KPMG

The English Schools Foundation
英基學校協會

Consolidated Financial Statements
for the year ended 31 August 2022

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 2022.

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 subsidiaries ("the Group") is to own, manage, administer and operate schools to provide a modern liberal education through the medium of English language. In note 7, the Group sets out the principal activities and other particulars of the Foundation's subsidiaries.

Financial statements

The surplus of the Group for the year ended 31 August 2022 and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 4 to 57.

Transfer to reserves

The Group has transferred the surplus for the year of HK$209.4 million (2021: HK$334.3 million) to reserves.

At 31 August 2022, the Group's reserves amounted to HK$2,828.1 million (2021: HK$2,630.5 million), being the excess of assets over liabilities. The Group sets out details of the reserves in note 28 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, other properties leased for own use, construction in progress and investment properties. At 31 August 2022, the net book value of the fixed assets was HK$2,369.3 million (2021: HK$2,123.0 million) and the depreciation charge for the year then ended was HK$241.0 million (2021: HK$246.1 million); see note 6 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:

Kim Mak (Chairman)	
Neville Shroff (Vice-chairman)	(elected as Vice-chairman by members of the Board on 13 December 2021)
Peter Burnett (Treasurer)	(elected as Treasurer by members of the Board on 23 May 2022)
Andrew Nowak-Solinski	
Anne Choi	
Benny Ng	
Chris Sammons	
Denise Kee	
Erin Miller	
Fatema Jangbarwala	
George Tibbetts	
Gregory Lo	
Jodie Coutts	
Katie Phillips	
Mary Schaus	
Nick Phillips	
Pingyang Gao	
Stephen Weatherseed	
Ambra Debernardi	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 4 October 2021)
Corinne Remedios	(nominated by the Nominating Committee on 17 September 2022)
Vindya Bhat	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 2 November 2022)
Mervyn Jacob	(nominated by the Nominating Committee on 25 April 2022)
Tim Blackburn	(nominated by the Nominating Committee on 16 December 2021)
Megan McCoy	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College from among the parents of students with special educational needs on 14 February 2022)
George Sobek	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 2 November 2022)
Alec Tong	(resigned on 14 February 2022)
Dayna Lim Cheung	(retired on 10 October 2021)
Francis Carroll	(elected by parents of students of schools of the Foundation, Renaissance College and Discovery College on 4 October 2021 and resigned on 23 May 2022)
Paul Varty (Vice-chairman)	(retired on 13 December 2021)
Samuel Houston (Treasurer)	(retired on 23 May 2022)
Shareen Hellen	(retired on 26 November 2022)
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,

05 DEC 2022

Statement of comprehensive income for the year ended 31 August 2022

(Expressed in Hong Kong dollars)

	Note	*The Group* 2022 $'million	*The Group* 2021 $'million	*The Foundation* 2022 $'million	*The Foundation* 2021 $'million
Income	2				
Operating income		2,563.8	2,551.9	1,956.6	1,883.8
Gain on disposal of investment properties		75.9	172.2	75.9	172.2
Non-operating income		129.9	124.6	90.6	84.9
		2,769.6	2,848.7	2,123.1	2,140.9
Expenditure					
Staff expenses					
Basic salaries					
- Professional		1,054.1	1,038.9	769.9	764.4
- Other staff		378.2	358.8	289.5	268.2
Gratuities and allowances		431.4	433.5	311.6	316.8
Accommodation		28.0	30.3	28.0	30.3
Medical expenses		71.6	73.2	53.7	55.2
Passage		2.4	2.5	1.7	1.9
	3(a)	1,965.7	1,937.2	1,454.4	1,436.8
Other expenses					
Depreciation on schools and offices		239.0	244.5	198.1	202.0
Repairs and maintenance		101.6	94.6	90.7	81.3
Other operating expenses	4	192.8	156.3	131.7	102.8
Scholarship fund and hardship allowance	21	57.3	55.7	5.6	4.7
		590.7	551.1	426.1	390.8
Total expenses		2,556.4	2,488.3	1,880.5	1,827.6
Surplus before income tax		213.2	360.4	242.6	313.3
Less: income tax	5	(3.8)	(26.1)	(3.8)	(26.1)
Surplus for the year	3	209.4	334.3	238.8	287.2

Statement of comprehensive income for the year ended 31 August 2022 (continued)
(Expressed in Hong Kong dollars)

		The Group		*The Foundation*	
	Note	*2022* $'million	*2021* $'million	*2022* $'million	*2021* $'million
Surplus for the year		209.4	334.3	238.8	287.2
Other comprehensive income for the year					
Item that will not be reclassified to surplus or deficit:					
Remeasurement of net defined benefit scheme assets	9(b)(v)	(11.8)	13.6	(11.8)	13.6
Total comprehensive income for the year		197.6	347.9	227.0	300.8
Represented by:					
Operating surplus		67.7	223.3	136.4	215.9
Capital fund surplus		129.9	124.6	90.6	84.9
		197.6	347.9	227.0	300.8

The notes on pages 10 to 57 form part of these financial statements.

Statement of financial position as at 31 August 2022

(Expressed in Hong Kong dollars)

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Non-current assets					
Fixed assets	6				
- Investment properties		34.4	42.8	34.4	42.8
- Other properties, plant and equipment		2,334.9	2,080.2	2,079.6	1,833.9
		2,369.3	2,123.0	2,114.0	1,876.7
Investment in subsidiary	7	-	-	549.1	473.0
Financial assets at fair value through profit or loss	8	467.1	443.4	-	-
Prepayment		-	15.6	-	-
Defined benefit retirement scheme	9	40.9	54.5	40.9	54.5
Loan to subsidiary	7	-	-	7.5	14.9
		2,877.3	2,636.5	2,711.5	2,419.1
Current assets	10				
Non-current assets held for sale	11	-	0.1	-	0.1
Inventories		0.6	1.0	-	-
Rental, utility deposits		14.4	14.9	9.1	9.2
Prepayments		27.9	27.1	20.6	18.0
Loans to staff		5.3	4.5	3.0	2.8
Fees and other receivables	12	24.4	21.0	19.9	20.0
Government grants receivable		275.4	-	275.4	-
Amount due from subsidiaries	7	-	-	3.8	13.0
Loan to subsidiary	7	-	-	8.2	8.9
Restricted cash	13	3.1	3.9	-	-
Deposits with original maturities over three months		733.6	995.2	700.4	947.3
Cash and cash equivalents	14	507.7	503.0	161.2	151.8
		1,592.4	1,570.7	1,201.6	1,171.1
Current liabilities	10				
Fees received in advance	15	167.6	180.3	81.8	88.1
Nomination rights received in advance	16	7.4	7.2	6.9	6.9
Provision to meet staff conditions of service	17	124.3	133.5	97.6	105.7
Accounts payables and accruals	18	462.9	361.0	489.8	379.1
Tax payable	19	29.9	26.1	29.9	26.1
Scholarship fund and hardship allowance	21	62.7	60.0	37.4	40.6
Lease liabilities	22	23.7	23.6	10.4	10.3
Refundable capital levy	23	11.3	12.1	11.3	12.1
Debenture	24	53.8	48.4	-	-
Deferred income					
- Non-refundable building levy	25	7.3	6.9	-	-
- Non-refundable capital levy	26	28.5	25.0	28.5	25.0
- Individual nomination rights	16	30.0	28.3	20.3	18.8
- Corporate nomination rights	27	1.8	1.7	1.8	1.7
		1,011.2	914.1	815.7	714.4
Net current assets		581.2	656.6	385.9	456.7
Total assets less current liabilities		3,458.5	3,293.1	3,097.4	2,875.8

