KPMG

The English Schools Foundation

英基學校協會

Consolidated Financial Statements
for the year ended 31 August 2019

Report of the Board of Governors

The Board of Governors ("the Board") has pleasure in submitting its annual report together with the audited consolidated financial statements for the year ended 31 August 2019.

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 2019 and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 4 to 63.

Transfer to reserves

The Group has transferred the surplus for the year of HK$241.2 million (2018: HK$209.7 million (restated – note 30)) to reserves.

At 31 August 2019, the Group's reserves amounted to HK$2,120.9 million (2018: HK$1,883.5 million (restated – note 30)), being the excess of assets over liabilities. The Group sets out details of the reserves in note 24 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 2019, the net book value of the fixed assets was HK$1,910.7 million (2018: HK$1,993.8 million) and the depreciation charge for the year then ended was HK$208.7 million (2018: HK$190.0 million); 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)	
Paul Varty (Vice-chairman)	(elected by members of the Board on 3 December 2018)
Samuel Houston (Treasurer)	
Alec Tong	
Christine Meaney	
Dayna Lim Cheung	
Harry Brown	
Kumar Ramanathan	
Benny Ng	
Craig Sanderson	
Denise Kee	
George Tibbetts	
Gregory Lo	
Marcos Bertamini	
Mike Hudson	
Neville Shroff	
Nirmala Rao	
Paul Anderson	
Shareen Hellen	
Virginia Morris	
York Chow	
Jodi Coutts	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 9 December 2019)
Peter Bennett	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 9 December 2019)
Sean Wray	(elected by the Committee of Teaching Staff on 19 September 2018)
Tom Patton	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 5 October 2018)
Connie Liu	(resigned on 28 June 2019)
Dannis Au	(resigned on 10 October 2018)
Francis Carroll	(retired on 25 November 2019)
Judy Woo	(retired on 12 September 2018)
Pauline Ng (Vice-chairman)	(retired on 20 November 2018)
Belinda Greer	(Chief Executive Officer, ex officio)

Members of the Board (continued)

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 or her 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.

Indemnity of members

A permitted indemnity provision (as defined in section 22 of the English Schools Foundation Ordinance) for the benefit of the members of the Foundation is currently in force and was in force throughout this year.

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

Chairman

Hong Kong, 09 DEC 2019

Statement of comprehensive income for the year ended 31 August 2019

(Expressed in Hong Kong dollars)

	Note	*The Group* *2019* $'million	*2018* $'million (Restated – note 30)	*The Foundation* *2019* $'million	*2018* $'million (Restated – note 30)
Income					
Operating income					
Government grants	15	221.3	237.9	221.3	237.9
Tuition fees		2,148.1	2,028.5	1,528.0	1,436.5
Programme income		66.3	69.1	-	-
Application fee income		12.5	12.8	8.7	9.6
Rental income		110.6	99.1	109.2	99.3
Donations		9.6	10.3	8.1	8.8
Interest income		26.0	10.5	24.8	11.0
Income from subsidiary					
– From Development and Operating Agreement		-	-	6.3	6.3
– Management and administrative income		-	-	18.9	15.4
Transfer from previous years' scholarship fund and hardship allowance surplus	16(a)	-	2.0	-	-
Miscellaneous income		16.8	14.0	8.1	3.4
		2,611.2	2,484.2	1,933.4	1,828.2
Non-operating income					
Individual nomination rights		32.5	36.6	24.5	26.1
Corporate nomination rights		1.8	1.3	1.8	1.3
Non-refundable building levy		17.8	16.3	-	-
Non-refundable capital levy		26.7	23.2	26.7	23.2
		78.8	77.4	53.0	50.6
Total income		2,690.0	2,561.6	1,986.4	1,878.8

Statement of comprehensive income for the year ended 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	The Group 2019 $'million	The Group 2018 $'million (Restated – note 30)	The Foundation 2019 $'million	The Foundation 2018 $'million (Restated – note 30)
Expenditure					
Staff expenses					
Basic salaries					
– Professional		1,042.2	1,015.4	766.4	743.7
– Other staff		358.0	336.7	266.3	250.6
Gratuities and allowances		408.1	397.3	298.2	289.6
Accommodation		28.9	22.7	28.9	22.7
Medical expenses		47.0	47.8	34.8	35.8
Passage		2.2	2.4	1.8	1.9
	2(a)	1,886.4	1,822.3	1,396.4	1,344.3
Other expenses					
Depreciation on schools and offices		208.2	189.7	184.8	166.1
Repairs and maintenance		106.3	106.2	86.5	86.8
Other operating expenses	3	195.9	184.7	125.2	117.7
Scholarship fund and hardship allowance	16	52.0	49.0	2.4	1.6
		562.4	529.6	398.9	372.2
Total expenses		2,448.8	2,351.9	1,795.3	1,716.5
Surplus for the year	2	241.2	209.7	191.1	162.3

Statement of comprehensive income for the year ended 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

		The Group		*The Foundation*	
	Note	*2019* $'million	*2018* $'million (Restated – note 30)	*2019* $'million	*2018* $'million (Restated – note 30)
Surplus for the year		241.2	209.7	191.1	162.3
Other comprehensive income for the year					
Item that will not be reclassified to surplus or deficit:					
Remeasurement of net defined benefit scheme assets	6(b)(v)	(3.8)	8.3	(3.8)	8.3
Total comprehensive income for the year		237.4	218.0	187.3	170.6
Represented by:					
Operating surplus		158.6	140.6	134.3	120.0
Capital fund surplus		78.8	77.4	53.0	50.6
		237.4	218.0	187.3	170.6

The notes on pages 14 to 63 form part of these financial statements.

Statement of financial position as at 31 August 2019

(Expressed in Hong Kong dollars)

	Note	The Group *31 August 2019* $'million	*31 August 2018* $'million (Restated – note 30)	*1 September 2017* $'million (Restated – note 30)	The Foundation *31 August 2019* $'million	*31 August 2018* $'million (Restated – note 30)	*1 September 2017* $'million (Restated – note 30)
Non-current assets							
Fixed assets	5						
– Investment properties		60.8	64.3	62.7	60.8	64.3	62.7
– Other properties, plant and equipment		1,849.9	1,929.5	1,778.6	1,661.6	1,730.7	1,577.6
		1,910.7	1,993.8	1,841.3	1,722.4	1,795.0	1,640.3
Defined benefit retirement scheme	6	37.9	43.9	38.5	37.9	43.9	38.5
Loan to subsidiary	9	-	-	-	37.0	44.2	51.0
		1,948.6	2,037.7	1,879.8	1,797.3	1,883.1	1,729.8
Current assets	7						
Inventories		0.9	0.9	1.0	-	-	-
Rental, utility deposits		12.9	14.5	12.8	7.6	7.6	7.2
Prepayments		20.5	17.0	17.0	12.7	9.8	10.2
Loans to staff		5.4	4.6	5.8	3.9	3.1	3.7
Fees and other receivables	8	44.5	45.8	49.8	43.4	44.7	47.8
Government grants receivable		28.2	-	-	28.2	-	-
Amount due from subsidiary	9	-	-	-	-	-	12.1
Loan to subsidiary	9	-	-	-	7.0	6.8	-
Restricted cash	10	2.7	2.7	2.6	-	-	-
Deposits with original maturities over three months		942.3	718.8	649.0	938.6	623.9	557.1
Cash and cash equivalents	11	416.9	313.7	239.8	197.6	237.9	172.3
		1,474.3	1,118.0	977.8	1,239.0	933.8	810.4

Statement of financial position as at 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	The Group 31 August 2019 $'million	The Group 31 August 2018 $'million (Restated – note 30)	The Group 1 September 2017 $'million (Restated – note 30)	The Foundation 31 August 2019 $'million	The Foundation 31 August 2018 $'million (Restated – note 30)	The Foundation 1 September 2017 $'million (Restated – note 30)
Current liabilities	7						
Fees received in advance	12	138.8	128.8	123.7	62.4	57.7	51.2
Nomination rights received in advance	22	7.6	6.9	5.4	7.4	6.6	4.9
Amount due to subsidiary	9	-	-	-	1.4	-	-
Provision to meet staff conditions of service	13	119.0	113.4	109.3	91.1	86.1	84.2
Accounts payables and accruals	14	291.6	296.6	273.2	313.4	296.7	235.3
Scholarship fund and hardship allowance	16	57.2	53.4	52.4	28.9	30.1	31.4
Obligations under finance leases	17	0.7	0.7	0.5	0.7	0.7	0.5
Refundable capital levy	18	17.2	18.1	19.1	17.2	18.1	19.1
Debenture	19	7.1	6.8	6.6	-	-	-
Deferred income							
– Non-refundable building levy	20	6.2	5.4	4.8	-	-	-
– Non-refundable capital levy	21	18.0	14.7	11.1	18.0	14.7	11.1
– Individual nomination rights	22	27.9	32.9	32.9	19.4	24.6	23.4
– Corporate nomination rights	23	1.7	1.8	0.8	1.7	1.8	0.8
		693.0	679.5	639.8	561.6	537.1	461.9
Net current assets		781.3	438.5	338.0	677.4	396.7	348.5
Total assets less current liabilities		2,729.9	2,476.2	2,217.8	2,474.7	2,279.8	2,078.3

