence in speaking, listening, reading and writing English. Playgroup classes for children as young as six months are held at the ESF Language & Learning Centre on Wanchai and playgroup took place at other selected venues.



The ESF Sports programme is the largest and most comprehensive in Hong Kong and continued to offer a wide variety of activities to enable students to develop their interests in team and individual sports. The ESF Lions football programme offered after school classes across a number of school venues and players in the development squads and Academies came together to train and play matches at the KGV pitch. The ESF Sharks learn to swim courses and development squads took place in all the ESF school pools and there was plenty of opportunity for swimmers to take part in competitive meets. The ESF Tigers basketball programme was offered in many ESF schools and players were able to join the development programme and to be selected for the elite academies where they participated in competitive matches. The ESF Wildcats netball programme continued to grow and had 8 teams participating in the Hong Kong Netball Association Junior League. There were two ESF Lions teams participating in the Hong Kong Football Association Youth Leagues and eight ESF Lions teams competing at various age groups in the Hong Kong Junior League and more silverware was amassed during a range of tournaments, leagues and cup competitions. There were overseas tours to Madrid, Spain for the ESF Lions and to London for the ESF Tigers.

A new transactional website was launched for ESF Sports and ESF Language & Learning, making it easier for customers to enroll and improving cashflow.

Communications

Following the launch of the ESF Strategic Plan 2015-2020, a communications strategy has been formulated with the objective to create and sustain a profile for ESF which positively and credibly differentiates ESF from competitors and leads to ESF being consistently recognised as the education system and employer of choice.

Re-branding for ESF



To achieve the strategic goals to build a strong ESF brand and to strengthen the visual connection among ESF identities, a new brand architecture has been introduced. In addition to a set of new logos, new colour schemes and brand graphics were designed so that a consistent look and feel for the ESF brand will be established in all channels of communications.

The ESF Brand Handbook 5th Edition has been published in the year to give guidance on language usage, use of logos and visual elements. Templates of school communications materials were created.

A number of marketing materials and print advertisements were designed to promote the ESF brand. A number of advertorials was published with a focus of ESF's quality education and outstanding achievements.

Moreover, nearly all school websites have been refreshed with a new 'look' and 'feel' in the year. The new websites integrate better with

social media platforms and has a user-friendly content management system using Wordpress.



Publicising Achievements and Positive Stories

Achievements of ESF students and positive stories were widely reported in the media and ESF's channels, including the website, social media channels and newsletters. Press conferences were organised and press releases were distributed to announce ESF examination results; interviews of top achievers were published in both English and Chinese media about their success stories.

The ESF Chairman's Awards for Excellence took place on 25 August 2016 to recognise the outstanding performance of 211 ESF graduates in both academic and non-academic areas. The second "Carlson Tong Award" was presented to three students to celebrate excellence in bilingual diploma.

Relations between ESF and the local media have been strong. ESF has been featured in a number of media reports on education. These included outstanding academic results, interviews of key ESF people talking about ESF schools, ESF's quality education and curriculum.

Marketing to Promote Student Recruitment

Rigorous marketing campaigns were run throughout the year. These included advertising in print and online media, targeted e-direct mailing, advertorials in education supplements and postings on worldwide or local school guides or directories.

Moreover, ESF participated in the first International Schools Festival in September and the Kindergarten Festival in May. We also organised five Information Seminars at ESF Centre with about 600 parents attended. All of these events were targeted for prospective parents who would like to learn more about our schools for planning their child's education.



Finance

Results of the English Schools Foundation (ESF) and its subsidiary, ESF Educational Services Limited (ESL) for the year ended 31 August 2016.

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

	2015/16		2014/15		2013/14	
	\$M	% of total income	\$M	% of total income	\$M	% of total income
Operating Income						
School Fees	1,727.6	75.5	1,636.8	75.5	1,538.9	75.4
Subvention	271.1	11.8	271.1	12.5	271.1	13.3
Other	209.2	9.1	183.3	8.4	167.5	8.2
	2,207.9	96.4	2,091.2	96.4	1,977.5	96.9
Non-operating Income	81.7	3.6	77.4	3.6	64.2	3.1
Total Income	2,289.6	100.0	2,168.6	100.0	2,041.7	100.0
Expenditure						
Staff cost	1,702.6	74.4	1,613.3	74.4	1,538.4	75.4
Depreciation	145.0	6.3	128.4	5.9	109.2	5.3
Repair and Maintenance	75.7	3.3	87.4	4.0	85.2	4.2
Other Operating Expenses	168.7	7.4	172.1	8.0	166.7	8.2
Scholarship fund and hardship allowance	39.9	1.7	37.2	1.7	33.6	1.6
	2,131.9	93.1	2,038.4	94.0	1,933.1	94.7
Surplus for the year	157.7	6.9	130.2	6.0	108.6	5.3
(Less)/add: re-measurement of net defined benefit assets	(0.9)	(0.1)	(11.3)	(0.5)	9.4	0.5
Total comprehensive income	156.8	6.8	118.9	5.5	118.0	5.8
Analysis of surplus:						
General	26.8		(1.3)		(5.2)	
Capital Fund	81.7		77.4		64.2	
Individual schools	48.3		42.8		59.0	
	156.8		118.9		118.0	

Average Student Enrolment

	2015/16	2014/15	2013/14
ESF primary schools	6,100	6,129	6,120
ESF secondary schools	6,768	6,814	6,812
Private Independent Schools	3,399	3,361	3,284
Kindergartens	1,278	1,217	1,214
Other programmes	5,024	4,992	4,908
Total average enrolment	22,569	22,513	22,338

Income

The Group's operating income increased by 5.6% to HK\$2,207.9m (2014-15: HK\$2,091.2m) as a result of higher revenue from tuition fees, which represented 78.2% of the total operating income and increase in rental income and programme income. In 2015-16, tuition fees on average increased by 5.2% for ESF schools, 6.4% for PI schools, and 5.7% for the kindergartens, in order to cover pay rises and a number of educational enhancements. The number of students remained stable compared with 2014-15. Competition was keen with existing school operators expanding the schools, and new school operators setting up new international schools in Hong Kong. Over last year, student turnover rate has increased especially in the secondary sector.



The subvention to ESF schools remained frozen until 2016-17. Total receipts during the year were HK\$294.8m (2014-15: HK\$297.3m). This included basic grants, hardship allowance and a refund of rent and rates from the Government. The decrease was due to lower refund of rent and rates for school premises.

Income generated from language and sports programmes and Cambridge examinations rose by 11.4% to HK\$52.9m (2014-15: HK\$47.5m) as a result of increased enrolment from the new language and learning centre in Wan Chai.

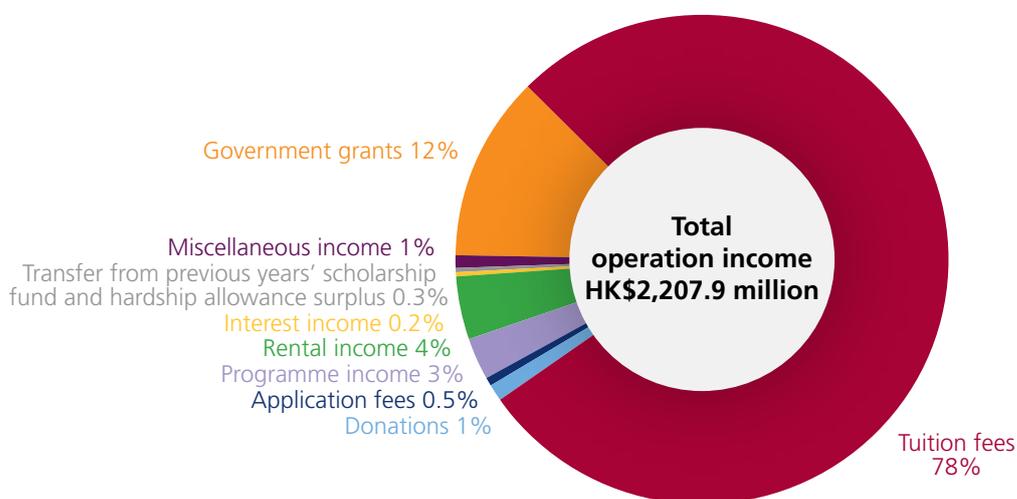
Income from leasing of school premises increased slightly to HK\$25.6m (2014-15: HK\$23.4m). Rental income derived from residential properties increased by 29.4% to HK\$68.3m (2014-15: HK\$52.8m) due to improved conditions and higher occupancy rate. Apartments were being taken off the market as part of the major interior upgrade project during 2014/15.



Interest income remained stable at HK\$5.5m (2014-15: HK\$5.6m). Application fees increased moderately to HK\$12.2m (2014-15: HK\$10.9m). Miscellaneous income was mainly derived from therapy services, forfeited deposits and other income from schools.

The Group introduced various schemes to finance capital expenditure, including 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\$81.7m (2014-15: HK\$77.4m).