Statement of financial position as at 31 August 2022 (continued)

(Expressed in Hong Kong dollars)

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Non-current liabilities					
Lease liabilities	22	18.8	42.3	6.2	16.5
Refundable capital levy	23	47.7	68.0	47.7	68.0
Debenture	24	41.4	57.3	-	-
Deferred income					
- Non-refundable building levy	25	43.6	42.7	-	-
- Non-refundable capital levy	26	247.8	233.7	247.8	233.7
- Individual nomination rights	16	198.3	184.0	129.2	116.3
- Corporate nomination rights	27	32.8	34.6	32.8	34.6
		630.4	662.6	463.7	469.1
NET ASSETS		2,828.1	2,630.5	2,633.7	2,406.7
RESERVES	28				
General reserve		388.3	427.3	313.5	304.6
Capital fund		190.0	135.8	70.4	34.7
Investment fund		549.1	473.0	549.1	473.0
Building reserve		1,449.3	1,373.4	1,449.3	1,373.4
Schools reserves		251.4	221.0	251.4	221.0
		2,828.1	2,630.5	2,633.7	2,406.7

Approved and authorised for issue by the Board of Governors on 0 5 DEC 2022

P.W. Barnett

) Members of the Board of Governors

The notes on pages 10 to 57 form part of these financial statements.

Statement of changes in reserves for the year ended 31 August 2022
(Expressed in Hong Kong dollars)

The Group

	General reserve $'million	Capital fund (note 28(a)) $'million	Investment fund (note 28(b)) $'million	Building reserve (note 28(c)) $'million	Schools reserves (note 28(d)) $'million	Total $'million
At 1 September 2020	407.0	91.8	-	1,551.9	231.9	2,282.6
Surplus for the year	196.0	124.6	-	-	13.7	334.3
Transfers	(189.3)	(80.6)	473.0	(178.5)	(24.6)	-
Other comprehensive income	13.6	-	-	-	-	13.6
Total comprehensive income	20.3	44.0	473.0	(178.5)	(10.9)	347.9
At 31 August 2021 and 1 September 2021	427.3	135.8	473.0	1,373.4	221.0	2,630.5
Surplus for the year	32.5	129.9	-	-	47.0	209.4
Transfers	(59.7)	(75.7)	76.1	75.9	(16.6)	-
Other comprehensive income	(11.8)	-	-	-	-	(11.8)
Total comprehensive income	(39.0)	54.2	76.1	75.9	30.4	197.6
At 31 August 2022	388.3	190.0	549.1	1,449.3	251.4	2,828.1

The Foundation

	General reserve $'million	Capital fund (note 28(a)) $'million	Investment fund (note 28(b)) $'million	Building reserve (note 28(c)) $'million	Schools reserves (note 28(d)) $'million	Total $'million
At 1 September 2020	312.8	9.3	-	1,551.9	231.9	2,105.9
Surplus for the year	188.6	84.9	-	-	13.7	287.2
Transfers	(210.4)	(59.5)	473.0	(178.5)	(24.6)	-
Other comprehensive income	13.6	-	-	-	-	13.6
Total comprehensive income	(8.2)	25.4	473.0	(178.5)	(10.9)	300.8
At 31 August 2021 and 1 September 2021	304.6	34.7	473.0	1,373.4	221.0	2,406.7
Surplus for the year	101.2	90.6	-	-	47.0	238.8
Transfers	(80.5)	(54.9)	76.1	75.9	(16.6)	-
Other comprehensive income	(11.8)	-	-	-	-	(11.8)
Total comprehensive income	8.9	35.7	76.1	75.9	30.4	227.0
At 31 August 2022	313.5	70.4	549.1	1,449.3	251.4	2,633.7

The notes on pages 10 to 57 form part of these financial statements.

Cash flow statement for the year ended 31 August 2022

(Expressed in Hong Kong dollars)

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Operating activities					
Net cash generated from operating activities	14(b)	268.3	319.1	251.8	291.8
Investing activities					
Payments for the purchase of fixed assets less capital creditors		(627.9)	(307.7)	(592.0)	(287.5)
Proceeds from sale of investment properties		76.5	173.0	76.5	173.0
Decrease/(increase) in bank deposits with original maturities over three months		261.6	(125.9)	246.9	(90.7)
Government grants received		-	31.9	-	31.9
Decrease/(increase) in deposits pledged with bank		0.8	(1.0)	-	-
Interest received		6.2	8.5	5.3	8.1
Investment in subsidiary		-	-	(76.1)	(473.0)
Payment for purchase of financial assets		(156.4)	(446.4)	-	-
Prepayment for purchase of financial assets		-	(15.6)	-	-
Proceeds from sale of financial assets		69.3	23.3	-	-
Repayment from subsidiary		-	-	8.1	12.9
Net cash used in investing activities		(369.9)	(659.9)	(331.3)	(625.3)
Financing activities					
Decrease in refundable capital levy	14(c)	(21.1)	(28.0)	(21.1)	(28.0)
Proceeds from issue of nomination rights	14(c)	23.2	26.8	43.3	11.9
Proceeds from non-refundable building levy	14(c)	24.5	24.2	-	-
Proceeds from non-refundable capital levy	14(c)	77.6	70.6	77.6	70.6
Proceeds from issuance of debenture	14(c)	34.8	59.0	-	-
Refund of debenture	14(c)	(7.3)	(17.2)	-	-
Capital element of lease rentals paid	14(c)	(23.6)	(25.8)	(10.4)	(11.0)
Interest element of lease rentals paid	14(c)	(1.8)	(1.9)	(0.5)	(0.5)
Net cash generated from financing activities		106.3	107.7	88.9	43.0
Net increase/(decrease) in cash and cash equivalents		4.7	(233.1)	9.4	(290.5)
Cash and cash equivalents at the beginning of the year		503.0	736.1	151.8	442.3
Cash and cash equivalents at the end of the year	14(a)	507.7	503.0	161.2	151.8

The notes on pages 10 to 57 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 two controlled subsidiaries, ESF Educational Services Limited ("ESL") and ESF Investments Limited ("ESFI") (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 subsidiaries are set out in note 7 to the financial statements.