Statement of financial position as at 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	The Group 31 August 2019 $'million	The Group 31 August 2018 $'million (Restated – note 30)	The Group 1 September 2017 $'million (Restated – note 30)	The Foundation 31 August 2019 $'million	The Foundation 31 August 2018 $'million (Restated – note 30)	The Foundation 1 September 2017 $'million (Restated – note 30)
Non-current liabilities							
Obligations under finance leases	17	1.1	1.3	1.0	1.1	1.3	1.0
Refundable capital levy	18	118.9	147.2	178.9	118.9	147.2	178.9
Debenture	19	5.5	5.2	5.1	-	-	-
Deferred income							
– Non-refundable building levy	20	40.9	38.5	35.1	-	-	-
– Non-refundable capital levy	21	192.9	163.4	130.3	192.9	163.4	130.3
– Individual nomination rights	22	211.6	197.3	179.8	142.5	134.2	122.7
– Corporate nomination rights	23	38.1	39.8	22.1	38.1	39.8	22.1
		609.0	592.7	552.3	493.5	485.9	455.0
NET ASSETS		2,120.9	1,883.5	1,665.5	1,981.2	1,793.9	1,623.3
RESERVES	24						
General reserve		370.6	315.5	262.2	299.2	286.1	270.4
Capital fund		68.3	60.2	50.4	-	-	-
Building reserve		1,467.9	1,317.0	1,184.3	1,467.9	1,317.0	1,184.3
Schools reserves		214.1	190.8	168.6	214.1	190.8	168.6
		2,120.9	1,883.5	1,665.5	1,981.2	1,793.9	1,623.3

Approved and authorised for issue by the Board of Governors on 09 DEC 2019

)
)
) Members of the Board of Governors
)
)
)

The notes on pages 14 to 63 form part of these financial statements.

Statement of changes in reserves for the year ended 31 August 2019

(Expressed in Hong Kong dollars)

The Group

	General reserve	Capital fund (note 24(a))	Building reserve (note 24(b))	Schools reserves (note 24(c))	Total
	$'million	$'million	$'million	$'million	$'million
At 1 September 2017					
As previously reported	236.9	231.0	1,146.0	168.6	1,782.5
Prior year adjustments (note 30)	25.3	-	70.4	-	95.7
Impact on initial application of HKFRS 15 (note 30)	-	(180.6)	(32.1)	-	(212.7)
As restated	262.2	50.4	1,184.3	168.6	1,665.5
Surplus for the year	83.0	77.4	-	49.3	209.7
Transfers	(38.0)	(67.6)	132.7	(27.1)	-
Other comprehensive income	8.3	-	-	-	8.3
Total comprehensive income	53.3	9.8	132.7	22.2	218.0
At 31 August 2018 and 1 September 2018	315.5	60.2	1,317.0	190.8	1,883.5
Surplus for the year	114.3	78.8	-	48.1	241.2
Transfers	(55.4)	(70.7)	150.9	(24.8)	-
Other comprehensive income	(3.8)	-	-	-	(3.8)
Total comprehensive income	55.1	8.1	150.9	23.3	237.4
At 31 August 2019	370.6	68.3	1,467.9	214.1	2,120.9

Statement of changes in reserves for the year ended 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

The Foundation

	General reserve $'million	*Capital fund* (note 24(a)) $'million	*Building reserve* (note 24(b)) $'million	*Schools reserves* (note 24(c)) $'million	*Total* $'million
At 1 September 2017					
As previously reported	270.4	114.0	1,146.0	168.6	1,699.0
Prior year adjustments (note 30)	-	-	70.4	-	70.4
Impact on initial application of HKFRS 15 (note 30)	-	(114.0)	(32.1)	-	(146.1)
As restated	270.4	-	1,184.3	168.6	1,623.3
Surplus for the year	62.4	50.6	-	49.3	162.3
Transfers	(55.0)	(50.6)	132.7	(27.1)	-
Other comprehensive income	8.3	-	-	-	8.3
Total comprehensive income	15.7	-	132.7	22.2	170.6
At 31 August 2018 and 1 September 2018	286.1	-	1,317.0	190.8	1,793.9
Surplus for the year	90.0	53.0	-	48.1	191.1
Transfers	(73.1)	(53.0)	150.9	(24.8)	-
Other comprehensive income	(3.8)	-	-	-	(3.8)
Total comprehensive income	13.1	-	150.9	23.3	187.3
At 31 August 2019	299.2	-	1,467.9	214.1	1,981.2

The notes on pages 14 to 63 form part of these financial statements.

Cash flow statement
for the year ended 31 August 2019

(Expressed in Hong Kong dollars)

	Note	*The Group* 2019 $'million	*The Group* 2018 $'million	*The Foundation* 2019 $'million	*The Foundation* 2018 $'million
Operating activities					
Net cash generated from operating activities	11(b)	374.7	352.7	331.4	332.7
Investing activities					
Payments for the purchase of fixed assets less capital creditors		(167.4)	(341.9)	(146.5)	(298.1)
Increase in bank deposits with original maturities over three months		(223.5)	(69.8)	(314.7)	(66.8)
Increase in deposits pledged with bank		-	(0.1)	-	-
Interest received		26.0	10.5	24.8	11.0
Repayment from subsidiary		-	-	7.0	-
Net cash used in investing activities		(364.9)	(401.3)	(429.4)	(353.9)

Cash flow statement for the year ended 31 August 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*The Group* 2019 $'million	*The Group* 2018 $'million	*The Foundation* 2019 $'million	*The Foundation* 2018 $'million
Financing activities					
Decrease in refundable capital levy	11(c)	(29.2)	(32.7)	(29.2)	(32.7)
Proceeds from issue of nomination rights	11(c)	42.5	75.6	28.4	60.5
Proceeds from non-refundable building levy	11(c)	21.0	20.3	-	-
Proceeds from non-refundable capital levy	11(c)	59.5	59.9	59.5	59.9
Proceeds from issuance of debenture	11(c)	0.6	0.3	-	-
Capital element of finance lease rentals paid	11(c)	(0.8)	(0.7)	(0.8)	(0.7)
Interest element of finance lease rentals paid	11(c)	(0.2)	(0.2)	(0.2)	(0.2)
Net cash generated from financing activities		93.4	122.5	57.7	86.8
Net increase/(decrease) in cash and cash equivalents		103.2	73.9	(40.3)	65.6
Cash and cash equivalents at the beginning of the year		313.7	239.8	237.9	172.3
Cash and cash equivalents at the end of the year	11(a)	416.9	313.7	197.6	237.9

The notes on pages 14 to 63 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	*The Group* 2019 $'million	*The Group* 2018 $'million	*The Foundation* 2019 $'million	*The Foundation* 2018 $'million
(a) Staff costs					
Contribution to defined contribution retirement schemes		38.4	37.3	28.2	27.2
Net defined benefit retirement scheme expenses	6(b)(v)	2.2	2.9	2.2	2.9
Retirement costs		40.6	40.2	30.4	30.1
Salaries, wages and other benefits		1,845.8	1,782.1	1,366.0	1,314.2
		1,886.4	1,822.3	1,396.4	1,344.3

2 Surplus for the year (continued)

	Note	The Group 2019 $'million	The Group 2018 $'million	The Foundation 2019 $'million	The Foundation 2018 $'million
(b) Other items					
Gross rental income from investment properties		(59.9)	(52.2)	(59.9)	(52.2)
Direct rental outgoings in respect of:					
– investment properties under operating leases		27.0	25.7	27.0	25.7
– vacant investment properties		1.3	2.0	1.3	2.0
Depreciation	5	208.7	190.0	185.3	166.4
Loss on disposals of fixed assets		3.6	5.3	2.0	3.6
Operating lease charges:					
– equipment rentals	3	-	0.1	-	0.1
– property rentals	3	26.5	24.8	11.4	10.8

3 Other operating expenses

	Note	The Group 2019 $'million	The Group 2018 $'million	The Foundation 2019 $'million	The Foundation 2018 $'million
Audit fees		1.3	1.2	1.0	0.9
Cost of goods sold		1.3	1.2	-	-
Finance lease interest expenses		0.2	0.2	0.2	0.2
Impairment loss of fees and other receivables		0.6	0.8	0.3	0.6
Information technology expenses		21.1	18.4	15.8	13.7
Insurance		5.3	5.8	3.4	3.8
Leased equipment rentals	2(b)	-	0.1	-	0.1
Legal and professional fees		7.0	8.7	5.5	8.1
Library		2.3	2.3	1.4	1.4
Net government rent and rates	15(b)	2.4	2.6	1.4	1.7
Professional development and training		20.7	15.5	17.7	12.8
Property rentals:	2(b)				
– minimum lease payments		25.0	23.2	11.4	10.8
– contingent rentals		1.5	1.6	-	-
Property management fee		3.9	4.0	1.9	1.8
Public relations and marketing expenses		9.6	8.3	6.1	5.8
Printing and stationery		5.4	6.2	4.0	4.6
Recruitment expenses		4.9	3.9	4.0	2.8
Teaching resources and materials		35.2	34.8	20.4	20.0
Utilities		26.9	27.6	18.5	18.9
General expenses		21.3	18.3	12.2	9.7
		195.9	184.7	125.2	117.7

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 28(f)) to earn rental income and/or for capital appreciation. Rental income from investment properties is accounted for as described in note 28(d).