Total operating income by source for the year ended 31 August 2016



Expenditure

Staff expenses and facilities expenses, including depreciation on schools and offices, and repairs and maintenance, continued to be the major expenditure items, represented approximately 80% and 10% of total expenses respectively. Other operating expenses continued to be the main focus in the review on cost efficiency. Management has been cost conscious while being mindful of the needs to maintain high standard of education being delivered to our students, 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 expenses increased by 5.5% to HK\$1,702.6m (2014-15: HK\$1,613.3m). This is mainly due to salary adjustments for existing employees, which was in line with the labour market and inflation. It also reflected higher teaching staff salaries because of staff progression up the salary scales, and new educational enhancements introduced during the year. Additional staff were also required as the two private independent schools continued to grow in student population. New staff hired in preparation of the new kindergarten in Tung Chung also contributed to the overall increase in staff costs.

Depreciation expenses increased by 12.9% to HK\$145.0m (2014-15: HK\$128.4m) as remaining useful lives of non-movable facilities of Island School were shortened because of the latest development of Island School decanting while new facilities of King George V School and Discovery College have been completed. Additional purchase of furniture and equipment by the PI Schools and Language and Learning Centre also contributed to the increase.

The cost of repairs and maintenance decreased by 13.4% to HK\$75.7m (2014-15: HK\$87.4m). These expenses included summer works, annual maintenance contracts, facility consultancy fees and periodic inspection services. The decrease was mainly due to the change in mix of works between capital & operational expenditure.

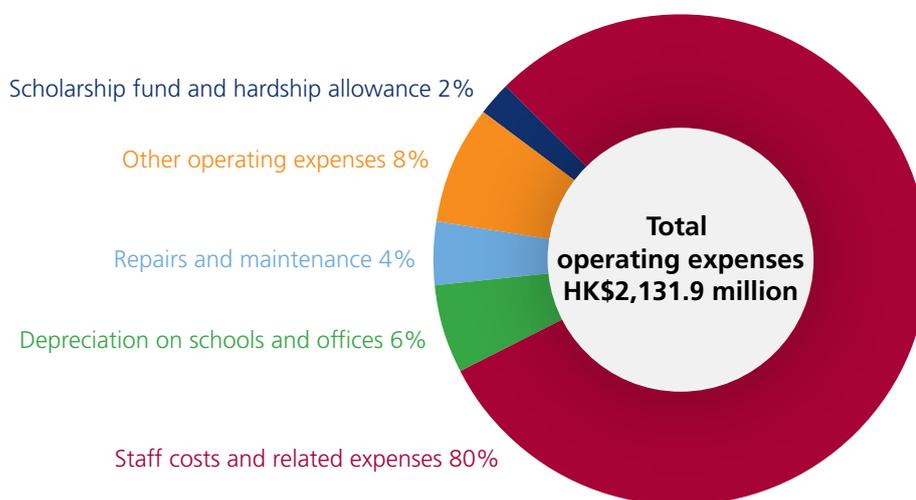
Other operating expenses decreased by 2.0% to HK\$168.7m (2014-15: HK\$172.1m), due primarily to lower spending in the aggregate staff professional development and training, and teaching resources and materials. With the leverage of the best value model, efficiency savings are noted in various areas.

Individual schools' surplus represented the aggregate surplus generated by the 15 ESF schools.





Operating expenses by category for the year ended 31 August 2016

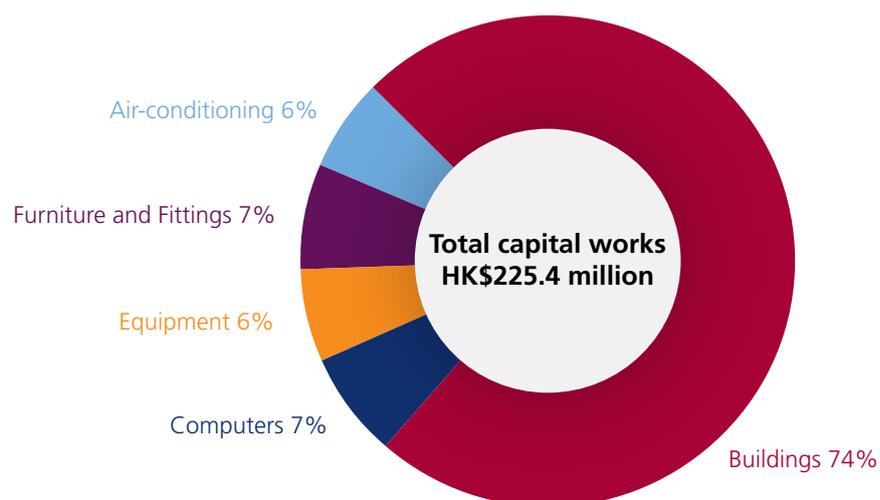


Balance sheet and capital expenditure

Fixed assets

The Group’s balance sheet remained strong and well capitalised in 2015-16. As at 31 August 2016, total assets increased by 8.5% to HK\$2,537.8m (2014-15: HK\$2,338.5m). Fixed assets represented 69.7% of total assets, at HK\$1,768.2m (2014-15: HK\$1,699.8m). Capital expenditure decreased by 2.6% to HK\$225.4m (2014-15: HK\$231.4m) as the major interior upgrade project of the residential properties were substantially completed in 2014-15. Capital expenditures in different areas are shown in the chart: Capital works by category. Major capital projects which are in progress are Island School redevelopment, Sha Tin College extension and Renaissance College extension.

Capital works by category for the year ended 31 August 2016



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)

	2015/16	2014/15	2013/14
	\$M	\$M	\$M
Assets employed			
Fixed assets	1,768.2	1,699.8	1,609.8
Bank deposits with original maturities over three months	453.4	352.9	314.2
Cash and cash equivalents	237.7	192.5	207.0
Other assets	78.5	93.3	92.5
	2,537.8	2,338.5	2,223.5
Less:			
Other liabilities	594.4	603.8	666.4
Refundable capital levy	216.9	222.5	218.8
Debenture	11.2	9.2	8.4
Deferred income - Non-refundable capital/building levy	134.5	78.2	-
Corporate nomination rights	23.6	24.4	24.9
Net assets	1,557.2	1,400.4	1,305.0
Financed by			
Reserves (retained surpluses)	1,557.2	1,400.4	1,305.0

Cash and deposits

Total cash and deposits increased by 26.7% to HK\$691.1m at 31 August 2015 (31 August 2014: HK\$545.4m). Of this amount, cash held on deposit with original maturities over three months increased by 28.5% to HK\$453.4m (2014-15: HK\$352.9m). This was mainly attributable to the net effect of payments for capital expenditure, the collection of non-refundable building/capital levy (HK\$79.9m) and nomination rights and receipts in advance (HK\$58.9m), and free cash generated from surplus for the year. With capital commitments of HK\$406.6m, 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

As part of the capital funding strategy, 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 if they have not paid refundable capital levy or non-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.

Reserves

Reserves represent the excess of assets over liabilities. They included school reserves of ESF schools of HK\$160.6m (2014-15: HK\$144.7m). These are accumulated surplus of ESF schools derived from individual school's devolved budget. Out of the total amount, HK\$84.7m (2014-15: HK\$21.5m) 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)

	2015/16	2014/15	2013/14
	\$M	\$M	\$M
Cash generated from operations	244.6	185.4	149.0
Investing activities			
Capital expenditure	(247.9)	(300.9)	(293.2)
Bank deposits with original maturities over three months	(100.5)	(40.5)	(80.4)
Government grants received	8.9	3.3	62.2
Other	5.5	5.1	4.8
	(334.0)	(333.0)	(306.6)
Financing activities			
Refundable capital levy	(5.6)	3.7	45.4
Proceeds from issue of nomination rights	58.9	60.3	72.7
Proceeds from non-refundable capital/building levy	79.9	69.1	19.3
Proceeds from debenture	2.0	0.8	4.1
Other	(0.6)	(0.8)	(0.5)
	134.6	133.1	141.0
Increase/(decrease) in cash and cash equivalents	45.2	(14.5)	(16.6)

In 2015-16, the Group's cash and cash equivalents increased by HK\$45.2m. Taking into consideration all fixed deposits and restricted cash, total cash and bank increased by HK\$145.7m. Cash generated from operations increased by HK\$59.2m to HK\$244.6m during the year (2014-15: HK\$185.4m). The increase was primarily due to increase in surplus for the year. Furthermore, there was lower capital expenditure during the year as the major interior upgrade project of the residential properties was substantially completed. The introduction of 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 for the Group.

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 page 52.

Governance

During the year, cashflow forecast for the Group was being reviewed regularly to ensure that there is adequate capital funding for the anticipated major school redevelopment and extension projects. Furthermore, parameters for monitoring the balance sheet on a monthly basis were determined. This will help the organisation to identify any potential funding issues earlier. Discussions on the annual budgeting process, with a focus on the appropriate level of contingencies for the organisation, and the rationale to be adopted when setting fees for all ESF schools continue.

Outlook



Student enrolment continues to be a challenge to ESF schools since the beginning of the academic year. With more international school places becoming available in the coming years, competition will intensify. Management will continue to monitor the situation and various discussions for future plans have begun. Enrolment at Renaissance College remains strong as both primary and secondary sections have reached their full capacity. Discovery College's primary section is full while its secondary section is still growing. As for the kindergartens, Tung Chung Kindergarten opened in August 2016 at 78% of its capacity, with 301 students.

The other kindergartens are maintaining a stable student population although back-filling vacant K2 places proved to be a challenge as student enrolling at K2 do not get priority interview for admission to ESF schools.