2 Income

Accounting policy

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

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.

2 Income (continued)

(ii) Programme income

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

(iii) 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.

(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.

(viii) Fair value change of financial assets

For an explanation of the Group's accounting policy for financial assets at fair value through profit and loss and an explanation of how the Group determines the fair value of financial assets, see notes 8 and 29(f) respectively.

2 Income (continued)

	The Group		*The Foundation*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
Operating income				
Revenue from contracts with customers within the scope of HKFRS 15				
Recognised at a point in time				
- Application fee income	12.4	13.1	9.1	9.6
- Miscellaneous income	27.5	23.5	6.9	6.8
	39.9	36.6	16.0	16.4
Recognised over time				
- Tuition fees	2,304.3	2,236.2	1,648.9	1,597.5
- COVID-19 related relief grant to parents	(26.6)	(97.3)	(19.4)	(70.8)
- Programme income	46.7	41.8	-	-
- Income from subsidiary	-	-	32.9	33.8
	2,324.4	2,180.7	1,662.4	1,560.5
Revenue from other sources				
- Government grants	175.0	190.9	173.6	189.8
- Rental income	89.5	91.1	92.6	95.8
- Donations	8.0	7.4	6.7	13.2
- Interest income	6.2	8.5	5.3	8.1
- Net movement in realised (losses)/gains on financial assets at fair value through profit or loss	(10.9)	1.5	-	-
- Net movement in unrealised (losses)/gains on financial assets at fair value through profit or loss	(68.3)	18.7	-	-
- Transfer from previous year's scholarship fund and hardship allowance surplus	-	16.5	-	-
	199.5	334.6	278.2	306.9
Total operating income	2,563.8	2,551.9	1,956.6	1,883.8
Gain on disposal of investment properties				
Gain on contracts with customers within the scope of HKFRS 15 recognised at a point in time	75.9	172.2	75.9	172.2
Non-operating income				
Revenue from contracts with customers within the scope of HKFRS 15 recognised over time				
- Individual nomination rights	45.0	55.9	28.9	38.6
- Corporate nomination rights	1.7	1.8	1.7	1.8
- Non-refundable building levy	23.2	22.4	-	-
- Non-refundable capital levy	60.0	44.5	60.0	44.5
Total non-operating income	129.9	124.6	90.6	84.9

3 Surplus for the year

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

(a) *Staff costs*

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Contribution to defined contribution retirement schemes		39.0	39.4	28.6	29.2
Net defined benefit retirement scheme expenses	9(b)(v)	1.8	2.4	1.8	2.4
Retirement costs		40.8	41.8	30.4	31.6
Salaries, wages and other benefits		1,963.7	1,962.2	1,447.7	1,455.9
Subsidies provided by Government (Note)	20	(38.8)	(66.8)	(23.7)	(50.7)
		1,965.7	1,937.2	1,454.4	1,436.8

Note: In 2020 and 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

(b) *Other items*

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Gross rental income from investment properties		(51.5)	(56.1)	(51.5)	(56.1)
Direct rental outgoings in respect of:					
- investment properties under operating leases		26.0	28.2	26.0	28.2
- vacant investment properties		1.9	3.3	1.9	3.3
Depreciation	6				
- owned property, plant and equipment		216.4	219.2	189.6	192.8
- right-of-use assets		24.6	26.9	10.5	10.8
Loss on disposals of other properties, plant and equipment		0.1	1.3	0.1	1.2
Gain on disposal of investment properties		(75.9)	(172.2)	(75.9)	(172.2)

4 Other operating expenses

	Note	The Group 2022 $'million	The Group 2021 $'million	The Foundation 2022 $'million	The Foundation 2021 $'million
Audit fees		1.3	1.3	0.9	0.9
Cost of goods sold		0.8	1.1	-	-
Interest on lease liabilities		1.8	1.9	0.5	0.5
Investment expenses		2.4	1.4	-	-
Impairment loss/(reversal) of fees and other receivables		0.6	(1.0)	0.3	(1.6)
Information technology expenses		25.1	28.3	17.9	18.8
Insurance		9.6	8.6	6.6	5.9
Legal and professional fees		13.3	7.7	11.9	6.7
Library		2.6	2.5	1.2	1.1
Net government rent and rates	20(b)	1.3	1.4	0.5	0.6
Professional development and training		20.1	14.8	17.7	12.7
Property rentals:					
- minimum lease payments		0.9	0.7	0.7	0.4
- contingent rentals		0.5	0.2	-	-
Property management fee		4.1	4.0	2.0	2.0
Public relations and marketing expenses		6.4	5.6	3.5	3.4
Printing and stationery		4.5	4.0	3.6	3.1
Recruitment expenses		5.8	3.6	4.7	2.9
Teaching resources and materials		29.3	26.5	18.8	17.3
Utilities		28.5	22.9	20.5	15.4
General expenses		33.9	20.8	20.4	12.7
		192.8	156.3	131.7	102.8

5 Taxation

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

Based on the tax guide for charitable institutions and trusts of a public character issued by the Inland Revenue Department and recent market developments, the Foundation made a profits tax provision of $3.8 million on rental income earned from investment properties for the reporting period (2021: $26.1 million for the period from 1 September 2014 to 31 August 2021) (see note 19) at the Hong Kong Profits Tax rate of 16.5%.

ESFI has not made provision for Hong Kong Profits Tax as ESFI did not have assessable profits subject to Hong Kong Profits Tax.

6 Fixed assets

Accounting policy

(i) Group owned property, plant and equipment

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.

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.

6 Fixed assets (continued)

(ii) Leased assets

(a) As a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to the statement of comprehensive income in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses following the Group's policy relating to owned assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

6 Fixed assets (continued)

(b) As a lessor

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(iv).

(iii) Subsequent measurement

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 10 years
- Computer equipment	3 - 5 years
- Furniture and other equipment	5 - 10 years
- Other properties leased for own use	Over the unexpired term of the lease

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.