The Group records construction in progress at cost less related government grants and impairment losses, and transfers it 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 and 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 of 20 - 50 years
– 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						
	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	*Total* $'million
Cost:											
At 1 September 2018	2,273.1	719.4	82.3	159.6	481.9	104.8	63.7	95.6	3,980.4	255.4	4,235.8
Additions	47.0	-	3.9	3.2	22.2	11.7	6.4	67.5	161.9	-	161.9
Transfers of construction in progress	33.4	-	0.5	-	1.5	1.6	0.5	(43.6)	(6.1)	6.1	-
Disposals/adjustments*	(6.2)	(0.8)	-	(12.3)	(11.4)	(8.2)	(2.7)	-	(41.6)	-	(41.6)
At 31 August 2019	2,347.3	718.6	86.7	150.5	494.2	109.9	67.9	119.5	4,094.6	261.5	4,356.1
Government grants:											
At 1 September 2018	(239.0)	(328.7)	(45.5)	-	-	-	-	-	(613.2)	-	(613.2)
Additions	(28.2)	-	-	-	-	-	-	-	(28.2)	-	(28.2)
At 31 August 2019	(267.2)	(328.7)	(45.5)	-	-	-	-	-	(641.4)	-	(641.4)
Accumulated depreciation:											
At 1 September 2018	(894.2)	(98.8)	(30.8)	(54.6)	(246.5)	(66.4)	(46.4)	-	(1,437.7)	(191.1)	(1,628.8)
Charge for the year**	(91.5)	(12.0)	(0.6)	(27.0)	(52.0)	(10.0)	(6.0)	-	(199.1)	(9.6)	(208.7)
Write-back on disposals	5.3	0.3	-	7.9	10.3	7.1	2.6	-	33.5	-	33.5
At 31 August 2019	(980.4)	(110.5)	(31.4)	(73.7)	(288.2)	(69.3)	(49.8)	-	(1,603.3)	(200.7)	(1,804.0)
Net book value:											
At 31 August 2019	1,099.7	279.4	9.8	76.8	206.0	40.6	18.1	119.5	1,849.9	60.8	1,910.7

5 Fixed assets (continued)

	Buildings and building improvements				Furniture and equipment						
	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	Total $'million
Cost:											
At 1 September 2017	2,192.0	622.8	81.5	47.6	435.0	97.5	60.8	232.7	3,769.9	245.4	4,015.3
Additions	65.4	-	0.8	2.6	32.7	9.6	3.4	233.8	348.3	-	348.3
Transfers of construction in progress	105.9	96.6	-	109.4	42.8	5.0	1.0	(370.9)	(10.2)	10.2	-
Disposals/adjustments*	(90.2)	-	-	-	(28.6)	(7.3)	(1.5)	-	(127.6)	(0.2)	(127.8)
At 31 August 2018	2,273.1	719.4	82.3	159.6	481.9	104.8	63.7	95.6	3,980.4	255.4	4,235.8
Government grants:											
At 1 September 2017	(246.3)	(328.7)	(45.5)	-	-	-	-	-	(620.5)	-	(620.5)
Write-back on disposals	7.3	-	-	-	-	-	-	-	7.3	-	7.3
At 31 August 2018	(239.0)	(328.7)	(45.5)	-	-	-	-	-	(613.2)	-	(613.2)
Accumulated depreciation:											
At 1 September 2017	(891.3)	(89.0)	(30.4)	(34.0)	(222.4)	(61.5)	(42.2)	-	(1,370.8)	(182.7)	(1,553.5)
Charge for the year**	(84.1)	(9.8)	(0.4)	(20.6)	(50.5)	(10.6)	(5.5)	-	(181.5)	(8.5)	(190.0)
Write-back on disposals	81.2	-	-	-	26.4	5.7	1.3	-	114.6	0.1	114.7
At 31 August 2018	(894.2)	(98.8)	(30.8)	(54.6)	(246.5)	(66.4)	(46.4)	-	(1,437.7)	(191.1)	(1,628.8)
Net book value:											
At 31 August 2018	1,139.9	291.9	6.0	105.0	235.4	38.4	17.3	95.6	1,929.5	64.3	1,993.8

* 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 2019 was $0.5 million (2018: $0.3 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

	Buildings and building improvements				Furniture and equipment						
	Foundation's Schools $'million	*Renaissance College and Discovery College* $'million	*Quarters and others* $'million	*Leasehold improvements* $'million	*Foundation's Schools* $'million	*Renaissance College and Discovery College* $'million	*Quarters and others* $'million	*Construction in progress* $'million	*Sub-total* $'million	*Investment properties* $'million	*Total* $'million
Cost:											
At 1 September 2018	2,273.1	425.6	82.3	110.6	481.9	39.9	46.1	94.0	3,553.5	255.4	3,808.9
Additions	47.0	-	3.9	2.9	22.2	-	5.0	66.4	147.4	-	147.4
Transfers of construction in progress	33.4	-	0.5	-	1.5	-	0.5	(42.0)	(6.1)	6.1	-
Transfer to subsidiary	-	(188.9)	-	-	-	-	-	-	(188.9)	-	(188.9)
Disposals/adjustments*	(6.2)	-	-	(9.8)	(11.4)	(4.2)	(1.8)	-	(33.4)	-	(33.4)
At 31 August 2019	2,347.3	236.7	86.7	103.7	494.2	35.7	49.8	118.4	3,472.5	261.5	3,734.0
Government grants:											
At 1 September 2018	(239.0)	(188.9)	(45.5)	-	-	-	-	-	(473.4)	-	(473.4)
Additions	(28.2)	-	-	-	-	-	-	-	(28.2)	-	(28.2)
Transfer to subsidiary	-	188.9	-	-	-	-	-	-	188.9	-	188.9
At 31 August 2019	(267.2)	-	(45.5)	-	-	-	-	-	(312.7)	-	(312.7)
Accumulated depreciation:											
At 1 September 2018	(894.2)	(79.7)	(30.8)	(21.9)	(246.5)	(39.6)	(36.7)	-	(1,349.4)	(191.1)	(1,540.5)
Charge for the year**	(91.5)	(4.4)	(0.6)	(23.1)	(52.0)	(0.1)	(4.0)	-	(175.7)	(9.6)	(185.3)
Write-back on disposals	5.3	-	-	5.4	10.3	4.2	1.7	-	26.9	-	26.9
At 31 August 2019	(980.4)	(84.1)	(31.4)	(39.6)	(288.2)	(35.5)	(39.0)	-	(1,498.2)	(200.7)	(1,698.9)
Net book value:											
At 31 August 2019	1,099.7	152.6	9.8	64.1	206.0	0.2	10.8	118.4	1,661.6	60.8	1,722.4