Even though the Board approved an average fee increase of 6.4% for ESF schools for the 2016-17 academic year after completing the consultation process and thorough discussion during Board meeting, EDB only approved the fee increase at 5.2% in average. This is equivalent to a reduction in tuition fees income of \$14 million. This was the first time the fee increase application was not approved in full and put great pressure on cost reduction. After long deliberation, it was determined that certain budgeted positions would not be filled and school devolved budget would be reduced as well. Decisions were made after balancing the need to maintain financial sustainability and the commitment to provide quality education.

Discovery College remains in a deficit position in 2015-16; however, with steady growth in enrolment, the school is expected to show a surplus by 2019. Other schools of ESL, including Renaissance College and the kindergartens as a group, are expected to remain operationally and financially stable in the foreseeable future.

Language Section has seen a 14% decrease in enrolment in 2015-16 compared to 2014-15. Management is aware of the fierce competition in the market and is implementing new strategies to regain market share.

The phasing out of the subvention will commence in the 2016/17 academic year. All existing students except Year 1 will continue to benefit from the subvention until they leave or graduate from ESF schools. Tuition fee for students entering Year 1 of ESF schools in August 2016 is HK\$17,200 higher than students in other primary year groups in order to 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 continues to be vigilant on cost control.



Financing major capital projects over the coming years will continue to be a key challenge. The largest is the imminent redevelopment of Island School. It is expected the refurbishment cost of the decanting sites will be funded internally. 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, 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\$2.9 billion as at 31 August 2016, 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 by 2017-18 with a total cost of \$105.1m. 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 a \$55m interest-bearing loan from 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)

	2015/16	2014/15	2013/14	2012/13	2011/12
	\$M	\$M	\$M	\$M	\$M
Consolidated Profit & Loss Account					
Operating Income					
School Fees	1,727.6	1,636.8	1,538.9	1,443.1	1,357.1
Subvention	271.1	271.1	271.1	271.1	271.1
Other	209.2	183.3	167.5	170.3	156.7
	2,207.9	2,091.2	1,977.5	1,884.5	1,784.9
Non-operating Income	81.7	77.4	64.2	81.7	14.9
Total Income	2,289.6	2,168.6	2,041.7	1,966.2	1,799.8
Expenditure					
Staff cost	1,702.6	1,613.3	1,538.4	1,445.9	1,353.6
Depreciation	145.0	128.4	109.2	84.5	114.9
Repair and Maintenance	75.7	87.4	85.2	72.4	60.3
Other Operating Expenses	168.7	172.1	166.7	161.0	152.4
Scholarship fund and hardship allowance	39.9	37.2	33.6	29.9	26.3
	2,131.9	2,038.4	1,933.1	1,793.7	1,707.5
Surplus for the year	157.7	130.2	108.6	172.5	92.3
(Less)/add: remeasurement of net defined benefit assets	(0.9)	(11.3)	9.4	-	-
Total comprehensive income	156.8	118.9	118.0	172.5	92.3
General	26.8	(1.3)	(5.2)	36.7	32.1
Capital fund	81.7	77.4	64.2	81.7	14.9
Individual schools	48.3	42.8	59.0	54.1	45.3
	156.8	118.9	118.0	172.5	92.3

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)

	2015/16	2014/15	2013/14	2012/13	2011/12
	\$M	\$M	\$M	\$M	\$M
Consolidated Balance Sheet					
Non-current assets	1,798.2	1,734.4	1,659.6	1,486.6	1,109.1
Current assets	739.6	604.1	563.9	532.1	594.5
Current liabilities	(611.4)	(615.5)	(668.6)	(666.5)	(582.3)
Net current assets/ (liabilities)	128.2	(11.4)	(104.7)	(134.4)	12.2
Total assets less current liabilities	1,926.4	1,723.0	1,554.9	1,352.2	1,121.3
Non-current liabilities	(369.2)	(322.6)	(249.9)	(177.8)	(119.4)
Net assets	1,557.2	1,400.4	1,305.0	1,174.4	1,001.9
General reserve	1,213.2	1,041.1	1,005.4	919.1	862.3
Capital fund	183.4	214.6	160.7	96.5	14.9
School reserves	160.6	144.7	138.9	158.8	124.7
Total reserves	1,557.2	1,400.4	1,305.0	1,174.4	1,001.9

Review of Business

The opening of the new kindergarten at Tung Chung was postponed by one year to August 2016 because of a delay in the developer's completion of the building project. 30 students who had applied to Tung Chung for K2 were accommodated into Tsing Yi kindergarten in 2015-16. Demand for places in the new Tung Chung kindergarten for the 2016-17 school year has been strong and it opened with 301 students in August 2016, including 13 students who studied at Tsing Yi last year. We expect Tung Chung kindergarten to be close to full capacity in 2017-18.

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 2015-16, the membership of the Board was as follows:

Independent Members	Chairman	Mr Abraham Shek, GBS, JP
	Vice Chairman	Mrs Elizabeth Boshier (until 26 Oct 2015) Ms Pauline Ng, SBS (from 15 Dec 2016)
	Treasurer and Chairman of the Finance Committee	Mr Robert Gazzi (until 12 May 2016) Mr Samuel Houston (from 23 May 2016)
	Chairman of the Audit Committee	Dr P M Kam
		Mr Alexander Chan Prof Nirmala Rao Dr Kelvin Wong Ms Judy Woo Mr Kumar Ramanathan, SC Mr Paul Varty (from 16 Dec 2015)

School Council Chairmen	Ms Elaine Leung Ms Virginia Morris Ms Judy Vas
Elected Parent Members	Mr Ronald Abbott Dr Dannis Au (from 21 Nov 2015) Mr Francis Carroll Dr Connie Liu Dr Andrea Lowe (until 20 Nov 2015) Ms Scarlett Mattoli Dr Schumann Tang
Elected SEN Parent Member	Ms Dayna Lim Cheung
Committee of Parents Member	Ms Christine Brendle
Committee of Principals Member	Ms Brenda Cook
Committee of Teaching Staff Members	Ms Amanda Barton Mr Andrew Greene
Committee of Support Staff Member	Mr Mike Draeger (until 4 Nov 2015) Ms Joanne Sarah Bowers (from 6 Nov 2015)
Chief Executive Officer (ex officio)	Ms Belinda Greer

Meeting Attendance

In 2015-16, the Board met seven times, with an average attendance rate of 72%.

Attendance records of individual members are as follows:

Ronald Abbott	5/6	Elaine Leung	3/6
Dannis Au	3/4	Dayna Lim Cheung	4/6
Amanda Barton	6/6	Connie Liu	3/6
Joanne Sarah Bowers	4/5	Andy Lowe	2/2
Christine Brendle	3/6	Scarlett Mattoli	4/6
Elizabeth Boshier	1/1	Virginia Morris	3/6
Francis Carroll	4/6	Pauline Ng	5/6
Marc Castagnet	1/1	Kumar Ramanathan	4/6
Alexander Chan	3/6	Nirmala Rao	4/6
Brenda Cook	5/6	Abraham Shek	6/6
Mike Draeger	1/1	Schumann Tang	3/6
Robert Gazzi	5/5	Judy Vas	4/6
Andrew Greene	5/6	Paul Varty	3/4
Belinda Greer	6/6	Kelvin Wong	3/6
Samuel Houston	1/1	Judy Woo	6/6
P M Kam	5/6		

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 2015-16 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 annual compliance review which was conducted by the Senior Management Team. The document provided an update on ESF's status of compliance with external laws and regulations. It reported that the residual risks were at either low or medium level across eight areas. Various initiatives on copyright, health and safety, codes of conduct and procurement have contributed to the strengthening of compliance. ESF Risk Register was compiled to track areas of risks. The register is subject to regular monitoring and review.

Apart from full-scope school audits and organisational process reviews, horizontal audits were performed by the internal audit team to assess the overall control environment in focused areas, including procurement, engagement of freelance service providers, support staff recruitment, fixed asset management and staff expenses reimbursement.

The members of the Audit Committee in 2015-16 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 six times in 2015-16 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 ESF's asset base, the committee reviewed the performance of those assets bi-annually. What class of assets the portfolio should be held was under discussion. Furthermore, the Finance Committee reviewed the balance sheet monitoring policy and discussed contingency and fee setting criteria during the year.

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 2015-16 were:

- Sam Houston, Chairman and Treasurer;
- Robert Gazzi (until May 2016), Chairman and Treasurer;
- Elizabeth Boshier (until October 2015), Independent Board Member;
- P M Kam, Independent Board Member;
- Robert Gibson, School Council Chairman;
- Andrea Lowe (until November 2015), Committee Appointed Member;
- Scarlett Mattoli, Committee Appointed Member; and
- Paul Varty, Independent Board Member.

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

Remuneration Committee

The Remuneration Committee met six times during the 2015-2016 year, and also held a joint meeting with the Finance Committee as part of ESF's financial planning process. The main responsibilities of the Remuneration Committee are to review the salaries and benefits of ESF employees while at the same time being mindful of the financial implications of any proposed revisions. The Committee also advises on amendments to the ESF 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 2015-2016 year was a follow-up, comprehensive pay and benefits survey that followed up on the 2013-14 survey and 2014-15 pulse studies originally introduced in 2013 to review the competitiveness of teachers' pay, conditions and benefits. This study was conducted by an external consultant and reported to the Committee. 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 ESF resources for employment related issues. The Committee increasingly focused not only on tangible pay and condition issues but also intangible factors that impact ESF's employer of choice position.