6 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	Other properties leased for own use $'million Note 6(g)	Construction in progress $'million	Sub-total $'million	Investment properties $'million	Total $'million
Cost:												
At 1 September 2021	2,456.7	734.7	97.3	150.2	547.5	97.6	85.8	105.1	443.0	4,717.9	251.2	4,969.1
Additions	36.6	7.3	5.1	1.3	33.6	3.5	1.9	-	671.7	761.0	0.5	761.5
Transfers of construction in progress	908.4	-	-	0.5	121.1	-	-	-	(1,030.0)	0.0	-	-
Disposals/adjustments*	(3.1)	-	-	(97.9)	(29.1)	(0.4)	(2.6)	(27.1)	-	(160.2)	-	(160.2)
At 31 August 2022	3,398.6	742.0	102.4	54.1	673.1	100.7	85.1	78.0	84.7	5,318.7	251.7	5,570.4
Government grants:												
At 1 September 2021	(270.9)	(328.7)	(45.5)	-	-	-	-	-	-	(645.1)	-	(645.1)
Additions	(273.0)	-	-	-	-	-	-	-	-	(273.0)	-	(273.0)
At 31 August 2022	(543.9)	(328.7)	(45.5)	-	-	-	-	-	-	(918.1)	-	(918.1)
Accumulated depreciation:												
At 1 September 2021	(1,159.9)	(135.2)	(33.5)	(123.0)	(372.9)	(65.4)	(60.6)	(42.1)	-	(1,992.6)	(208.4)	(2,201.0)
Charge for the year**	(98.6)	(13.3)	(2.1)	(21.6)	(55.0)	(11.5)	(6.8)	(23.2)	-	(232.1)	(8.9)	(241.0)
Write-back on disposals	2.2	-	-	97.9	28.8	0.4	2.6	27.1	-	159.0	-	159.0
At 31 August 2022	(1,256.3)	(148.5)	(35.6)	(46.7)	(399.1)	(76.5)	(64.8)	(38.2)	-	(2,065.7)	(217.3)	(2,283.0)
Net book value:												
At 31 August 2022	1,598.4	264.8	21.3	7.4	274.0	24.2	20.3	39.8	84.7	2,334.9	34.4	2,369.3

6 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	Other properties leased for own use $'million Note 6(g)	Construction in progress $'million	Sub-total $'million	Investment properties $'million	Total $'million
Cost:												
At 1 September 2020	2,406.4	723.6	92.6	151.3	519.7	117.7	84.1	61.6	216.2	4,373.2	261.0	4,634.2
Additions	40.0	3.4	5.1	2.0	30.1	6.6	4.6	45.8	263.6	401.2	0.1	401.3
Transfers of construction in progress	19.1	7.7	-	-	9.8	-	-	-	(36.6)	(-)	-	-
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	(3.1)	(3.1)
Disposals/adjustments*	(8.8)	-	(0.4)	(3.1)	(12.1)	(26.7)	(2.9)	(2.3)	(0.2)	(56.5)	(6.8)	(63.3)
At 31 August 2021	2,456.7	734.7	97.3	150.2	547.5	97.6	85.8	105.1	443.0	4,717.9	251.2	4,969.1
Government grants:												
At 1 September 2020	(267.2)	(328.7)	(45.5)	-	-	-	-	-	-	(641.4)	-	(641.4)
Additions	(3.7)	-	-	-	-	-	-	-	-	(3.7)	-	(3.7)
At 31 August 2021	(270.9)	(328.7)	(45.5)	-	-	-	-	-	-	(645.1)	-	(645.1)
Accumulated depreciation:												
At 1 September 2020	(1,071.5)	(122.5)	(32.4)	(100.6)	(328.8)	(79.6)	(55.2)	(19.2)	-	(1,809.8)	(208.4)	(2,018.2)
Charge for the year**	(96.0)	(12.7)	(1.5)	(25.5)	(56.0)	(12.4)	(7.6)	(25.2)	-	(236.9)	(9.2)	(246.1)
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	3.0	3.0
Write-back on disposals	7.6	-	0.4	3.1	11.9	26.6	2.2	2.3	-	54.1	6.2	60.3
At 31 August 2021	(1,159.9)	(135.2)	(33.5)	(123.0)	(372.9)	(65.4)	(60.6)	(42.1)	-	(1,992.6)	(208.4)	(2,201.0)
Net book value:												
At 31 August 2021	1,025.9	270.8	18.3	27.2	174.6	32.2	25.2	63.0	443.0	2,080.2	42.8	2,123.0

* 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 Group for the year ended 31 August 2022 was $2.0 million (2021: $1.6 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.

6 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	Other properties leased for own use $'million Note 6(g)	Construction in progress $'million	Sub-total $'million	Investment properties $'million	Total $'million
Cost:												
At 1 September 2021	2,456.7	236.7	97.3	103.7	547.5	11.2	55.9	45.3	416.6	3,970.9	251.2	4,222.1
Additions	36.6	-	5.1	1.1	33.6	-	1.3	-	633.4	711.1	0.5	711.6
Transfers of construction in progress	908.4	-	-	-	121.1	-	-	-	(1,029.5)	-	-	-
Disposals/adjustments*	(3.1)	-	-	(97.9)	(29.1)	-	(2.3)	(16.2)	-	(148.6)	-	(148.6)
At 31 August 2022	3,398.6	236.7	102.4	6.9	673.1	11.2	54.9	29.1	20.5	4,533.4	251.7	4,785.1
Government grants:												
At 1 September 2021	(270.9)	-	(45.5)	-	-	-	-	-	-	(316.4)	-	(316.4)
Additions	(273.0)	-	-	-	-	-	-	-	-	(273.0)	-	(273.0)
At 31 August 2022	(543.9)	-	(45.5)	-	-	-	-	-	-	(589.4)	-	(589.4)
Accumulated depreciation:												
At 1 September 2021	(1,159.9)	(92.6)	(33.5)	(85.8)	(372.9)	(11.1)	(45.4)	(19.4)	-	(1,820.6)	(208.4)	(2,029.0)
Charge for the year**	(98.6)	(4.0)	(2.1)	(18.0)	(55.0)	(0.1)	(3.7)	(9.7)	-	(191.2)	(8.9)	(200.1)
Write-back on disposals	2.2	-	-	97.9	28.8	0.0	2.3	16.2	-	147.4	-	147.4
At 31 August 2022	(1,256.3)	(96.6)	(35.6)	(5.9)	(399.1)	(11.2)	(46.8)	(12.9)	-	(1,864.4)	(217.3)	(2,081.7)
Net book value:												
At 31 August 2022	1,598.4	140.1	21.3	1.0	274.0	-	8.1	16.2	20.5	2,079.6	34.4	2,114.0

6 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	Other properties leased for own use $'million Note 6(g)	Construction in progress $'million	Sub-total $'million	Investment properties $'million	Total $'million
Cost:												
At 1 September 2020	2,406.4	236.7	92.6	103.7	519.7	35.1	54.3	16.3	206.1	3,670.9	261.0	3,931.9
Additions	40.0	-	5.1	-	30.1	-	3.7	29.1	239.6	347.6	0.1	347.7
Transfers of construction in progress	19.1	-	-	-	9.8	-	-	-	(28.9)	-	-	-
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	(3.1)	(3.1)
Disposals/adjustments*	(8.8)	-	(0.4)	-	(12.1)	(23.9)	(2.1)	(0.1)	(0.2)	(47.6)	(6.8)	(54.4)
At 31 August 2021	2,456.7	236.7	97.3	103.7	547.5	11.2	55.9	45.3	416.6	3,970.9	251.2	4,222.1
Government grants:												
At 1 September 2020	(267.2)	-	(45.5)	-	-	-	-	-	-	(312.7)	-	(312.7)
Additions	(3.7)	-	-	-	-	-	-	-	-	(3.7)	-	(3.7)
At 31 August 2021	(270.9)	-	(45.5)	-	-	-	-	-	-	(316.4)	-	(316.4)
Accumulated depreciation:												
At 1 September 2020	(1,071.5)	(88.5)	(32.4)	(63.1)	(328.8)	(35.0)	(42.6)	(9.7)	-	(1,671.6)	(208.4)	(1,880.0)
Charge for the year**	(96.0)	(4.1)	(1.5)	(22.7)	(56.0)	-	(4.3)	(9.8)	-	(194.4)	(9.2)	(203.6)
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	3.0	3.0
Write-back on disposals	7.6	-	0.4	-	11.9	23.9	1.5	0.1	-	45.4	6.2	51.6
At 31 August 2021	(1,159.9)	(92.6)	(33.5)	(85.8)	(372.9)	(11.1)	(45.4)	(19.4)	-	(1,820.6)	(208.4)	(2,029.0)
Net book value:												
At 31 August 2021	1,025.9	144.1	18.3	17.9	174.6	0.1	10.5	25.9	416.6	1,833.9	42.8	1,876.7