5 Fixed assets (continued)

	Buildings and building improvements				Furniture and equipment						
	Foundation's Schools $'million	Renaissance College and Discovery College $'million	Quarters and others $'million	Leasehold improvements $'million	Foundation's Schools $'million	Renaissance College and Discovery College $'million	Quarters and others $'million	Construction in progress $'million	Sub-total $'million	Investment properties $'million	Total $'million
Cost:											
At 1 September 2017	2,192.0	425.6	81.5	7.0	435.0	43.0	43.6	133.7	3,361.4	245.4	3,606.8
Additions	65.4	-	0.8	1.3	32.7	-	2.6	222.3	325.1	-	325.1
Transfers of construction in progress	105.9	-	-	102.3	42.8	-	0.8	(262.0)	(10.2)	10.2	-
Disposals/adjustments*	(90.2)	-	-	-	(28.6)	(3.1)	(0.9)	-	(122.8)	(0.2)	(123.0)
At 31 August 2018	2,273.1	425.6	82.3	110.6	481.9	39.9	46.1	94.0	3,553.5	255.4	3,808.9
Government grants:											
At 1 September 2017	(246.3)	(188.9)	(45.5)	-	-	-	-	-	(480.7)	-	(480.7)
Write-back on disposals	7.3	-	-	-	-	-	-	-	7.3	-	7.3
At 31 August 2018	(239.0)	(188.9)	(45.5)	-	-	-	-	-	(473.4)	-	(473.4)
Accumulated depreciation:											
At 1 September 2017	(891.3)	(75.2)	(30.4)	(7.0)	(222.4)	(42.5)	(34.3)	-	(1,303.1)	(182.7)	(1,485.8)
Charge for the year**	(84.1)	(4.5)	(0.4)	(14.9)	(50.5)	(0.2)	(3.3)	-	(157.9)	(8.5)	(166.4)
Write-back on disposals	81.2	-	-	-	26.4	3.1	0.9	-	111.6	0.1	111.7
At 31 August 2018	(894.2)	(79.7)	(30.8)	(21.9)	(246.5)	(39.6)	(36.7)	-	(1,349.4)	(191.1)	(1,540.5)
Net book value:											
At 31 August 2018	1,139.9	157.0	6.0	88.7	235.4	0.3	9.4	94.0	1,730.7	64.3	1,795.0

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

** Depreciation charge of quarters of the Foundation for the year ended 31 August 2019 was $0.5 million (2018: $0.3 million). The amount is included in "Accommodation" in the statement of comprehensive income. Remaining charges represent depreciation on schools and offices and are shown separately in the statement of comprehensive income.

5 Fixed assets (continued)

(c) The Group's 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 owns 202 (2018: 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. The majority of the 115 remaining property units are leased to third parties and hence the Group classified the carrying value of buildings and building improvements of these units as investment properties. An independent firm of surveyors, Colliers International (Hong Kong) Limited, valued the investment properties owned by the Group as at 31 August 2019 at $3,476.2 million (2018: $3,338.1 million).

(e) ***Investment properties leased out under operating leases***

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's receivables for total future minimum lease payments under non-cancellable operating leases at the reporting date are as follows:

	The Group and the Foundation	
	2019	*2018*
	$'million	$'million
Within 1 year	48.2	45.3
After 1 year but within 5 years	17.2	19.4
	65.4	64.7

(f) ***Mortgage of investment properties for uncommitted banking facilities***

The banking facilities of the Group granted by The Hong Kong and Shanghai Banking Corporation Limited are secured by mortgages over 12 residential investment properties with net book value of $6.3 million at 31 August 2019 (2018: 12 residential investment properties with net book value of $3.8 million). The market value of the 12 residential investment properties as at 31 August 2019 based on external valuations was $164 million (2018: $150 million).

5 Fixed assets (continued)

(g) Equipment held under finance leases

The Group has acquired office equipment under finance leases with terms ranging from two to five years. At the end of the lease term the Group has 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 2019 was $2.1 million (2018: $2.3 million) and the depreciation charge for the year ended 31 August 2019 was $0.6 million (2018: $0.6 million).

6 Retirement schemes

Accounting policy

(i) The Group recognises as expense obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, as they are incurred.

(ii) The Group calculates the Group's net obligation in respect of defined benefit retirement schemes separately for each scheme/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 an 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 costs and the 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 relating 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 the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

The Group recognises remeasurements arising from defined benefit retirement plans in other comprehensive income. 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)).

6 Retirement schemes (continued)

(a) During the year, the Group operated a defined benefit employee retirement scheme for staff:

The Non-Teaching Staff Superannuation Scheme includes two sections, the Non-Teaching Staff Section (the "NT" Section) and the Terminal Award Section (the "TA" Section). Eligible staff of the NT Section and the TA Section are non-teaching staff employed before 19 January 2000 under the conditions of service applicable before that date and teaching and senior staff employed before 1 September 1988, respectively. Assets and liabilities attributable to one benefit section shall be kept separate and distinct from assets and liabilities attributable to any other benefit section.

(b) Defined benefit retirement scheme

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

	The Group and the Foundation	
	2019	*2018*
	$'million	$'million
Present value of defined benefit obligations	(59.6)	(62.7)
Fair value of scheme assets	97.5	106.6
	37.9	43.9

The Group expects 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 has recorded the assets as non-current assets.

The Group does not expect to make any contribution to the schemes in the year ending 31 August 2020.

6 Retirement schemes (continued)

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

	The Group and the Foundation			
	TA Section		*NT Section*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Equities	13.4	16.2	31.1	41.3
Fixed income securities	15.7	13.2	36.4	33.9
Cash	0.3	0.6	0.6	1.4
Total	29.4	30.0	68.1	76.6

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

	The Group and the Foundation	
	2019	*2018*
	$'million	$'million
At the beginning of the year	(62.7)	(66.3)
Remeasurements:		
– Actuarial gain/(loss) arising from changes in experience	1.0	(0.8)
– Actuarial (loss)/gain arising from changes in financial assumptions	(3.6)	3.6
	(2.6)	2.8
Current service cost	(2.5)	(2.7)
Interest cost	(1.4)	(0.8)
Less: actual benefits paid and payable	9.6	4.3
At the end of the year	(59.6)	(62.7)

6 Retirement schemes (continued)

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

	The Group and the Foundation 2019 $'million	2018 $'million
At the beginning of the year	106.6	104.8
Interest income	2.3	1.2
(Loss)/return on scheme assets excluding interest income	(1.2)	5.5
Less: actual benefits paid and payable	(9.6)	(4.3)
Less: administrative expenses paid from scheme assets	(0.6)	(0.6)
At the end of the year	97.5	106.6

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

	The Group and the Foundation 2019 $'million	2018 $'million
Current service cost	2.5	2.7
Net interest on net defined benefit asset	(0.9)	(0.4)
Administrative expenses paid from scheme assets	0.6	0.6
Total amounts recognised in income and expenditure	2.2	2.9
Actuarial loss/(gain)	2.6	(2.8)
Loss/(return) on scheme assets excluding interest income	1.2	(5.5)
Total amounts recognised in other comprehensive income	3.8	(8.3)
Total defined benefit cost/(income)	6.0	(5.4)

The Group includes 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.

6 Retirement schemes (continued)

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

	The Group and the Foundation			
	TA Section		*NT Section*	
	2019	*2018*	*2019*	*2018*
Discount rate	1.5%	2.1%	1.1%	2.2%
Future salary increases	3.0%	4.0%	3.5%	3.5%

The below analysis shows how the defined benefit obligation as at 31 August 2019 and 2018 would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

	2019			
	The Group and the Foundation			
	TA Section		*NT Section*	
	Increase of 0.25% $'million	*Decrease of 0.25%* $'million	*Increase of 0.25%* $'million	*Decrease of 0.25%* $'million
Discount rate	*	*	(0.9)	0.9
Future salary increases	*	*	0.9	(0.9)

	2018			
	The Group and the Foundation			
	TA Section		*NT Section*	
	Increase of 0.25% $'million	*Decrease of 0.25%* $'million	*Increase of 0.25%* $'million	*Decrease of 0.25%* $'million
Discount rate	*	*	(0.9)	0.9
Future salary increases	*	*	0.9	(0.9)

* 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 $12.9 million (2018: $14.5 million) and $7.6 million (2018: $7.6 million) respectively, the Group's other receivables and prepayments of $0.6 million (2018: $0.5 million), the Group's other accruals of $4.7 million (2018: $3.7 million) and the Group's and the Foundation's deferred income (included in accounts payables and accruals) of $25.2 million (2018: $30.7 million) and $85.6 million (2018: $74.8 million) respectively, the Group expects all other current assets and liabilities to be recovered, settled or recognised as income or expense within one year from the end of the reporting period.

8 Fees and other receivables

Accounting policy

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group states these receivables at amortised cost using the effective interest method, less allowance for credit losses. 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 credit losses.

Policy applicable from 1 September 2018

The Group measures loss allowances for fees receivables at an amount equal to lifetime expected credit losses, which are calculated using a provision matrix.

Policy applicable prior to 1 September 2018

An impairment loss was recognised only when there was objective evidence of impairment.

	The Group			*The Foundation*		
	31 August 2019 $'million	*31 August 2018* $'million (Restated – note 30)	*1 September 2017* $'million (Restated – note 30)	*31 August 2019* $'million	*31 August 2018* $'million (Restated – note 30)	*1 September 2017* $'million (Restated – note 30)
Fees receivables	41.4	46.4	48.5	40.1	45.0	47.1
Other receivables	5.0	1.4	2.9	4.6	1.0	1.7
Less: Allowance for credit losses	(1.9)	(2.0)	(1.6)	(1.3)	(1.3)	(1.0)
	44.5	45.8	49.8	43.4	44.7	47.8

8 Fees and other receivables (continued)

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 are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly.