The members of the Remuneration Committee in 2015-2016 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 Human Resources 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 2015-16 was Brenda Cook, Principal of Glenealy School. Other members of the committee during 2015-16:

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

Committee of School Council Chairmen

The Committee of School Council Chairmen comprises the Chairmen of all the School Councils. The Chairman in 2015-16 was Mike Hudson who represented Kowloon Junior School. Other members of the committee:

Primary Schools		Secondary Schools	
Beacon Hill School	Malcolm Keys	Island School	Robert Gibson
Bradbury School	(vacant)	King George V School	Neville Shroff
Clearwater Bay School	Kishor Gopal	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		
Peak School	Duncan Pescod	Private Independent Schools	
Quarry Bay School	Jan Blaauw	Discovery College	Simon Wong
Sha Tin Junior School	B J Gran	Renaissance College	Anne Choi
ESF		Special School	
Chief Executive Officer	Belinda Greer	Jockey Club Sarah Roe School	Virginia Morris

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 2015-16 was Christine Brendle, representative of the Island School Parent Teacher Association. Other members include:

Primary Schools	
Beacon Hill School	Rowena Chow, Shareen Hellen
Bradbury School	Ken Dubinsky, Julia Dunn, Vincci Lo
Clearwater Bay School	Julie More, Kristrun Lind
Glenealy School	Christine Meaney, Nick Phillips
Kennedy School	Japneet Chahal Aparna Kanda (from Feb 2016)
Kowloon Junior School	Avisha Shamdasani, William Wan
Peak School	Brian Schroeder / Andrew Basham
Quarry Bay School	Michelle Saad, Angela Schael (till Mar 2016), Rory Macfarlane
Sha Tin Junior School	Angie Chu, Warren Linger
Secondary Schools	
Island School	Christine Brendle, Sonali Laul, Viv Lonergan
King George V School	Jacqui Powers, Elke Wiedemann
Sha Tin College	Peter Chu / Mimi Hsiao
South Island School	Fiona Bishop, Janet Walker
West Island School	Mike Abbs, Terri Donlon
Private Independent Schools	
Discovery College	Elizabeth Hemmings
Renaissance College	Yip Cham Por, Whyment Lee
Special School	
Jockey Club Sarah Roe School	John Greene
Parent Members of the Board	
	Ronald Abbott Dannis Au (from 21 Nov15) Francis Carroll Marc Castagnet Dayna Lim Cheung Connie Liu Andy Lowe (till 20 Nov15) Scarlett Mattoli Schumann Tang
ESF	
Chief Executive Officer	Belinda Greer
Director of Education	David Whalley
Head of Student Support	Jonathan Straker

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 2015-16 was Andy Llewellyn, teacher of South Island School. Other members of the committee:

Secondary Schools		Private Independent Schools	
Island School	Mel Newby Pete Sims	Discovery College	Jason Boon Michael Fraser Andy Kai-Fong
King George V School	Amanda Barton Sean Wray	Renaissance College	David Harvey
Sha Tin College	Cliff Imeson Laura Ryan	ESF International Kindergartens	
South Island School	Andy Llewellyn Sally Stanton	Abacus	Greta Holmes
		Hillside	Zeo Heggie
West Island School	Sarah Boesenburg Tarne Bay	Tsing Yi	Viki Radford
		Wu Kai Sha	Helen Brighton
Primary Schools		ESF	
Beacon Hill School	Andrew Greene	Chief Executive Officer	Belinda Greer
Bradbury School	Clayton Heggie	Director of Education	David Whalley
Clearwater Bay School	Emma Watkins	School Development Advisers (Primary)	David Fitzgerald Rebecca Clements
Glenealy School	Sharon Matthews		
Kennedy School	Claire Robinson	School Development Adviser (Secondary)	Chris Durbin
Kowloon Junior School	Paul Anderson	Student Attainment Manager	David Kirby
Peak School	Felix Auld		
Quarry Bay School	Mina Dunstan Joscelyn Webb		
Sha Tin Junior School	Sarah Wright		
Special School			
Jockey Club Sarah Roe School	Heidi Lee		

Committee of Support Staff

The Committee of Support Staff comprises elected representatives from each school and the Human Resources Director. The Chairman in 2015-16 was Joanne Bowers, representative of West Island School. Members of the committee of Support Staff 2015-16:

Secondary Schools		Private Independent Schools	
Island School	Jacqueline Archer	Discovery College	Bob Priest Clement Tam
King George V School	Mike Draeger (till 15 Sep 2015) Tracy Li	Renaissance College	Katherine Evans Nonhlanhla Williams
Sha Tin College	Kelly Lane		
South Island School	Wincy Cheung (till 15 Sep 2015) Ann Cheng	Special School	
West Island School	Joanne Bowers (till 15 Mar 2016) April Czolak Margaret Lau	Jockey Club Sarah Roe School	Scott Grodewald
Primary Schools		Kindergartens	
		Hillside	Sharon Briones
Beacon Hill School	Barbara Woo		
Bradbury School	Ruth Haslett	ESF	
Clearwater Bay School	Samantha Li	Chief Executive Officer	Belinda Greer
Glenealy School	Pam Stanley (till 6 Nov 2015) Nicole McMahon	Human Resources Director	Charles Caldwell
Kennedy School	Hana Hesova (till 12 Jan 2016) Susan Mifsud		
Kowloon Junior School	May Lai		
Peak School	Mrittika Munshi		
Quarry Bay School	Naomi De Alwis		
Sha Tin Junior School	Hazel Chan Monica Chan		

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 Hurley



ESF Hillside International Kindergarten

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 Tsing Yi International Kindergarten

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/tsing-yi/welcome.html

Principal: Victoria Bewsey



ESF Tung Chung International Kindergarten

1/F, Commercial Accommodation

The Visionary

1 Ying Hong Street, Tung Chung

Lantau, 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

ESF Wu Kai Sha International Kindergarten

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



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: James Harrison

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: Sasha Kalb



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: Kishor Gopal



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: Judy Vas



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: John Brewster

School Council Chairman: Martin Franks



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

Executive Principal of Kowloon Learning Campus: Ed Wickins

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: Chris Binge

School Council Chairman: Robert 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

Executive Principal of Kowloon Learning Campus: 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 2016

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 2016.

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 2016 and the state of the Group’s affairs as at that date are set out in the consolidated financial statements on pages 4 to 52.

Transfer to reserves

The Group has transferred the surplus for the year of HK\$157.7 million (2015: HK\$130.2 million) to reserves.

At 31 August 2016, the Group’s reserves amounted to HK\$1,557.2 million (2015: HK\$1,400.4 million), 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 buildings and building improvements, leasehold improvements, furniture and equipment of the Group's schools, offices and investment properties. At 31 August 2016, the net book value of the fixed assets was HK\$1,768.2 million (2015: HK\$1,699.8 million) and the depreciation charge for the year then ended was HK\$155.0 million (2015: HK\$134.8 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)	
Pauline Ng (Vice-chairman)	(elected by members of the Board on 16 December 2015)
Samuel George Houston (Treasurer)	(nominated by the Nominating Committee on 23 May 2016)
Alexander Chan	
Brenda Cook	
Elaine Leung	
Francis Carroll	
Judy Vas	
Judy Woo	
Kelvin Wong	
Kumar Ramanathan	
Nirmala Rao	
P M Kam	
Ronald Abbott	
Scarlett Mattoli	
Schumann Tang	
Virginia Morris	
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)
Bob Priest	(elected by the Committee of Support Staff on 28 November 2016)
Christine Brendle	(elected by the Committee of Parents on 2 October 2015 and resigned on 15 November 2016)
Christine Meaney	(elected by the Committee of Parents on 16 November 2016)
Dannis Au	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 21 November 2015)

Members of the Board (continued)

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 and resigned on 26 May 2016)
Paul Varty	(nominated by the Nominating Committee on 25 November 2015)
Shareen Hellen	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 26 November 2016)
Andrea Lowe	(retired on 20 November 2015)
Connie Liu	(retired on 25 November 2016)
Elizabeth Boshier (Vice-chairman)	(retired on 26 October 2015)
Marc Castagnet	(retired on 30 September 2015)
Matthew Caplin	(retired on 12 September 2015)
Mike Draeger	(retired on 4 November 2015)
Paul Clarke	(retired on 12 September 2015)
Robert Gazzi (Treasurer)	(retired on 12 May 2016)
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,

28 November 2016

Statement of comprehensive income for the year ended 31 August 2016

(Expressed in Hong Kong dollars)