* 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 2022 was $2.0 million (2021: $1.6 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.

6 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 198 (2021: 198) 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 111 (2021: 111) 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, Knight Frank Petty Limited, valued the investment properties owned by the Group as at 31 August 2022 at $2,630.8 million (2021: $2,963.1 million), using a Level 2 valuation technique being market comparable approach.

(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 2 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.

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	
	2022	*2021*
	$'million	$'million
Within 1 year	37.3	44.1
After 1 year but within 2 years	16.0	13.0
	53.3	57.1

(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 $3.9 million at 31 August 2022 (2021: 12 residential investment properties with net book value of $4.8 million). The market value of the 12 residential investment properties as at 31 August 2022 based on external valuations was $181.2 million (2021: $161.0 million).

6 Fixed assets (continued)

(g) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	The Group 31 August 2022 $'million	The Group 31 August 2021 $'million	The Foundation 31 August 2022 $'million	The Foundation 31 August 2021 $'million
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:	(i)				
- between 10 and 50 years		-	-	-	-
Other properties leased for own use, carried at depreciated cost	(ii)	39.8	63.0	16.2	25.9
Plant and equipment, carried at depreciated cost	(iii)	1.5	2.8	1.1	1.7
		41.3	65.8	17.3	27.6
Ownership interests in leasehold investment properties, carried at depreciated cost, with remaining lease term of:					
- 50 years or more		-	-	-	-
- between 10 and 50 years		6.4	6.6	6.4	6.6
		6.4	6.6	6.4	6.6
		47.7	72.4	23.7	34.2

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	The Group 31 August 2022 $'million	The Group 31 August 2021 $'million	The Foundation 31 August 2022 $'million	The Foundation 31 August 2021 $'million
Depreciation charge of right-of-use assets by class of underlying asset:				
Ownership interests in leasehold land and buildings	-	-	-	-
Other properties leased for own use	23.2	25.2	9.7	9.8
Plant and equipment	1.2	1.4	0.6	0.7
Ownership interests in leasehold investment property	0.2	0.3	0.2	0.3
	24.6	26.9	10.5	10.8
Interest on lease liabilities (note 4)	1.8	1.9	0.5	0.5
Expense relating to short-term leases	0.9	0.7	0.7	0.4
Variable lease payments not included in the measurement of lease liabilities	0.5	0.2	-	-

During the year, additions to right-of-use assets were $0.2 million (2021: $46.3 million). This amount primarily related to the capitalised lease payments payable for leased equipment (2021: capitalised lease payments payable under new tenancy agreements).

6 Fixed assets (continued)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 14(d) and 22 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several Hong Kong residential buildings for own use. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its school premises and offices through tenancy agreements. The leases typically run for an initial period of three to ten years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

(iii) Other leases

The Group leases office equipment under leases expiring from two to seven years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

7 Subsidiaries

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 subsidiaries 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.

7 Subsidiaries (continued)

ESL and ESFI, companies incorporated in Hong Kong and limited by guarantee, are controlled subsidiaries of the Group. ESL's principal 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. ESFI's principal activity is assets investment. The management expertise and administration of ESL and ESFI 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 2018 to 31 August 2024. Expected credit loss was assessed as insignificant at 31 August 2022 and 2021.

Amount due from subsidiaries at 31 August 2022 is unsecured, interest-free and has no fixed terms of repayment.

8 Financial assets at fair value through profit or loss

Accounting policy

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial assets, see note 29(f). These investments are subsequently accounted for as follows, depending on their classification.

The Group's financial assets comprise of equity, hedge and fixed income funds. An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis. The Group has not made such an election for any of the financial assets.

	The Group	
	2022	*2021*
	$'million	$'million
Financial assets measured at FVTPL		
- Unlisted equity funds	194.5	246.7
- Unlisted hedge funds	146.9	94.3
- Unlisted fixed income funds	117.7	102.4
- Unlisted private investments	8.0	-
Total	467.1	443.4

9 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)).

(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.

9 Retirement schemes (continued)

(b) Defined benefit retirement scheme

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

	The Group and the Foundation	
	2022	*2021*
	$'million	$'million
Present value of defined benefit obligations	(36.2)	(42.2)
Fair value of scheme assets	77.1	96.7
	40.9	54.5

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 2023.

(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*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
Equities	10.1	15.5	17.7	28.5
Fixed income securities	13.2	16.9	25.8	31.2
Cash	3.5	1.6	6.8	3.0
Total	26.8	34.0	50.3	62.7

9 Retirement schemes (continued)

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

	The Group and the Foundation	
	2022	*2021*
	$'million	$'million
At the beginning of the year	(42.2)	(53.6)
Remeasurements:		
- Actuarial (loss)/gain arising from changes in experience	(1.3)	1.6
- Actuarial gain arising from changes in financial assumptions	4.3	0.7
	3.0	2.3
Current service cost	(1.5)	(2.0)
Interest cost	(0.3)	(0.2)
Less: actual benefits paid and payable	4.8	11.3
At the end of the year	(36.2)	(42.2)

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

	The Group and the Foundation	
	2022	*2021*
	$'million	$'million
At the beginning of the year	96.7	96.9
Interest income	0.5	0.3
(Loss)/return on scheme assets excluding interest income	(14.8)	11.3
Less: actual benefits paid and payable	(4.8)	(11.3)
Less: administrative expenses paid from scheme assets	(0.5)	(0.5)
At the end of the year	77.1	96.7

9 Retirement schemes (continued)

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

	The Group and the Foundation	
	2022	*2021*
	$'million	$'million
Current service cost	1.5	2.0
Net interest on net defined benefit asset	(0.2)	(0.1)
Administrative expenses paid from scheme assets	0.5	0.5
Total amounts recognised in income and expenditure	1.8	2.4
Actuarial gain	(3.0)	(2.3)
Loss/(return) on scheme assets excluding interest income	14.8	(11.3)
Total amounts recognised in other comprehensive income	11.8	(13.6)
Total defined benefit cost/(income)	13.6	(11.2)

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.