The movement in the allowance for credit losses during the year was as follows:

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
At the beginning of the year	2.0	1.6	1.3	1.0
Impairment loss recognised	0.6	0.8	0.3	0.6
Uncollectible amounts written off	(0.7)	(0.4)	(0.3)	(0.3)
At the end of the year	1.9	2.0	1.3	1.3

At 31 August 2019, based on the 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 are impaired by $1.9 million and $1.3 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 kindergartens and 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.

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 2019 to 31 August 2025. Expected credit loss was assessed as insignificant at 31 August 2019.

9 Subsidiary (continued)

Amount due to subsidiary at 31 August 2019 is unsecured, interest-free and has no fixed terms of repayment. Expected credit loss was assessed as insignificant at 31 August 2019.

10 Restricted cash

The Group pledged a deposit of $2.7 million (2018: $2.7 million) 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:*

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Deposits with original maturities less than three months	210.1	122.5	84.1	122.5
Cash at bank and in hand	206.8	191.2	113.5	115.4
	416.9	313.7	197.6	237.9

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 0.91% (2018: 0.66%) and 0.84% (2018: 0.87%) respectively.

11 Cash and cash equivalents (continued)

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

	The Group		The Foundation	
	2019	2018	2019	2018
	$'million	$'million (Restated)	$'million	$'million (Restated)
Operating activities				
Surplus for the year	241.2	209.7	191.1	162.3
Adjustments for:				
Interest income	(26.0)	(10.5)	(24.8)	(11.0)
Nomination rights	(34.3)	(37.9)	(26.3)	(27.4)
Non-refundable building/capital levy	(44.5)	(39.5)	(26.7)	(23.2)
Finance lease interest expenses	0.2	0.2	0.2	0.2
Loss on disposals of fixed assets	3.6	5.3	2.0	3.6
Depreciation	208.7	190.0	185.3	166.4
Expense recognised under defined benefit retirement schemes	2.2	2.9	2.2	2.9
Transfer from previous years' scholarship fund and hardship allowance	-	(2.0)	-	-
	351.1	318.2	303.0	273.8
Changes in working capital:				
Decrease in inventories	-	0.1	-	-
Decrease/(increase) in rental and utility deposits	1.6	(1.7)	-	(0.4)
(Increase)/decrease in prepayments	(3.5)	-	(2.9)	0.4
(Increase)/decrease in loans to staff	(0.8)	1.2	(0.8)	0.6
Decrease in fees and other receivables	1.3	4.0	1.3	3.1
Increase in fees received in advance	10.0	5.1	4.7	6.5
Increase in net amount due to subsidiary	-	-	1.4	12.1
Increase in provision to meet staff conditions of service	5.6	4.1	5.0	1.9
Increase in accounts payables and accruals excluding capital creditors	5.6	18.7	20.9	36.0
Increase/(decrease) in scholarship fund and hardship allowance	3.8	3.0	(1.2)	(1.3)
Net cash generated from operating activities	374.7	352.7	331.4	332.7

11 Cash and cash equivalents (continued)

(c) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Group's and Foundation's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

The Group

	Refundable capital levy $'million (Note 18)	*Nomination rights received in advance* $'million (Note 22)	*Individual nomination rights* $'million (Note 22)	*Corporate nomination rights* $'million (Note 23)	*Non-refundable building levy* $'million (Note 20)	*Non-refundable capital levy* $'million (Note 21)	*Debenture* $'million (Note 19)	*Obligations under finance leases* $'million (Note 17)	*Total* $'million
At 1 September 2017									
As previously reported	198.0	5.4	-	22.9	39.9	141.4	11.7	1.5	420.8
Impact on initial application of HKFRS 15 (note 30)	-	-	212.7	-	-	-	-	-	212.7
Adjusted balance	198.0	5.4	212.7	22.9	39.9	141.4	11.7	1.5	633.5
Changes from financing cash flows:									
Decrease in refundable capital levy	(32.7)	-	-	-	-	-	-	-	(32.7)
Proceeds from issue of nomination rights	-	1.5	54.1	20.0	-	-	-	-	75.6
Proceeds from non-refundable building levy	-	-	-	-	20.3	-	-	-	20.3
Proceeds from non-refundable capital levy	-	-	-	-	-	59.9	-	-	59.9
Proceeds from issuance of debenture	-	-	-	-	-	-	0.3	-	0.3
Capital element of finance lease rentals paid	-	-	-	-	-	-	-	(0.7)	(0.7)
Interest element of finance lease rentals paid	-	-	-	-	-	-	-	(0.2)	(0.2)
Total changes from financing cash flows	(32.7)	1.5	54.1	20.0	20.3	59.9	0.3	(0.9)	122.5
Other changes:									
Individual nomination rights income	-	-	(36.6)	-	-	-	-	-	(36.6)
Amortisation of corporate nomination rights	-	-	-	(1.3)	-	-	-	-	(1.3)
Non-refundable building levy income	-	-	-	-	(16.3)	-	-	-	(16.3)
Non-refundable capital levy income	-	-	-	-	-	(23.2)	-	-	(23.2)
New finance leases	-	-	-	-	-	-	-	1.2	1.2
Finance charges on obligations under finance leases (note 3)	-	-	-	-	-	-	-	0.2	0.2
Total other changes	-	-	(36.6)	(1.3)	(16.3)	(23.2)	-	1.4	(76.0)
At 31 August 2018	165.3	6.9	230.2	41.6	43.9	178.1	12.0	2.0	680.0

11 Cash and cash equivalents (continued)

The Group

	Refundable capital levy $'million (Note 18)	*Nomination rights received in advance* $'million (Note 22)	*Individual nomination rights* $'million (Note 22)	*Corporate nomination rights* $'million (Note 23)	*Non-refundable building levy* $'million (Note 20)	*Non-refundable capital levy* $'million (Note 21)	*Debenture* $'million (Note 19)	*Obligations under finance leases* $'million (Note 17)	*Total* $'million
At 1 September 2018	165.3	6.9	230.2	41.6	43.9	178.1	12.0	2.0	680.0
Changes from financing cash flows:									
Decrease in refundable capital levy	(29.2)	-	-	-	-	-	-	-	(29.2)
Proceeds from issue of nomination rights	-	0.7	41.8	-	-	-	-	-	42.5
Proceeds from non-refundable building levy	-	-	-	-	21.0	-	-	-	21.0
Proceeds from non-refundable capital levy	-	-	-	-	-	59.5	-	-	59.5
Proceeds from issuance of debenture	-	-	-	-	-	-	0.6	-	0.6
Capital element of finance lease rentals paid	-	-	-	-	-	-	-	(0.8)	(0.8)
Interest element of finance lease rentals paid	-	-	-	-	-	-	-	(0.2)	(0.2)
Total changes from financing cash flows	(29.2)	0.7	41.8	-	21.0	59.5	0.6	(1.0)	93.4
Other changes:									
Individual nomination rights income	-	-	(32.5)	-	-	-	-	-	(32.5)
Amortisation of corporate nomination rights	-	-	-	(1.8)	-	-	-	-	(1.8)
Non-refundable building levy income	-	-	-	-	(17.8)	-	-	-	(17.8)
Non-refundable capital levy income	-	-	-	-	-	(26.7)	-	-	(26.7)
New finance leases	-	-	-	-	-	-	-	0.6	0.6
Finance charges on obligations under finance leases (note 3)	-	-	-	-	-	-	-	0.2	0.2
Total other changes	-	-	(32.5)	(1.8)	(17.8)	(26.7)	-	0.8	(78.0)
At 31 August 2019	136.1	7.6	239.5	39.8	47.1	210.9	12.6	1.8	695.4