	Note	<i>The Group</i>		<i>The Foundation</i>	
		2016	2015	2016	2015
		\$'million	\$'million	\$'million	\$'million
Income					
<i>Operating income</i>					
Government grants	14	271.1	271.1	271.1	271.1
Tuition fees		1,727.6	1,636.8	1,240.5	1,185.8
Programme income		65.4	60.3	-	-
Rental income		93.9	76.2	96.4	79.4
Donations		7.9	9.8	6.8	8.7
Interest income		5.5	5.6	5.1	5.3
Income from subsidiary					
– From Development and Operating Agreement		-	-	6.3	21.2
– Management and administrative income		-	-	11.1	11.7
Transfer from previous years' scholarship fund and hardship allowance surplus	15	6.7	3.5	-	-
Miscellaneous income		29.8	27.9	14.0	13.0
		<u>2,207.9</u>	<u>2,091.2</u>	<u>1,651.3</u>	<u>1,596.2</u>
<i>Non-operating income</i>					
Individual nomination rights		57.3	62.5	40.7	45.9
Amortisation of corporate nomination rights		0.8	0.5	0.8	0.5
Non-refundable building levy		13.0	12.5	-	-
Non-refundable capital levy		10.6	1.9	10.6	1.9
		<u>81.7</u>	<u>77.4</u>	<u>52.1</u>	<u>48.3</u>
Total income		<u>2,289.6</u>	<u>2,168.6</u>	<u>1,703.4</u>	<u>1,644.5</u>

Statement of comprehensive income for the year ended 31 August 2016 (continued)

(Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2016 \$'million	2015 \$'million	2016 \$'million	2015 \$'million
Expenditure					
<i>Staff expenses</i>					
Basic salaries					
- Professional		958.6	921.2	709.3	688.4
- Other staff		292.7	274.8	218.1	206.2
Gratuities and allowances		368.8	350.8	272.7	265.1
Accommodation		35.7	24.1	35.7	24.1
Medical expenses		43.9	39.8	33.4	30.7
Passage and other allowances		2.9	2.6	2.3	2.1
	2(a)	<u>1,702.6</u>	<u>1,613.3</u>	<u>1,271.5</u>	<u>1,216.6</u>
<i>Other expenses</i>					
Depreciation on schools and offices		145.0	128.4	130.6	119.1
Repairs and maintenance		75.7	87.4	61.7	74.7
Other operating expenses	3	168.7	172.1	105.8	114.3
Scholarship fund and hardship allowance	15	39.9	37.2	-	-
		<u>429.3</u>	<u>425.1</u>	<u>298.1</u>	<u>308.1</u>
Total expenses		<u>2,131.9</u>	<u>2,038.4</u>	<u>1,569.6</u>	<u>1,524.7</u>
Surplus for the year	2	<u>157.7</u>	<u>130.2</u>	<u>133.8</u>	<u>119.8</u>

Statement of comprehensive income
 for the year ended 31 August 2016 (continued)
 (Expressed in Hong Kong dollars)

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		\$'million	\$'million	\$'million	\$'million
Surplus for the year		157.7	130.2	133.8	119.8
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)	(0.9)	(11.3)	(0.9)	(11.3)
Total comprehensive income for the year		<u>156.8</u>	<u>118.9</u>	<u>132.9</u>	<u>108.5</u>
Represented by:					
Operating surplus		75.1	41.5	80.8	60.2
Capital fund surplus		<u>81.7</u>	<u>77.4</u>	<u>52.1</u>	<u>48.3</u>
		<u>156.8</u>	<u>118.9</u>	<u>132.9</u>	<u>108.5</u>

The notes on pages 14 to 52 form part of these financial statements.

Statement of financial position as at 31 August 2016

(Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2016	2015	2016	2015
		\$'million	\$'million	\$'million	\$'million
Non-current assets					
Fixed assets	5				
- Investment properties		70.8	65.3	70.8	65.3
- Other properties, plant and equipment		1,697.4	1,634.5	1,537.5	1,541.9
		<u>1,768.2</u>	<u>1,699.8</u>	<u>1,608.3</u>	<u>1,607.2</u>
Defined benefit retirement schemes	6	30.0	34.6	30.0	34.6
Loan to subsidiary	9	-	-	27.5	-
		<u>1,798.2</u>	<u>1,734.4</u>	<u>1,665.8</u>	<u>1,641.8</u>
Current assets					
Inventories		1.0	0.8	-	-
Rental, utility and other deposits		12.3	11.4	7.0	7.0
Prepayments		17.1	15.7	9.6	8.5
Loans to staff		5.7	5.8	4.0	4.3
Fees and other receivables	8	10.1	13.8	6.9	3.1
Government grants receivable		-	8.9	-	8.9
Amount due from subsidiary	9	-	-	2.3	-
Restricted cash	10	2.3	2.3	-	-
Deposits with original maturities over three months		453.4	352.9	440.3	340.0
Cash and cash equivalents	11	237.7	192.5	146.6	111.0
		<u>739.6</u>	<u>604.1</u>	<u>616.7</u>	<u>482.8</u>

Statement of financial position as at 31 August 2016

(continued)

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Current liabilities	7				
Fees received in advance		159.4	143.2	66.4	64.9
Nomination rights received in advance		5.2	3.6	4.6	2.9
Amount due to subsidiary	9	-	-	-	2.4
Provision to meet staff conditions of service	12	97.7	102.9	73.4	80.7
Accounts payables and accruals	13	277.7	296.0	242.1	255.8
Government hardship allowance	14(b)	31.9	31.9	31.9	31.9
Scholarship fund and hardship allowance	15	20.7	25.2	-	-
Obligations under finance leases	16	0.6	0.3	0.6	0.3
Debenture	18	5.8	5.0	-	-
Deferred income					
- Non-refundable building levy	19	4.2	3.4	-	-
- Non-refundable capital levy	20	7.5	3.5	7.5	3.5
Corporate nomination rights	22	0.7	0.5	0.7	0.5
		<u>611.4</u>	<u>615.5</u>	<u>427.2</u>	<u>442.9</u>
Net current assets/ (liabilities)		<u>128.2</u>	<u>(11.4)</u>	<u>189.5</u>	<u>39.9</u>
Total assets less current liabilities		<u>1,926.4</u>	<u>1,723.0</u>	<u>1,855.3</u>	<u>1,681.7</u>

Statement of financial position as at 31 August 2016

(continued)

(Expressed in Hong Kong dollars)

	Note	The Group		The Foundation	
		2016	2015	2016	2015
		\$'million	\$'million	\$'million	\$'million
Non-current liabilities					
Obligations under					
finance leases	16	1.2	0.7	1.2	0.7
Refundable capital levy	17	216.9	222.5	216.9	222.5
Debenture	18	5.4	4.2	-	-
Deferred income					
- Non-refundable					
building levy	19	31.1	26.4	-	-
- Non-refundable capital					
levy	20	91.7	44.9	91.7	44.9
Corporate nomination					
rights	22	22.9	23.9	22.9	23.9
		<u>369.2</u>	<u>322.6</u>	<u>332.7</u>	<u>292.0</u>
NET ASSETS		<u>1,557.2</u>	<u>1,400.4</u>	<u>1,522.6</u>	<u>1,389.7</u>
RESERVES	23				
General reserve		1,213.2	1,041.1	1,273.3	1,116.5
Capital fund		183.4	214.6	88.7	128.5
Schools reserves		160.6	144.7	160.6	144.7
		<u>1,557.2</u>	<u>1,400.4</u>	<u>1,522.6</u>	<u>1,389.7</u>

Approved and authorised for issue by the Board of Governors on 28 November 2016

Abraham Shek)	
)	
)	Members of the Board of Governors
)	
Samuel George Houston)	
)	

The notes on pages 14 to 52 form part of these financial statements.

Statement of changes in reserves
 for the year ended 31 August 2016
 (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	(note 23(b)) \$'million	\$'million
Balance at 1 September 2014	1,005.4	137.2	138.9	1,281.5
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	35.7	77.4	5.8	118.9
Balance at 31 August 2015 and 1 September 2015	1,041.1	214.6	144.7	1,400.4
Surplus for the year	27.7	81.7	48.3	157.7
Transfers	145.3	(112.9)	(32.4)	-
Other comprehensive income	(0.9)	-	-	(0.9)
Total comprehensive income	172.1	(31.2)	15.9	156.8
At 31 August 2016	1,213.2	183.4	160.6	1,557.2

Statement of changes in reserves for the year ended 31 August 2016 (continued)

(Expressed in Hong Kong dollars)

The Foundation

	<i>General reserve</i>	<i>Capital fund</i>	<i>Schools reserves</i>	<i>Total</i>
	(note 23(a))	(note 23(b))		
	\$'million	\$'million	\$'million	\$'million
At 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 and 1 September 2015	1,116.5	128.5	144.7	1,389.7
Surplus for the year	33.4	52.1	48.3	133.8
Transfers	124.3	(91.9)	(32.4)	-
Other comprehensive income	(0.9)	-	-	(0.9)
Total comprehensive income	156.8	(39.8)	15.9	132.9
At 31 August 2016	1,273.3	88.7	160.6	1,522.6

The notes on pages 14 to 52 form part of these financial statements.