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

	The Group and the Foundation			
	TA Section		*NT Section*	
	2022	*2021*	*2022*	*2021*
Discount rate	3.2%	0.2%	3.0%	0.7%
Future salary increases	2.5%	2.5%	3.0%	3.0%

The below analysis shows how the defined benefit obligation as at 31 August 2022 and 2021 would have increased/(decreased) as a result of a 0.10% change in the significant actuarial assumptions:

	2022			
	The Group and the Foundation			
	TA Section		*NT Section*	
	Increase of 0.10% $'million	*Decrease of 0.10%* $'million	*Increase of 0.10%* $'million	*Decrease of 0.10%* $'million
Discount rate	*	*	(0.2)	0.2
Future salary increases	*	*	0.2	(0.2)

9 Retirement schemes (continued)

	2021			
	The Group and the Foundation			
	TA Section		NT Section	
	Increase of 0.10% $'million	Decrease of 0.10% $'million	Increase of 0.10% $'million	Decrease of 0.10% $'million
Discount rate	*	*	(0.2)	0.2
Future salary increases	*	*	0.2	(0.2)

* 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.

10 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 $14.4 million (2021: $14.9 million) and $9.1 million (2021: $9.2 million) respectively, the Group's other accruals of $6.0 million (2021: $5.7 million) and the Group's and the Foundation's deferred income (included in accounts payables and accruals) of $10.8 million (2021: $14.9 million) and $99.2 million (2021: $98.6 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.

11 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs of disposal.

During the year ended 31 August 2021, the Group entered into a provisional agreement for the sale of a property. Accordingly, the property was transferred from investment properties to non-current assets held for sale. The transaction was completed on 5 October 2021. There was no such transaction in the reporting period.

12 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 and including 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 and including allowance for credit losses.

	The Group		The Foundation	
	2022	2021	2022	2021
	$'million	$'million	$'million	$'million
Fees receivables	28.0	28.9	22.6	25.0
Other receivables	5.5	1.1	3.0	0.7
Less: Allowance for credit losses	(9.1)	(9.0)	(5.7)	(5.7)
	24.4	21.0	19.9	20.0

Impairment of fees receivables

Fees receivables are due immediately from the date of billing. The Group and the Foundation recognises an impairment gain or loss for fees and other receivables with a corresponding adjustment to their carrying amount through a loss allowance account, unless the Group and the Foundation are satisfied that there is no realistic prospect of recovery, in which case the impairment loss is written off against the gross carrying amount of receivables directly.

The Group and the Foundation measure loss allowances for fees receivables at an amount equal to lifetime expected credit losses ("ECLs"), which are calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss.

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

	The Group		The Foundation	
	2022	2021	2022	2021
	$'million	$'million	$'million	$'million
At the beginning of the year	9.0	10.6	5.7	7.7
Impairment loss recognised/(write back)	0.6	(1.0)	0.3	(1.6)
Uncollectible amounts written off	(0.5)	(0.6)	(0.3)	(0.4)
At the end of the year	9.1	9.0	5.7	5.7

At 31 August 2022, the Group and the Foundation's allowance for credit losses in respect of fees receivables amounted to $9.1 million (2021: $9.0 million) and $5.7 million (2021: $5.7 million) respectively. The Group and the Foundation do not hold any collateral over these balances.

13 Restricted cash

The Group pledged a deposit of $3.1 million (2021: $3.9 million) to a bank for guarantees issued by that bank in favour of MTR Corporation Limited, Hoo Wah Company Limited and Wellion Limited under the terms of three separate tenancy agreements.

14 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*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
Deposits with original maturities less than three months	28.0	284.5	28.0	34.5
Cash at bank and in hand	479.7	218.5	133.2	117.3
	507.7	503.0	161.2	151.8

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 0.12% (2021: 0.01%) and 0.36% (2021: 0.03%) respectively.

14 Cash and cash equivalents (continued)

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

	The Group		*The Foundation*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
Operating activities				
Surplus before income tax	213.2	360.4	242.6	313.3
Adjustments for:				
Interest income	(6.2)	(8.5)	(5.3)	(8.1)
Nomination rights	(46.7)	(57.7)	(30.6)	(40.4)
Non-refundable building/capital levy	(83.2)	(66.9)	(60.0)	(44.5)
Interest on lease liabilities	1.8	1.9	0.5	0.5
Net movement in realised losses/(gains) on financial assets at fair value through profit or loss	10.8	(1.6)	-	-
Net movement in unrealised losses/(gains) on financial assets at fair value through profit or loss	68.2	(18.7)		
Gain on disposals of fixed assets	(75.8)	(170.9)	(75.8)	(171.0)
Depreciation	241.0	246.1	200.1	203.6
Expense recognised under defined benefit retirement schemes	1.8	2.4	1.8	2.4
Transfer from previous years' scholarship fund and hardship allowance	-	(16.5)	-	-
	324.9	270.0	273.3	255.8
Changes in working capital:				
Decrease in inventories	0.4	-	-	-
Decrease/(increase) in rental and utility deposits	0.5	(1.6)	0.1	(1.4)
Increase in prepayments	(0.8)	(4.7)	(2.6)	(5.7)
(Increase)/decrease in loans to staff	(0.8)	1.3	(0.2)	1.9
(Increase)/decrease in fees and other receivables	(3.4)	13.3	0.1	13.4
Increase in government grant receivable	(2.4)	(1.5)	(2.4)	(1.5)
(Decrease)/increase in fees received in advance	(12.7)	41.5	(6.3)	16.4
Decrease/(increase) in net amount due from subsidiaries	-	-	9.2	(11.5)
(Decrease)/increase in provision to meet staff conditions of service	(9.2)	16.3	(8.1)	15.3
(Decrease)/increase in accounts payables and accruals excluding capital creditors	(30.9)	(13.3)	(8.1)	17.8
Increase/(decrease) in scholarship fund and hardship allowance	2.7	(2.2)	(3.2)	(8.7)
Net cash generated from operating activities	268.3	319.1	251.8	291.8