11 Cash and cash equivalents (continued)

The Foundation

	Refundable capital levy $'million (Note 18)	*Nomination rights received in advance* $'million (Note 22)	*Individual nomination rights* $'million (Note 22)	*Corporate nomination rights* $'million (Note 23)	*Non-refundable capital levy* $'million (Note 21)	*Obligations under finance leases* $'million (Note 17)	*Total* $'million
At 1 September 2017							
As previously reported	198.0	4.9	-	22.9	141.4	1.5	368.7
Impact on initial application of HKFRS 15 (note 30)	-	-	146.1	-	-	-	146.1
	198.0	4.9	146.1	22.9	141.4	1.5	514.8
Changes from financing cash flows:							
Decrease in refundable capital levy	(32.7)	-	-	-	-	-	(32.7)
Proceeds from issue of nomination rights	-	1.7	38.8	20.0	-	-	60.5
Proceeds from non-refundable capital levy	-	-	-	-	59.9	-	59.9
Capital element of finance lease rentals paid	-	-	-	-	-	(0.7)	(0.7)
Interest element of finance lease rentals paid	-	-	-	-	-	(0.2)	(0.2)
Total changes from financing cash flows	(32.7)	1.7	38.8	20.0	59.9	(0.9)	86.8
Other changes:							
Individual nomination rights income	-	-	(26.1)	-	-	-	(26.1)
Amortisation of corporate nomination rights	-	-	-	(1.3)	-	-	(1.3)
Non-refundable capital levy income	-	-	-	-	(23.2)	-	(23.2)
New finance leases	-	-	-	-	-	1.2	1.2
Finance charges on obligations under finance leases (note 3)	-	-	-	-	-	0.2	0.2
Total other changes	-	-	(26.1)	(1.3)	(23.2)	1.4	(49.2)
At 31 August 2018	165.3	6.6	158.8	41.6	178.1	2.0	552.4

11 Cash and cash equivalents (continued)

The Foundation

	Refundable capital levy $'million (Note 18)	*Nomination rights received in advance* $'million (Note 22)	*Individual nomination rights* $'million (Note 22)	*Corporate nomination rights* $'million (Note 23)	*Non-refundable capital levy* $'million (Note 21)	*Obligations under finance leases* $'million (Note 17)	*Total* $'million
At 1 September 2018	165.3	6.6	158.8	41.6	178.1	2.0	552.4
Changes from financing cash flows:							
Decrease in refundable capital levy	(29.2)	-	-	-	-	-	(29.2)
Proceeds from issue of nomination rights	-	0.8	27.6	-	-	-	28.4
Proceeds from non-refundable capital levy	-	-	-	-	59.5	-	59.5
Capital element of finance lease rentals paid	-	-	-	-	-	(0.8)	(0.8)
Interest element of finance lease rentals paid	-	-	-	-	-	(0.2)	(0.2)
Total changes from financing cash flows	(29.2)	0.8	27.6	-	59.5	(1.0)	57.7
Other changes:							
Individual nomination rights income	-	-	(24.5)	-	-	-	(24.5)
Amortisation of corporate nomination rights	-	-	-	(1.8)	-	-	(1.8)
Non-refundable capital levy income	-	-	-	-	(26.7)	-	(26.7)
New finance leases	-	-	-	-	-	0.6	0.6
Finance charges on obligations under finance leases (note 3)	-	-	-	-	-	0.2	0.2
Total other changes	-	-	(24.5)	(1.8)	(26.7)	0.8	(52.2)
At 31 August 2019	136.1	7.4	161.9	39.8	210.9	1.8	557.9

12 Fees received in advance

Fees received in advance are contract liabilities in nature under HKFRS 15 and are recognised when non-refundable fee consideration is received before the Group recognises the related revenue (see note 28(d)). In cases where the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue, a corresponding receivable is also recognised.

Movements in fees received in advance were as follows:

	The Group $'million	*The Foundation* $'million
Balance at 1 September 2017		
As previously stated	175.8	75.8
Prior year adjustment (note 30)	(52.1)	(24.6)
As restated	123.7	51.2
Decrease as a result of recognising revenue during the year in respect of fees received in advance at the beginning of the period	(113.8)	(41.3)
Increase as a result of receipts in advance of service as at the year end date	118.9	47.8
Balance at 31 August 2018 and 1 September 2018	128.8	57.7
Decrease as a result of recognising revenue during the year in respect of fees received in advance at the beginning of the period	(117.7)	(46.7)
Increase as a result of receipts in advance of service as at the year end date	127.7	51.4
Balance at 31 August 2019	138.8	62.4

All fees received in advance will be recognised as revenue within one year from the end of the reporting period.

13 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.

13 Provision to meet staff conditions of service (continued)

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

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
At the beginning of the year	113.4	109.3	86.1	84.2
Provision for the year	281.1	273.0	209.4	201.5
Payments made during the year	(275.5)	(268.9)	(204.4)	(199.6)
At the end of the year	119.0	113.4	91.1	86.1

14 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.

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Accounts payable	36.6	22.6	29.3	12.6
Other accruals	48.3	50.6	35.6	38.9
Accruals for major repairs	93.1	102.6	93.1	102.6
Deferred income	79.9	84.7	123.0	112.1
Retention money	11.3	13.3	11.3	8.7
Deposits received	14.1	13.3	13.9	13.2
Other payables	8.3	9.5	7.2	8.6
	291.6	296.6	313.4	296.7

15 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.

15 Government grants (continued)

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	The Group 2019 $'million	The Group 2018 $'million	The Foundation 2019 $'million	The Foundation 2018 $'million
Basic grants	15(a)	221.3	237.9	221.3	237.9
Hardship allowance	16	5.9	6.2	5.9	6.2
Refund of rent and rates	15(b)	18.1	16.4	14.5	12.9
		245.3	260.5	241.7	257.0

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") are phasing out in 13 years starting from the 2016/17 school year until the 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 provided to each year group of the Foundation's mainstream schools. All existing students of the Foundation except Year 1 to Year 3 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 affects children entering Year 1 of the Foundation's schools in August 2016 and thereafter.

(a) *Basic grants*

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. The cumulative deduction in the basic grant resulting from the subvention phase-out amounted to $49.8 million as at 31 August 2019 (2018: $33.2 million).

(b) *Refund of rent and rates*

The Group and the Foundation also receive 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:

	Note	The Group 2019 $'million	The Group 2018 $'million	The Foundation 2019 $'million	The Foundation 2018 $'million
Gross rent and rates for the year		20.5	19.0	15.9	14.6
Less: Recovered or recoverable from the Government		(18.1)	(16.4)	(14.5)	(12.9)
	3	2.4	2.6	1.4	1.7

16 Scholarship fund and hardship allowance

(a) The Group

	Scholarship fund $'million	*Hardship allowance* $'million	*Total* $'million
At 1 September 2017			
As previously stated	5.1	45.1	50.2
Prior year adjustment (note 30)	1.9	0.3	2.2
As restated	7.0	45.4	52.4
Received from the Government	-	6.2	6.2
Provision for the year	39.9	9.1	49.0
Utilisation	(35.4)	(16.8)	(52.2)
Transfer	-	(2.0)	(2.0)
At 31 August 2018 and 1 September 2018	11.5	41.9	53.4
Received from the Government	-	5.9	5.9
Provision for the year	41.8	10.2	52.0
Utilisation	(35.8)	(18.3)	(54.1)
At 31 August 2019	17.5	39.7	57.2

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.

(b) The Foundation

	Hardship Allowance	
	2019 $'million	*2018* $'million
At the beginning of the year	30.1	31.4
Received from the Government	5.9	6.2
Provision for the year	2.4	1.6
	38.4	39.2
Utilisation	(9.5)	(9.1)
At the end of the year	28.9	30.1

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

16 Scholarship fund and hardship allowance (continued)

(c) Besides the basic grants detailed in note 15, the Government also provides an allowance for the relief of hardship based upon a percentage of the recurrent grant per class to the Foundation. In addition, starting from 1 September 2016, the Foundation sets aside 0.8% of tuition fees of non-subvented students as hardship allowance to support families who experience financial hardship due to a sudden and unexpected change in circumstances.

(d) 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 2019, Renaissance College and Discovery College have each set aside 10% (2018: 10%) of their respective tuition fees which consists of 8% (2018: 8%) for Renaissance College and 9% (2018: 9%) for Discovery College as scholarship fund and 2% (2018: 2%) for Renaissance College and 1% (2018: 1%) 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 $29.1 million (2018: $27.7 million (restated)) and $20.5 million (2018: $19.7 million (restated)) respectively.

17 Obligations under finance leases

At 31 August 2019, the Group and the Foundation had obligations under finance leases repayable as follows:

	The Group and the Foundation					
	2019			*2018*		
	Present value of the minimum lease payments $'million	*Interest expense relating to future periods* $'million	*Total minimum lease payments* $'million	*Present value of the minimum lease payments* $'million	*Interest expense relating to future periods* $'million	*Total minimum lease payments* $'million
Within one year	0.7	0.1	0.8	0.7	0.2	0.9
Between one and two years	0.5	0.1	0.6	0.5	0.1	0.6
Between two and five years	0.6	0.2	0.8	0.8	0.2	1.0
	1.1	0.3	1.4	1.3	0.3	1.6
	1.8	0.4	2.2	2.0	0.5	2.5

18 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 21), 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.

19 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.

20 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 (2018: $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 $7,120 (2018: $6,710) per annum for all students.