Cash flow statement for the year ended 31 August 2016 *(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		\$'million	\$'million	\$'million	\$'million
Operating activities					
Net cash generated from operating activities	11(b)	244.6	185.4	226.8	169.7
Investing activities					
Payments for the purchase of fixed assets less capital creditors		(247.9)	(300.9)	(175.0)	(251.5)
Increase in bank deposits with original maturities over three months		(100.5)	(40.5)	(100.3)	(29.7)
Government grants received		8.9	3.3	8.9	3.3
Increase in deposits pledged with bank		-	(0.5)	-	-
Interest received		5.5	5.6	5.1	5.3
Loan to subsidiary		-	-	(27.5)	-
Net cash used in investing activities		(334.0)	(333.0)	(288.8)	(272.6)

Cash flow statement
for the year ended 31 August 2016 (continued)
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		\$'million	\$'million	\$'million	\$'million
Financing activities					
(Decrease)/increase in refundable capital levy		(5.6)	3.7	(5.6)	3.7
Proceeds from issue of nomination rights		58.9	60.3	42.4	44.3
Proceeds from non-refundable building levy		18.5	18.8	-	-
Proceeds from non-refundable capital levy		61.4	50.3	61.4	50.3
Proceeds from issuance of debenture		2.0	0.8	-	-
Capital element of finance lease rentals paid		(0.5)	(0.7)	(0.5)	(0.7)
Interest element of finance lease rentals paid		(0.1)	(0.1)	(0.1)	(0.1)
		<u>134.6</u>	<u>133.1</u>	<u>97.6</u>	<u>97.5</u>
Net cash generated from financing activities					
		<u>134.6</u>	<u>133.1</u>	<u>97.6</u>	<u>97.5</u>
Net increase/(decrease) in cash and cash equivalents					
		45.2	(14.5)	35.6	(5.4)
Cash and cash equivalents at the beginning of the year					
		<u>192.5</u>	<u>207.0</u>	<u>111.0</u>	<u>116.4</u>
Cash and cash equivalents at the end of the year					
	11(a)	<u>237.7</u>	<u>192.5</u>	<u>146.6</u>	<u>111.0</u>

The notes on pages 14 to 52 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):

	Note	<i>The Group</i>		<i>The Foundation</i>	
		2016	2015	2016	2015
		\$'million	\$'million	\$'million	\$'million
(a) Staff costs					
Contribution to defined contribution retirement schemes		35.1	35.6	25.7	26.6
Net defined benefit retirement schemes expenses	6(b)(v)	3.7	3.9	3.7	3.9
Retirement costs		38.8	39.5	29.4	30.5
Salaries, wages and other benefits		1,663.8	1,573.8	1,242.1	1,186.1
		<u>1,702.6</u>	<u>1,613.3</u>	<u>1,271.5</u>	<u>1,216.6</u>

2 Surplus for the year (continued)

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
(b) Other items					
Gross rental income from investment properties		(45.6)	(32.6)	(45.6)	(32.6)
Direct rental outgoings in respect of:					
- investment properties under operating leases		24.6	16.7	24.6	16.7
- vacant investment properties		2.8	1.9	2.8	1.9
Depreciation	5	155.0	134.8	140.6	125.5
Loss on disposals of fixed assets		1.6	1.4	1.5	1.3
Operating lease charges:					
- equipment rentals	3	0.2	0.3	0.2	0.3
- property rentals	3	21.1	19.3	10.0	10.1
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

3 Other operating expenses

	<i>Note</i>	<i>The Group</i>		<i>The Foundation</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		\$'million	\$'million	\$'million	\$'million
Audit fees		1.0	1.0	0.8	0.8
Cost of goods sold		1.4	1.3	-	-
Finance lease interest expenses		0.1	0.1	0.1	0.1
Impairment loss of fees and other receivables		0.7	0.1	0.4	-
Information technology expenses		17.5	17.8	13.0	13.8
Insurance		5.0	5.7	3.4	4.0
Leased equipment rentals	2(b)	0.2	0.3	0.2	0.3
Legal and professional fees		2.7	2.6	2.0	2.0
Library		1.9	2.0	1.3	1.3
Net government rent and rates	14(c)	1.6	1.4	0.7	0.7
Professional development and training		12.0	14.2	9.7	11.8
Property rentals	2(b)	21.1	19.3	10.0	10.1
Property management fee		3.8	3.1	1.9	1.8
Public relations and marketing expenses		4.4	4.2	2.2	2.4
Printing and stationery		7.5	8.1	5.5	6.0
Recruitment expenses		5.2	5.4	4.1	4.4
Teaching resources and materials		35.1	37.1	19.3	21.0
Utilities		30.0	29.5	21.4	21.1
General expenses		17.5	18.9	9.8	12.7
		<u>168.7</u>	<u>172.1</u>	<u>105.8</u>	<u>114.3</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(e)) to earn rental income and/or for capital appreciation. Rental income from investment properties is accounted for as described in note 27(c).

The Group records construction in progress at cost less related government grants and impairment losses, 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					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	Sub-total \$'million	Investment properties \$'million
Cost:											
At 1 September 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
Additions	55.0	2.6	0.5	14.6	38.4	12.8	8.0	91.4	223.3	2.1	225.4
Transfers of construction in progress	26.5	-	-	0.9	2.0	-	1.3	(41.7)	(11.0)	11.0	-
Disposals	(0.7)	-	-	(0.1)	(16.2)	(4.7)	(2.0)	-	(23.7)	-	(23.7)
At 31 August 2016	2,127.8	623.1	81.3	49.0	415.2	86.9	57.4	110.4	3,551.1	245.4	3,796.5
Government grants:											
At 1 September and 31 August 2016	(246.3)	(328.7)	(45.5)	-	-	-	-	-	(620.5)	-	(620.5)
Accumulated depreciation:											
At 1 September 2015	(731.1)	(71.6)	(29.6)	(26.3)	(162.2)	(51.2)	(35.5)	-	(1,107.5)	(167.0)	(1,274.5)
Charge for the year**	(78.6)	(9.1)	(0.4)	(2.2)	(44.4)	(8.3)	(4.4)	-	(147.4)	(7.6)	(155.0)
Write-back on disposals	0.1	-	-	0.1	15.0	4.6	1.9	-	21.7	-	21.7
At 31 August 2016	(809.6)	(80.7)	(30.0)	(28.4)	(191.6)	(54.9)	(38.0)	-	(1,233.2)	(174.6)	(1,407.8)
Net book value:											
At 31 August 2016	1,071.9	213.7	5.8	20.6	223.6	32.0	19.4	110.4	1,697.4	70.8	1,768.2

5 Fixed assets (continued)

(a) The Group (continued)

	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		
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
Additions	49.4	17.9	-	3.6	40.4	15.4	2.1	102.4	231.2
Transfers of construction in progress	42.0	3.5	-	-	4.6	-	5.7	(91.1)	(35.3)
Transfers of investment properties	-	-	(199.7)	-	-	-	-	-	(199.7)
Disposals/adjustments*	(1.7)	-	-	-	(35.4)	(1.4)	(0.6)	-	(39.1)
At 31 August 2015	2,047.0	620.5	80.8	33.6	391.0	78.8	50.1	60.7	3,362.5
Government grants:									
At 1 September 2014	(241.1)	(328.7)	(45.5)	-	-	-	-	-	(615.3)
Additions	(5.2)	-	-	-	-	-	-	-	(5.2)
At 31 August 2015	(246.3)	(328.7)	(45.5)	-	-	-	-	-	(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)
Charge for the year**	(64.6)	(7.6)	(0.4)	(2.2)	(44.1)	(6.8)	(4.3)	-	(130.0)
Transfer of investment properties	-	-	162.2	-	-	-	-	-	162.2
Write-back on disposals/adjustments*	0.4	-	-	-	35.4	1.2	3.6	-	40.6
At 31 August 2015	(731.1)	(71.6)	(29.6)	(26.3)	(162.2)	(51.2)	(35.5)	-	(1,107.5)
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 2016 was \$10.0 million (2015: \$6.4 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

	<i>Buildings and building improvements</i>				<i>Furniture and equipment</i>				<i>Investment properties</i> \$'million	<i>Total</i> \$'million
	<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>Quarters and others</i> \$'million	<i>Construction in progress</i> \$'million		
Cost:										
At 1 September 2015	2,047.0	425.9	80.8	7.0	391.0	49.4	41.5	52.3	232.3	3,327.2
Additions	55.0	-	0.5	-	38.4	-	0.9	46.6	2.1	143.5
Transfers of construction in progress	26.5	-	-	-	2.0	-	1.3	(40.8)	11.0	-
Disposals	(0.7)	-	-	-	(16.2)	(4.2)	(1.6)	-	-	(22.7)
At 31 August 2016	2,127.8	425.9	81.3	7.0	415.2	45.2	42.1	58.1	245.4	3,448.0
Government grants:										
At 1 September 2015 and 31 August 2016	(246.3)	(188.9)	(45.5)	-	-	-	-	-	-	(480.7)
Accumulated depreciation:										
At 1 September 2015	(731.1)	(66.2)	(29.6)	(7.0)	(162.2)	(46.4)	(29.8)	-	(167.0)	(1,239.3)
Charge for the year**	(78.6)	(4.5)	(0.4)	-	(44.4)	(1.7)	(3.4)	-	(7.6)	(140.6)
Write-back on disposals	0.1	-	-	-	15.0	4.2	1.6	-	-	20.9
At 31 August 2016	(809.6)	(70.7)	(30.0)	(7.0)	(191.6)	(43.9)	(31.6)	-	(174.6)	(1,359.0)
Net book value:										
At 31 August 2016	1,071.9	166.3	5.8	-	223.6	1.3	10.5	58.1	70.8	1,608.3

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/ investment properties*

The Group and the Foundation own 202 (2015: 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, Colliers International (Hong Kong) Limited, valued the investment properties owned by the Group and the Foundation as at 31 August 2016 at \$2,887.7 million (2015: \$3,209.0 million).