14 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 23)	*Nomination rights received in advance* $'million (Note 16)	*Individual nomination rights* $'million (Note 16)	*Corporate nomination rights* $'million (Note 27)	*Non-refundable building levy* $'million (Note 25)	*Non-refundable capital levy* $'million (Note 26)	*Debenture* $'million (Note 24)	*Lease liabilities* $'million (Note 22)	*Total* $'million
At 1 September 2021	80.1	7.2	212.3	36.3	49.6	258.7	105.7	65.9	815.8
Changes from financing cash flows:									
Decrease in refundable capital levy	(21.1)	-	-	-	-	-	-	-	(21.1)
Proceeds from issue of nomination rights	-	0.2	23.0	-	-	-	-	-	23.2
Proceeds from non-refundable building levy	-	-	-	-	24.5	-	-	-	24.5
Proceeds from non-refundable capital levy	-	-	-	-	-	77.6	-	-	77.6
Proceeds from issuance of debenture	-	-	-	-	-	-	34.8	-	34.8
Refund/transfer of debenture	-	-	38.0	-	-	-	(45.3)	-	(7.3)
Capital element of lease rentals paid	-	-	-	-	-	-	-	(23.6)	(23.6)
Interest element of lease rentals paid	-	-	-	-	-	-	-	(1.8)	(1.8)
Total changes from financing cash flows	(21.1)	0.2	61.0	-	24.5	77.6	(10.5)	(25.4)	106.3
Other changes:									
Individual nomination rights income	-	-	(45.0)	-	-	-	-	-	(45.0)
Amortisation of corporate nomination rights	-	-	-	(1.7)	-	-	-	-	(1.7)
Non-refundable building levy income	-	-	-	-	(23.2)	-	-	-	(23.2)
Non-refundable capital levy income	-	-	-	-	-	(60.0)	-	-	(60.0)
Increase in lease liabilities from entering new lease during the year	-	-	-	-	-	-	-	0.2	0.2
Interest on lease liabilities (note 4)	-	-	-	-	-	-	-	1.8	1.8
Total other changes	-	-	(45.0)	(1.7)	(23.2)	(60.0)	-	2.0	(127.9)
At 31 August 2022	59.0	7.4	228.3	34.6	50.9	276.3	95.2	42.5	794.2

14 Cash and cash equivalents (continued)

The Group

	Refundable capital levy $'million (Note 23)	*Nomination rights received in advance* $'million (Note 16)	*Individual nomination rights* $'million (Note 16)	*Corporate nomination rights* $'million (Note 27)	*Non-refundable building levy* $'million (Note 25)	*Non-refundable capital levy* $'million (Note 26)	*Debenture* $'million (Note 24)	*Lease liabilities* $'million (Note 22)	*Total* $'million
At 1 September 2020	108.1	7.6	241.0	38.1	47.8	232.6	63.9	45.4	784.5
Changes from financing cash flows:									
Decrease in refundable capital levy	(28.0)	-	-	-	-	-	-	-	(28.0)
Proceeds from issue of nomination rights	-	(0.4)	27.2	-	-	-	-	-	26.8
Proceeds from non-refundable building levy	-	-	-	-	24.2	-	-	-	24.2
Proceeds from non-refundable capital levy	-	-	-	-	-	70.6	-	-	70.6
Proceeds from issuance of debenture	-	-	-	-	-	-	59.0	-	59.0
Refund of debenture	-	-	-	-	-	-	(17.2)	-	(17.2)
Capital element of lease rentals paid	-	-	-	-	-	-	-	(25.8)	(25.8)
Interest element of lease rentals paid	-	-	-	-	-	-	-	(1.9)	(1.9)
Total changes from financing cash flows	(28.0)	(0.4)	27.2	-	24.2	70.6	41.8	(27.7)	107.7
Other changes:									
Individual nomination rights income	-	-	(55.9)	-	-	-	-	-	(55.9)
Amortisation of corporate nomination rights	-	-	-	(1.8)	-	-	-	-	(1.8)
Non-refundable building levy income	-	-	-	-	(22.4)	-	-	-	(22.4)
Non-refundable capital levy income	-	-	-	-	-	(44.5)	-	-	(44.5)
Increase in lease liabilities from entering new lease during the year	-	-	-	-	-	-	-	46.3	46.3
Interest on lease liabilities (note 4)	-	-	-	-	-	-	-	1.9	1.9
Total other changes	-	-	(55.9)	(1.8)	(22.4)	(44.5)	-	48.2	(76.4)
At 31 August 2021	80.1	7.2	212.3	36.3	49.6	258.7	105.7	65.9	815.8

14 Cash and cash equivalents (continued)

The Foundation

	Refundable capital levy $'million (Note 23)	*Nomination rights received in advance* $'million (Note 16)	*Individual nomination rights* $'million (Note 16)	*Corporate nomination rights* $'million (Note 27)	*Non-refundable capital levy* $'million (Note 26)	*Lease liabilities* $'million (Note 22)	*Total* $'million
At 1 September 2021	80.1	6.9	135.1	36.3	258.7	26.8	543.9
Changes from financing cash flows:							
Decrease in refundable capital levy	(21.1)	-	-	-	-	-	(21.1)
Proceeds from issue of nomination rights	-	-	43.3	-	-	-	43.3
Proceeds from non-refundable capital levy	-	-	-	-	77.6	-	77.6
Capital element of lease rentals paid	-	-	-	-	-	(10.4)	(10.4)
Interest element of lease rentals paid	-	-	-	-	-	(0.5)	(0.5)
Total changes from financing cash flows	(21.1)	-	43.3	-	77.6	(10.9)	88.9
Other changes:							
Individual nomination rights income	-	-	(28.9)	-	-	-	(28.9)
Amortisation of corporate nomination rights	-	-	-	(1.7)	-	-	(1.7)
Non-refundable capital levy income	-	-	-	-	(60.0)	-	(60.0)
Increase in lease liabilities from entering new lease during the year	-	-	-	-	-	0.2	0.2
Interest on lease liabilities (note 4)	-	-	-	-	-	0.5	0.5
Total other changes	-	-	(28.9)	(1.7)	(60.0)	0.7	(89.9)
At 31 August 2022	59.0	6.9	149.5	34.6	276.3	16.6	542.9

14 Cash and cash equivalents (continued)

The Foundation

	Refundable capital levy $'million (Note 23)	*Nomination rights received in advance* $'million (Note 16)	*Individual nomination rights* $'million (Note 16)	*Corporate nomination rights* $'million (Note 27)	*Non-refundable capital levy* $'million (Note 26)	*Lease liabilities* $'million (Note 22)	*Total* $'million
At 1 September 2020	108.1	7.2	161.5	38.1	232.6	8.5	556.0
Changes from financing cash flows:							
Decrease in refundable capital levy	(28.0)	-	-	-	-	-	(28.0)
Proceeds from issue of nomination rights	-	(0.3)	12.2	-	-	-	11.9
Proceeds from non-refundable capital levy	-	-	-	-	70.6	-	70.6
Capital element of lease rentals paid	-	-	-	-	-	(11.0)	(11.0)
Interest element of lease rentals paid	-	-	-	-	-	(0.5)	(0.5)
Total changes from financing cash flows	(28.0)	(0.3)	12.2	-	70.6	(11.5)	43.0
Other changes:							
Individual nomination rights income	-	-	(38.6)	-	-	-	(38.6)
Amortisation of corporate nomination rights	-	-	-	(1.8)	-	-	(1.8)
Non-refundable capital levy income	-	-	-	-	(44.5)	-	(44.5)
Increase in lease liabilities from entering new lease during the year	-	-	-	-	-	29.3	29.3
Interest on lease liabilities (note 4)	-	-	-	-	-	0.5	0.5
Total other changes	-	-	(38.6)	(1.8)	(44.5)	29.8	(55.1)
At 31 August 2021	80.1	6.9	135.1	36.3	258.7	26.8	543.9