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

20 Non-refundable building levy (continued)

Movements in non-refundable building levy were as follows:

	The Group 2019 $'million	2018 $'million
At the beginning of the year	43.9	39.9
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the period	(7.7)	(6.6)
Increase as a result of receipts in advance of service during the year	10.9	10.6
At the end of the year	47.1	43.9
Less: to be recognised within one year	(6.2)	(5.4)
After one year	40.9	38.5

21 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 (2018: $38,000) for Year 1 entrants with pro-rated amounts set for Year 2 to Year 13 new entrants.

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

Movements in non-refundable capital levy were as follows:

	The Group and the Foundation 2019 $'million	2018 $'million
At the beginning of the year	178.1	141.4
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the period	(25.7)	(20.3)
Increase as a result of receipts in advance of service during the year	58.5	57.0
At the end of the year	210.9	178.1
Less: to be recognised within one year	(18.0)	(14.7)
After one year	192.9	163.4

22 Individual nomination rights

Accounting policy

Individual nomination rights are a means to gain priority on the waiting list and a school place subject to success of interview. The amount received is not refundable after the student accepts a school place offer.

In prior years' financial statements, the Group recognised deposits received in respect of individual nomination rights as receipts in advance and transferred them to income when offers were made. The Group recognised the remaining balance from the sale of individual nomination rights when the rights were exercised for the acceptance of school place offers, which is generally on receipt of cash.

As set out notes 28(b) and 30, as a result of the adoption of HKFRS 15, the Group has changed its accounting policy in respect of individual nomination rights and now recognises revenue in equal instalments over the student's expected school life or at the time when the student leaves the school(s) within the Group. Amounts received but not yet recognised as revenue are recorded as deferred income – individual nomination rights. This change in policy has been applied retrospectively and comparative figures have been restated in these financial statements.

Movements in individual nomination rights were as follows:

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
At the beginning of the year – as previously reported		-		-
Impact on initial application of HKFRS 15 (note 30)		212.7		146.1
At the beginning of the year - restated	230.2	212.7	158.8	146.1
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the period	(29.3)	(31.9)	(21.5)	(23.1)
Increase as a result of receipts in advance of service to be rendered as at the end of the period	38.6	49.4	24.6	35.8
At the end of the year	239.5	230.2	161.9	158.8
Less: to be recognised within one year	(27.9)	(32.9)	(19.4)	(24.6)
After one year	211.6	197.3	142.5	134.2

23 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 the amount to income for 20 years from the time when the holder of the CNR notifies the Group of the first nominee under the terms and conditions of the corporate nomination rights scheme.

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 the applicable redemption value unless the effect of discounting would be immaterial, in which case it is stated at cost with accumulated amortisation.

Movements in the corporate nomination rights were as follows:

	The Group and the Foundation	
	2019	*2018*
	$'million	$'million
At the beginning of the year	41.6	22.9
Issued	-	20.0
Less: Amortisation to statement of comprehensive income	(1.8)	(1.3)
At the end of the year	39.8	41.6
Less: Within one year or on demand	(1.7)	(1.8)
After one year	38.1	39.8

24 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

The Foundation has introduced individual and corporate nomination rights schemes and a non-refundable capital levy. The income from these is designated solely to finance redevelopment projects of the Foundation and hence is included in the capital fund. During the year, payments were made in respect of Island School redevelopment project.

24 Reserves (continued)

Renaissance College and Discovery College of the Group introduced non-refundable building levy and nomination rights. The income therefrom is designated solely to finance capital expenditure and hence is included in the capital fund.

During the year, the Group and the Foundation transferred $70.7 million (2018: $67.6 million (restated – note 30)) and $53.0 million (2018: $50.6 million (restated – note 30)), respectively, from capital fund to general reserve. The transfer represented the depreciation charge of capital projects funded by the capital fund.

(b) Building reserve

The reserves of the Group and the Foundation represent the excess of assets over liabilities and fixed assets are one of the major components. As part of the continuous improvement programme, the Group's reserves were reviewed. In addition to the capital fund, building reserve was created to set aside the sum spent or reserved for the expansion, maintaining or replacing buildings in order to facilitate financial management and understanding of the financial position.

During the year, the Group and the Foundation transferred $150.9 million (2018: $132.7 million (restated – note 30)) from general reserve to building reserve to reflect the sum spent or reserved. The available fund for future expansion, maintaining or replacing buildings is $622.9 million (2018: $384.9 million).

(c) Schools reserves

The Group's reserves include the accumulated surplus of individual schools of the Foundation which amounted to $214.1 million as at 31 August 2019 (2018: $190.8 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 2019, the respective School Councils have authorised or contracted for capital commitments of $50.3 million (2018: $64.2 million). The respective School Councils also reserve certain sums for major upgrades at schools.

During the year, $24.8 million (2018: $27.1 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.

(d) 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 tuition fee, 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.

25 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 fees 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.

25 Financial risk management and fair values (continued)

(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.

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

	The Group				*The Foundation*			
	2019		*2018*		*2019*		*2018*	
	Effective interest rate %	$'million	*Effective interest rate* %	$'million	*Effective interest rate* %	$'million	*Effective interest rate* %	$'million
Loan to subsidiary	-	-	-	-	4.64%	44.0	4.21%	51.0
Finance lease liabilities	4.60%	(1.8)	4.80%	(2.0)	4.60%	(1.8)	4.80%	(2.0)
Deposits with original maturities greater than three months	2.21%	942.3	2.24%	718.8	2.22%	938.6	2.37%	623.9
Restricted cash	0.01%	2.7	0.01%	2.7	-	-	-	-
Cash and cash equivalents	0.91%	416.9	0.66%	313.7	0.84%	197.6	0.87%	237.9
		1,360.1		1,033.2		1,178.4		910.8

25 Financial risk management and fair values (continued)

(ii) Sensitivity analysis

At 31 August 2019, it is estimated that a general increase/decrease of 100 basis points (2018: 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 $13.6 million (2018: $10.3 million). Other components of reserves would not be affected (2018: 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 2018.

(d) Currency risk

The Group operates in Hong Kong and has 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.

26 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 2019 not provided for in these financial statements were as follows:

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Contracted for	949.5	58.8	949.2	56.3
Authorised but not contracted for	299.5	1,227.9	298.0	1,221.2
	1,249.0	1,286.7	1,247.2	1,277.5

26 Commitments (continued)

(b) At 31 August 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Leased properties				
Within one year	25.6	23.3	10.5	10.5
Between one and five years	39.9	46.6	6.6	17.1
Over five years	5.2	7.9	-	-
	70.7	77.8	17.1	27.6

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Leased equipment				
Within one year	0.7	0.7	0.7	0.7
Between one and five years	-	0.7	-	0.7
	0.7	1.4	0.7	1.4

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 is 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.

27 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.

27 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:

	2019 $'million	*2018* $'million
Salaries, allowances and benefits in kind	23.7	22.1
Retirement costs	0.2	0.2
	23.9	22.3

28 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 2019 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.

28 Other significant accounting policies (continued)

(b) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items and introduces the expected credit loss model to replace the incurred loss model under HKAS 39.

There is no material impact on the Group's financial statements arising upon the adoption of HKFRS 9.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Further details of the nature and effect of the changes arising from the adoption of HKFRS 15 on the Group's previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was generally recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

28 Other significant accounting policies (continued)

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue relating to tuition fees, or any other revenue, except that the timing of revenue recognition of the Group's individual nomination rights has been affected.

In prior years' financial statements, the Group recognised deposits received in respect of individual nomination rights as receipts in advance and transferred them to income when offers were made. The Group recognised the remaining balance from the sale of individual nomination rights when the rights were exercised for the acceptance of school place offers, which is generally on receipt of cash.

As a result of HKFRS 15, the Group has changed its accounting policy in respect of individual nomination rights and now recognises these in equal instalments over the student's expected school life or at the time when the student leaves the school(s) within the Group. Amounts received but not yet recognized as revenue are recorded as deferred income – individual nomination rights. This change in policy has been applied retrospectively and comparative figures have been restated in these financial statements.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 28(d)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. The Group presents contract liabilities as fees received in advance and deferred income in the statement of financial position. At 1 September 2018 and 31 August 2019, the Group did not have any material contract assets.

The Group has elected to use the retrospective method upon transition to HKFRS 15 and has applied HKFRS 15 retrospectively to each of the prior reporting periods presented in these consolidated financial statements. Therefore, comparative information has been restated to be reported under HKFRS 15. Refer to note 30 for more details.

(c) Basis of preparation of the financial statements

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

28 Other significant accounting policies (continued)

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

(d) Income recognition

The Group classifies income as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group recognises revenue when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Tuition fees

For an academic year which ends within the financial year, the Group recognises tuition fees when an education service is provided.