(e) *Mortgage of investment 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 \$5.6 million at 31 August 2016 (2015: 12 residential properties with net book value of \$3.4 million). The market value of the 12 residential properties as at 31 August 2016 based on external valuations was \$98.0 million (2015: \$181.0 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 2016 was \$2.0 million (2015: \$1.1 million) and the depreciation charge for the year ended 31 August 2016 was \$0.3 million (2015: \$0.3 million).

5 Fixed assets (continued)

(g) *Review of the estimated useful lives of properties, plant and equipment*

During a review in the year ended 31 August 2016 of the Group's depreciation policies, based on the latest development of Island School decanting, the Group revised the estimated remaining useful lives of non-movable assets of Island School to two years with effect from 1 September 2015. Management considered that the revised estimated useful lives better reflect the estimated periods during which such assets would remain in service and be utilised by the Group and the Foundation.

The adoption of the new estimated useful lives had no effect on prior years. The effect on the year ended 31 August 2016 was to increase the depreciation charge by \$7.5 million and decrease the carrying value of the assets as at 31 August 2016 by the same amount. The Group considered it was impracticable to estimate the effect of the revised useful lives on future year's depreciation charge.

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/section 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.

6 Retirement schemes (continued)

Accounting policy (continued)

The Group recognises remeasurements arising from defined benefit retirement plans in other comprehensive income and reflected immediately in reserves. 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) During the year, the Group and the Foundation operated three employee retirement schemes for staff:

- (i) the Senior Staff and Teaching Staff Elective Provident Fund, the scheme was dissolved with effect from 31 December 2015. Members of the scheme were transferred to the mandatory provident fund schemes with no change in benefits;
- (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. The scheme was amended with effect from 31 December 2015. Existing members will remain in a separate and discrete benefit section (the “NT Section”) with no change in benefits. Assets and liabilities attributable to one benefit section shall be kept separate and distinct from assets and liabilities attributable to any other benefit section; and
- (iii) the Terminal Award Scheme (the “TA Scheme”), eligible staff are teaching and senior staff employed before 1 September 1988. The scheme was dissolved with effect from 31 December 2015. Members, assets and liabilities of the scheme were transferred to the Non-Teaching Staff Superannuation Scheme under a separate and discrete benefit section (the “TA Section”) with no change in benefits.

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.

6 Retirement schemes (continued)

(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>2016</i>	<i>2015</i>
	\$'million	\$'million
Present value of defined benefit obligations	(71.7)	(77.8)
Fair value of scheme assets	101.7	112.4
	30.0	34.6

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 2017.

(ii) Assets for the TA Section (formerly the TA Scheme) and the NT Section (formerly the NT Scheme) are managed separately and consist of the following:

	<i>The Group and the Foundation</i>			
	<i>TA Section</i>		<i>NT Section</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Equities	12.5	13.4	39.7	49.7
Fixed income securities	14.1	11.9	29.3	25.7
Cash	1.6	3.0	4.5	8.7
Total	28.2	28.3	73.5	84.1

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>	
	2016	2015
	\$'million	\$'million
At the beginning of the year	(77.8)	(87.6)
Remeasurements:		
- Actuarial gain arising from changes in experience	1.7	0.7
- Actuarial loss arising from changes in financial assumptions	(3.9)	(0.6)
	(2.2)	0.1
Current service cost	(3.4)	(3.9)
Interest cost	(1.3)	(1.5)
Transfer out	3.4	1.5
Less: actual benefits paid and payable	9.6	13.6
At the end of the year	(71.7)	(77.8)

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

	<i>The Group and the Foundation</i>	
	2016	2015
	\$'million	\$'million
At the beginning of the year	112.4	137.4
Interest income	1.7	2.2
Return on scheme assets greater/(less) than discount rate	1.3	(11.4)
Transfer out	(3.4)	(1.5)
Less: actual benefits paid and payable	(9.6)	(13.6)
Less: administrative expenses paid from scheme assets	(0.7)	(0.7)
At the end of the year	101.7	112.4

6 Retirement schemes (continued)

(b) Defined benefit retirement schemes (continued)

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

	<i>The Group and the Foundation</i>	
	<i>2016</i>	<i>2015</i>
	\$'million	\$'million
Current service cost	3.4	3.9
Net interest on net defined benefit asset	(0.4)	(0.7)
Administrative expenses paid from scheme assets	0.7	0.7
	<hr/>	<hr/>
Total amounts recognised in income and expenditure	3.7	3.9
	<hr/>	<hr/>
Actuarial loss/(gain)	2.2	(0.1)
Return on scheme assets (greater)/less than discount rate	(1.3)	11.4
	<hr/>	<hr/>
Total amounts recognised in other comprehensive income	0.9	11.3
	<hr/>	<hr/>
Total defined benefit cost	4.6	15.2
	<hr/>	<hr/>

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 Section</i>		<i>NT Section</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Discount rate	0.6%	1.0%	0.9%	1.7%
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 2016 and 2015 would have increased (decreased) as a result of 0.25% change in the significant actuarial assumptions:

	<i>2016</i>			
	<i>The Group and the Foundation</i>			
	<i>TA Section</i>		<i>NT Section</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	*	*	(1.3)	1.3
Future salary increases	*	*	1.2	(1.1)

	<i>2015</i>			
	<i>The Group and the Foundation</i>			
	<i>TA Section</i>		<i>NT Section</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)

* 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 \$12.3 million (2015: \$11.4 million) and \$7.0 million (2015: \$7.0 million) respectively, the Group's other receivables and prepayments of \$0.9 million (2015: \$1.3 million) and the Group's and the Foundation's deferred income of \$36.8 million (2015: \$36.3 million) and \$48.5 million (2015: \$32.1 million) respectively, the Group expect all other current assets and liabilities to be recovered or settled within one year from 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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Fees receivables	4.4	3.9	2.0	2.1
Other receivables	8.0	12.0	6.5	2.7
Less: Allowance for impairment of doubtful debts	<u>(2.3)</u>	<u>(2.1)</u>	<u>(1.6)</u>	<u>(1.7)</u>
	<u>10.1</u>	<u>13.8</u>	<u>6.9</u>	<u>3.1</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)

Impairment of fees 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>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
At the beginning of the year	2.1	3.2	1.7	2.8
Impairment loss recognised	0.7	0.1	0.4	-
Uncollectible amounts written off	<u>(0.5)</u>	<u>(1.2)</u>	<u>(0.5)</u>	<u>(1.1)</u>
At the end of the year	<u>2.3</u>	<u>2.1</u>	<u>1.6</u>	<u>1.7</u>

At 31 August 2016, 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 \$2.3 million (2015: \$2.1 million) and \$1.6 million (2015: \$1.7 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 five 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.

9 Subsidiary (continued)

Loan to subsidiary is unsecured and interest bearing at the higher of 3 month HIBOR plus 1% or the average external borrowing cost of the Foundation plus 1% per annum. The amount is repayable by monthly instalments from 30 September 2018 to 31 August 2025.

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

10 Restricted cash

A deposit of \$2.3 million (2015: \$2.3 million) is pledged to a bank for guarantees issued by that bank in favour of MTR Corporation Limited and Hoo Wah Company Limited under the terms of three 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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Deposits with original maturities less than three months	103.7	94.7	51.7	34.1
Cash at bank and in hand	134.0	97.8	94.9	76.9
	<u>237.7</u>	<u>192.5</u>	<u>146.6</u>	<u>111.0</u>

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 0.15% (2015: 0.11%) and 0.11% (2015: 0.05%) 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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Operating activities				
Surplus for the year	157.7	130.2	133.8	119.8
Adjustments for:				
Interest income	(5.5)	(5.6)	(5.1)	(5.3)
Nomination rights	(58.1)	(63.0)	(41.5)	(46.4)
Non-refundable building/capital levy	(23.6)	(14.4)	(10.6)	(1.9)
Interest expense	0.1	0.1	0.1	0.1
Loss on disposals of fixed assets	1.6	1.4	1.5	1.3
Depreciation	155.0	134.8	140.6	125.5
Expense recognised under defined benefit retirement schemes	3.7	3.9	3.7	3.9
Transfer from previous years' scholarship fund and hardship allowance	(6.7)	(3.5)	-	-
	<u>224.2</u>	<u>183.9</u>	<u>222.5</u>	<u>197.0</u>
Changes in working capital:				
Increase in inventories	(0.2)	-	-	-
Increase in rental and utility deposits	(0.9)	(0.8)	-	(0.1)
Increase in prepayments	(1.4)	(2.2)	(1.1)	(0.1)
Decrease/(increase) in loans to staff	0.1	(1.1)	0.3	(1.1)
Decrease/(increase) in fees and other receivables	3.7	(7.7)	(3.8)	1.8
Increase/(decrease) in fees received in advance	16.2	(11.0)	1.5	(12.0)
Increase in net amount due from subsidiary	-	-	(4.7)	(32.9)
(Decrease)/increase in provision to meet staff conditions of service	(5.2)	14.6	(7.3)	10.8
Increase in accounts payables and accruals excluding capital creditors	5.9	11.3	19.4	8.5
Decrease in government hardship allowance	-	(2.2)	-	(2.2)
Increase in scholarship fund and hardship allowance	2.2	0.6	-	-
	<u>244.6</u>	<u>185.4</u>	<u>226.8</u>	<u>169.7</u>
Net cash generated from operating activities	<u>244.6</u>	<u>185.4</u>	<u>226.8</u>	<u>169.7</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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
At the beginning of the year	102.9	88.3	80.7	69.9
Provision for the year	253.3	243.2	189.3	185.5
Payments made during the year	<u>(258.5)</u>	<u>(228.6)</u>	<u>(196.6)</u>	<u>(174.7)</u>
At the end of the year	<u>97.7</u>	<u>102.9</u>	<u>73.4</u>	<u>80.7</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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>	<i>\$'million</i>
Accounts payable	23.9	24.4	11.4	15.4
Other accruals	67.0	69.1	54.7	59.5
Accruals for major repairs	63.3	84.1	63.3	84.1
Deferred income	87.6	86.5	82.5	66.2
Retention money	19.1	16.1	14.6	16.1
Deposits received	11.7	10.0	11.5	9.8
Other payables	<u>5.1</u>	<u>5.8</u>	<u>4.1</u>	<u>4.7</u>
	<u>277.7</u>	<u>296.0</u>	<u>242.1</u>	<u>255.8</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>	
		2016	2015	2016	2015
		\$'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)	16.8	19.3	13.3	12.2
		<u>294.8</u>	<u>297.3</u>	<u>291.3</u>	<u>290.2</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 except Year 1 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.