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

(ii) Programme income

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

(iii) Application fee income

The Group recognises application fee income when a registration service is provided.

(iv) 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.

28 Other significant accounting policies (continued)

(v) 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.

(vi) Interest income

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

(vii) Resale income

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

(e) Impairment of assets

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

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

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

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

(f) Leased assets

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.

28 Other significant accounting policies (continued)

(i) Assets acquired under finance leases

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

The Group charges depreciation at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 5. The Group accounts for impairment losses in accordance with the accounting policy as set out in note 28(e).

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

(ii) Operating lease charges

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

(g) Inventories

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

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

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

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

(h) Provisions and contingent liabilities

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

28 Other significant accounting policies (continued)

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

(i) Functional and presentation currency

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

29 Accounting estimates and judgements

Notes 6 and 25 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.

(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 the reporting period.

30 Comparative figures

The comparative information presented in the Group's consolidated financial statements for the year ended 31 August 2018 has been restated to reflect (i) adjustments arising from the transition to HKFRS 15 and (ii) an adjustment in recognising tuition fees at the Group's year end.

(a) Transition to HKFRS 15

As set out in note 28(b)(ii), revenue from individual nomination rights (INR) was previously recognised upon the offer and/or acceptance of school places. Following the adoption of HKFRS 15, such revenue is now recognised over the student's expected school life. As permitted by HKFRS 15, this change in accounting policy has been applied retrospectively.

(b) Time apportionment of tuition fees

The Group's financial year starts on 1 September while its academic year starts in August. Previously, fees relating to education services provided in August were deferred and recognised in September in order to align the Group's academic year with its financial year, and as management considered that the year on year impact of this timing difference was not material.

In view of the increasing number of school days in August and in conjunction with the Group's transition to HKFRS 15, the Group has revisited its previous practice and decided to recognise school fees according to the actual month in which the services are provided. The Group has restated the information relating to the year ended 31 August 2018 to reflect this change.

30 Comparative figures (continued)

(i) Effect on the statement of financial position as at 31 August 2018

The Group

	As previously reported $'million	*Impact on initial application of HKFRS 15 – INR* $'million	*Impact on adjustment on tuition fees income* $'million	*As restated* $'million
Non-current assets	2,037.7	-	-	2,037.7
Fees and other receivables	2.4	-	43.4	45.8
Other current assets	1,072.2	-	-	1,072.2
Current assets	1,074.6	-	43.4	1,118.0
Fees received in advance	196.8	-	(68.0)	128.8
Scholarship fund and hardship allowance	50.8	-	2.6	53.4
Deferred income				
- Individual nomination rights	-	32.9	-	32.9
Other current liabilities	464.4	-	-	464.4
Current liabilities	712.0	32.9	(65.4)	679.5
Total assets less current liabilities	2,400.3	(32.9)	108.8	2,476.2

	As previously reported $'million	*Impact on initial application of HKFRS 15 – INR* $'million	*Impact on adjustment on tuition fees income* $'million	*As restated* $'million
Deferred income				
- Individual nomination rights	-	197.3	-	197.3
Other long-term liabilities	395.4	-	-	395.4
Non-current liabilities	395.4	197.3	-	592.7
Net assets	2,004.9	(230.2)	108.8	1,883.5
General reserve	286.0	-	29.5	315.5
Capital fund	254.3	(194.1)	-	60.2
Building reserve	1,273.8	(36.1)	79.3	1,317.0
Schools reserves	190.8	-	-	190.8
Reserves	2,004.9	(230.2)	108.8	1,883.5

30 Comparative figures (continued)

The Foundation

	As previously reported $'million	*Impact on initial application of HKFRS 15 – INR* $'million	*Impact on adjustment on tuition fees income* $'million	*As restated* $'million
Non-current assets	1,883.1	-	-	1,883.1
Fees and other receivables	1.3	-	43.4	44.7
Other current assets	889.1	-	-	889.1
Current assets	890.4	-	43.4	933.8
Fees received in advance	93.6	-	(35.9)	57.7
Deferred income				
- Individual nomination rights	-	24.6	-	24.6
Other current liabilities	454.8	-	-	454.8
Current liabilities	548.4	24.6	(35.9)	537.1
Total assets less current liabilities	2,225.1	(24.6)	79.3	2,279.8
Deferred income				
- Individual nomination rights	-	134.2	-	134.2
Other long-term liabilities	351.7	-	-	351.7
Non-current liabilities	351.7	134.2	-	485.9
Net assets	1,873.4	(158.8)	79.3	1,793.9
General reserve	286.1	-	-	286.1
Capital fund	122.7	(122.7)	-	-
Building reserve	1,273.8	(36.1)	79.3	1,317.0
Schools reserves	190.8	-	-	190.8
Reserves	1,873.4	(158.8)	79.3	1,793.9

30 Comparative figures (continued)

(ii) Effect on the comprehensive income for the year ended 31 August 2018

The Group

	As previously reported $'million	*Impact on initial application of HKFRS 15 – INR* $'million	*Impact on adjustment on tuition fees income* $'million	*As restated* $'million
Tuition fees	2,015.0	-	13.5	2,028.5
Individual nomination rights	54.1	(17.5)	-	36.6
Other income	496.5	-	-	496.5
Total income	2,565.6	(17.5)	13.5	2,561.6
Scholarship fund and hardship allowance	48.6	-	0.4	49.0
Other expenses	2,302.9	-	-	2,302.9
Total expenses	2,351.5	-	0.4	2,351.9
Surplus for the year	214.1	(17.5)	13.1	209.7
Total comprehensive income for the year	222.4	(17.5)	13.1	218.0

The Foundation

	As previously reported $'million	*Impact on initial application of HKFRS 15 – INR* $'million	*Impact on adjustment on tuition fees income* $'million	*As restated* $'million
Tuition fees	1,427.6	-	8.9	1,436.5
Individual nomination rights	38.8	(12.7)	-	26.1
Other income	416.2	-	-	416.2
Total income	1,882.6	(12.7)	8.9	1,878.8
Total expenses	1,716.5	-	-	1,716.5
Surplus for the year	166.1	(12.7)	8.9	162.3
Total comprehensive income for the year	174.4	(12.7)	8.9	170.6

31 Disaggregation of income

Disaggregation of the Group's income is as follows:

	The Group		*The Foundation*	
	2019	*2018*	*2019*	*2018*
	$'million	$'million	$'million	$'million
Revenue from contracts with customers within the scope of HKFRS 15				
Recognised at a point in time				
– Application fee income	12.5	12.8	8.7	9.6
– Miscellaneous income	16.8	14.0	8.1	3.4
	29.3	26.8	16.8	13.0
Recognised over time				
– Tuition fees	2,148.1	2,028.5	1,528.0	1,436.5
– Programme income	66.3	69.1	-	-
– Income from subsidiary	-	-	25.2	21.7
– Individual nomination rights	32.5	36.6	24.5	26.1
– Corporate nomination rights	1.8	1.3	1.8	1.3
– Non-refundable building levy	17.8	16.3	-	-
– Non-refundable capital levy	26.7	23.2	26.7	23.2
	2,293.2	2,175.0	1,606.2	1,508.8
Revenue from other sources				
– Government grants	221.3	237.9	221.3	237.9
– Rental income	110.6	99.1	109.2	99.3
– Donations	9.6	10.3	8.1	8.8
– Interest income	26.0	10.5	24.8	11.0
– Transfer from previous year's scholarship fund and hardship allowance surplus	-	2.0	-	-
	367.5	359.8	363.4	357.0
	2,690.0	2,561.6	1,986.4	1,878.8

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

Up to the date of approval of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 August 2019 and which have not been adopted in these financial statements. These include the following which is relevant to the Group.

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

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019

HKFRS 16, *Leases*

As disclosed in note 28(f), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

Once HKFRS 16 is adopted, the Group will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the Group will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting.The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. As disclosed in note 26(b), at 31 August 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to $70.7 million and $0.7 million for properties and equipment respectively, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is not expected to impact significantly on the way that the Group accounts for its rights and obligations under a lease when it is the lessor under the lease.

KPMG

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

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

Opinion

We have audited the consolidated financial statements of The English Schools Foundation (the "Foundation") and its subsidiary (together the "Group") set out on pages 4 to 63, which comprise the consolidated and Foundation statements of financial position as at 31 August 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and the Foundation as at 31 August 2019 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The Board of Governors of the Foundation is responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Responsibilities of the Board of Governors for the consolidated financial statements

The Board of Governors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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.

In preparing the consolidated financial statements, the Board of Governors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

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 responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.

- Conclude on the appropriateness of the Board of Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

09 DEC 2019