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>2016</i>	<i>2015</i>
	\$'million	\$'million
At the beginning of the year	31.9	34.1
Received from the Government	6.9	6.9
	38.8	41.0
Utilised to permit fee relief in cases of hardship	(6.9)	(9.1)
	31.9	31.9
	31.9	31.9

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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		\$'million	\$'million	\$'million	\$'million
Gross rent and rates for the year		18.4	20.7	14.0	12.9
Less: Recovered or recoverable from the Government		(16.8)	(19.3)	(13.3)	(12.2)
	3	1.6	1.4	0.7	0.7
		1.6	1.4	0.7	0.7

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 2016, Renaissance College and Discovery College have each set aside 10% (2015: 10%) of their respective tuition fees which consists of 8% (2015: 8%) for Renaissance College and 9% (2015: 8%) for Discovery College as scholarship fund and 2% (2015: 2%) for Renaissance College and 1% (2015: 2%) for Discovery College as hardship allowance.

Tuition fees of Renaissance College and Discovery College transferred to scholarship fund/hardship allowance during the year amounted to \$24.0 million (2015: \$22.4 million) and \$15.9 million (2015: \$14.8 million) respectively.

	<i>The Group</i>		
	<i>Scholarship fund</i>	<i>Hardship allowance</i>	<i>Total</i>
	\$'million	\$'million	\$'million
At 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)
	5.5	22.6	28.1
At 31 August 2015 and 1 September 2015	0.9	24.3	25.2
Addition	33.5	6.4	39.9
Utilisation	(32.5)	(5.2)	(37.7)
Transfer	-	(6.7)	(6.7)
	0.9	24.3	25.2
At 31 August 2016	1.9	18.8	20.7

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

The Group transfers previous years' hardship allowance surplus to the statement of comprehensive income to fund part of the expenses.

16 Obligations under finance leases

At 31 August 2016, the Group and the Foundation had obligations under finance leases repayable as follows:

	<i>The Group and the Foundation</i>					
	<i>2016</i>			<i>2015</i>		
	<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	0.6	0.1	0.7	0.3	0.1	0.4
Between one and two years	0.4	0.1	0.5	0.3	-	0.3
Between two and five years	0.8	0.1	0.9	0.4	0.1	0.5
	<u>1.2</u>	<u>0.2</u>	<u>1.4</u>	<u>0.7</u>	<u>0.1</u>	<u>0.8</u>
	<u>1.8</u>	<u>0.3</u>	<u>2.1</u>	<u>1.0</u>	<u>0.2</u>	<u>1.2</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 only applicable to children that join Year 7 from another school of the Foundation if their parents did not pay refundable capital levy or non-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 a 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 (2015: \$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 (2015: \$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 (2015: \$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 Group recognises the CNR 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 less accumulated amortisation.

Movements in the corporate nomination rights were as follows:

	<i>The Group and the Foundation</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$’million</i>	<i>\$’million</i>
At the beginning of the year	24.4	24.9
Less: Amortisation to statement of comprehensive income	<u>(0.8)</u>	<u>(0.5)</u>
At the end of the year	23.6	24.4
Less: Within one year or on demand	<u>(0.7)</u>	<u>(0.5)</u>
After one year	<u><u>22.9</u></u>	<u><u>23.9</u></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*

Movements in the capital fund were as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
At the beginning of the year	214.6	137.2	128.5	80.2
Income recognised during the year	81.7	77.4	52.1	48.3
Transfer to general reserve	<u>(112.9)</u>	<u>-</u>	<u>(91.9)</u>	<u>-</u>
At the end of the year	<u>183.4</u>	<u>214.6</u>	<u>88.7</u>	<u>128.5</u>

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.

During the year, the Group and the Foundation transferred \$112.9 million (2015: Nil) and \$91.9 million (2015: Nil), respectively, from capital fund to general reserve. The transfer represented the depreciation charge of capital projects funded by the capital fund.

(b) *Schools reserves*

The Group's reserves include the accumulated surplus of individual schools of the Foundation which amounted to \$160.6 million as at 31 August 2016 (2015: \$144.7 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 2016, the respective School Councils have authorised or contracted for capital commitments of \$84.7 million (2015: \$21.5 million). The respective School Councils also reserve certain sums for major upgrades at schools.

During the year, \$32.4 million (2015: \$37.0 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.

The earliest settlement dates of the Foundation's and the Group's financial liabilities at the end of the reporting period are all within one year/on demand or undated and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

(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 Foundation's exposure to changes in interest rates relates primarily to bank deposits, cash at bank, obligations under finance leases and loan to subsidiary. The interest rate profile of the Group and the Foundation 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	
	2016	2015	2016	2015
	Effective interest rate %			
	\$'million	\$'million	\$'million	\$'million
Loan to subsidiary	-	-	27.5	-
Finance lease liabilities	3.96%	3.70%	(1.8)	3.70%
Deposits with original maturities greater than three months	0.90%	0.80%	440.3	0.81%
Restricted cash	0.01%	0.01%	-	-
Cash and cash equivalents	0.11%	0.11%	146.6	0.05%
			<u>612.6</u>	<u>450.0</u>
			<u>691.6</u>	<u>546.7</u>

24 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 August 2016, it is estimated that a general increase/decrease of 100 basis points (2015: 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 \$6.9 million (2015: \$5.5 million). Other components of reserves would not be affected (2015: nil) by the changes in interest rates.

The sensitivity analysis above indicates the annualised impact on 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 those floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis for 2015.

(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 2016 not provided for in these financial statements were as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Contracted for	209.1	198.8	155.3	100.7
Authorised but not contracted for	197.5	242.4	195.7	242.2
	<u>406.6</u>	<u>441.2</u>	<u>351.0</u>	<u>342.9</u>

25 Commitments (continued)

- (b) At 31 August 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Leased properties				
Within one year	20.3	19.9	9.8	9.8
Between one and five years	18.3	31.3	6.1	14.2
Over five years	14.2	17.1	-	-
	52.8	68.3	15.9	24.0
	52.8	68.3	15.9	24.0

	<i>The Group</i>		<i>The Foundation</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	\$'million	\$'million	\$'million	\$'million
Leased equipment				
Within one year	1.0	1.0	1.0	1.0
Between one and five years	2.2	3.6	2.2	3.6
	3.2	4.6	3.2	4.6
	3.2	4.6	3.2	4.6

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.*
 - (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).*
 - (viii) *The entity, or any member of a group of which it is a part, provides key management personnel services to the Foundation or the Group.*

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 years.

Remuneration for key management personnel is as follows:

	<i>2016</i>	<i>2015</i>
	\$'million	\$'million
Salaries, allowances and benefits in kind	20.1	17.9
Retirement costs	0.2	0.2
	20.3	18.1

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 2016 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 collective term includes 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)*

There are no new and revised HKFRSs that are first effective for the current accounting period of the Group and the Foundation. 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) *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.

27 Other significant accounting policies (continued)

(c) *Income recognition (continued)*

(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.

(d) *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.

27 Other significant accounting policies (continued)

(d) *Impairment of assets (continued)*

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.

(e) *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.

(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(d).

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.

27 Other significant accounting policies (continued)

(e) *Leased assets (continued)*

(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.

(f) *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.

(g) *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.

27 Significant accounting policies (continued)

(h) 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.

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 fair value less costs of disposal 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.

28 Accounting estimates and judgements (continued)

(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 number of amendments and new standards which are not yet effective for the year ended 31 August 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 1, <i>Disclosure initiative</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

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. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 4 to 52, which comprise the consolidated and Foundation statements of financial position as at 31 August 2016, 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 is 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 determines 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.

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)

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.

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 2016 and of their financial performances 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
10 Chater Road
Central, Hong Kong

28 November 2016

The English Schools Foundation Annual Report 2015-16 is published by the English Schools Foundation (ESF). It can be viewed and downloaded on the ESF website: www.esf.edu.hk/accounts-and-annual-reports.

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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