14 Cash and cash equivalents (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	The Group		*The Foundation*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
Within operating cash flows	1.4	0.9	0.7	0.4
Within financing cash flows	25.4	27.7	10.9	11.5
	26.8	28.6	11.6	11.9

15 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 2). 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	*The Foundation*
	$'million	$'million
Balance at 1 September 2020	138.8	71.7
Decrease as a result of recognising revenue during the year in respect of fees received in advance at the beginning of the year	(124.6)	(57.5)
Increase as a result of receipts in advance of service as at the year end date	166.1	73.9
Balance at 31 August 2021 and 1 September 2021	180.3	88.1
Decrease as a result of recognising revenue during the year in respect of fees received in advance at the beginning of the year	(166.1)	(73.9)
Increase as a result of receipts in advance of service as at the year end date	153.4	67.6
Balance at 31 August 2022	167.6	81.8

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

16 Individual nomination rights

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.

The Group recognises deposits received in respect of individual nomination rights as receipts in advance and 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. Movements in individual nomination rights were as follows:

	The Group		*The Foundation*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
At the beginning of the year	212.3	241.0	135.1	161.5
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the year	(44.7)	(55.2)	(28.7)	(38.3)
Increase as a result of receipts in advance of service to be rendered as at the end of the year	60.7	26.5	43.1	11.9
At the end of the year	228.3	212.3	149.5	135.1
Less: to be recognised within one year	(30.0)	(28.3)	(20.3)	(18.8)
After one year	198.3	184.0	129.2	116.3

17 Provision to meet staff conditions of service

Accounting policy

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

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

	The Group		*The Foundation*	
	2022	*2021*	*2022*	*2021*
	$'million	$'million	$'million	$'million
At the beginning of the year	133.5	117.2	105.7	90.4
Provision for the year	289.6	293.5	214.4	219.0
Payments made during the year	(298.8)	(277.2)	(222.5)	(203.7)
At the end of the year	124.3	133.5	97.6	105.7

18 Accounts payables and accruals

Accounting policy

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

	The Group		*The Foundation*	
	2022 $'million	*2021* $'million	*2022* $'million	*2021* $'million
Accounts payable	52.0	60.5	29.9	37.3
Provisions and other accruals	210.6	108.1	178.7	77.2
Accruals for major repairs	106.4	84.9	106.4	84.9
Deferred income	29.2	41.5	111.9	115.4
Retention money	28.3	31.4	28.3	31.4
Deposits received	15.4	14.1	15.2	13.9
Other payables	21.0	20.5	19.4	19.0
	462.9	361.0	489.8	379.1

19 Income tax in the statement of financial position

Tax payable in the statement of financial position represents:

	The Group and the Foundation	
	2022 $'million	*2021* $'million
Provision for Hong Kong Profits Tax for the year	3.8	3.9
Provision for Hong Kong Profits Tax for prior years	26.1	22.2
	29.9	26.1

20 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.

20 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* 2022 $'million	*The Group* 2021 $'million	*The Foundation* 2022 $'million	*The Foundation* 2021 $'million
Basic/relief grants	20(a)	175.0	190.9	173.6	189.8
Hardship allowance	21	4.8	5.2	4.8	5.2
Refund of rent and rates	20(b)	15.8	16.9	12.4	13.3
Subsidies under the Employment Support Scheme	3(a)	38.8	66.8	23.7	50.7
		234.4	279.8	214.5	259.0

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 7 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/relief 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 $99.7 million as at 31 August 2022 (2021: $83.1 million).

During the year, the Group and the Foundation received relief grants of $3.6 million (2021: $2.9 million) and $2.2 million (2021: $1.8 million), respectively from Government because of COVID-19.

(b) Refund of rent and rates

The Group and the Foundation also receive from the Government a reimbursement of rent and rates 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* 2022 $'million	*The Group* 2021 $'million	*The Foundation* 2022 $'million	*The Foundation* 2021 $'million
Gross rent and rates for the year		17.1	18.3	12.9	13.9
Less: Recovered or recoverable from the Government		(15.8)	(16.9)	(12.4)	(13.3)
	4	1.3	1.4	0.5	0.6

21 Scholarship fund and hardship allowance

(a) The Group

	Scholarship fund $'million	*Hardship allowance* $'million	*Total* $'million
At 1 September 2020	22.1	56.6	78.7
Received from the Government	-	5.2	5.2
Provision for the year	42.9	12.8	55.7
Utilisation	(36.4)	(26.7)	(63.1)
Transfer to operating income (note 2)	(16.5)	-	(16.5)
At 31 August 2021 and 1 September 2021	12.1	47.9	60.0
Received from the Government	-	4.8	4.8
Provision for the year	43.5	13.8	57.3
Utilisation	(40.3)	(19.1)	(59.4)
At 31 August 2022	15.3	47.4	62.7

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

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

(b) The Foundation

	Hardship Allowance	
	2022 $'million	*2021* $'million
At the beginning of the year	40.6	49.3
Received from the Government	4.8	5.2
Provision for the year	5.6	4.7
	51.0	59.2
Utilisation	(13.6)	(18.6)
At the end of the year	37.4	40.6

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

(c) Besides the basic grants detailed in note 20, 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.

21 Scholarship fund and hardship allowance (continued)

(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 2022, Renaissance College and Discovery College have each set aside 10% (2021: 10%) of their respective tuition fees which consists of 8% (2021: 8%) for Renaissance College and 9% (2021: 9%) for Discovery College as scholarship fund and 2% (2021: 2%) for Renaissance College and 1% (2021: 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 $30.4 million (2021: $29.8 million) and $21.3 million (2021: $21.2 million) respectively.

22 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

The Group

	31 August 2022			*31 August 2021*		
	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	23.7	0.9	24.6	23.6	1.7	25.3
Between one and two years	13.6	0.5	14.1	23.5	1.0	24.5
Between two and five years	5.2	0.3	5.5	18.8	0.6	19.4
	18.8	0.8	19.6	42.3	1.6	43.9
	42.5	1.7	44.2	65.9	3.3	69.2

The Foundation

	31 August 2022			*31 August 2021*		
	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	10.4	0.2	10.6	10.3	0.5	10.8
Between one and two years	6.0	0.2	6.2	10.3	0.3	10.6
Between two and five years	0.2	0.1	0.3	6.2	0.1	6.3
	6.2	0.3	6.5	16.5	0.4	16.9
	16.6	0.5	17.1	26.8	0.9	27.7

23 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 26), 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.

24 Debenture

Class A debenture

In September 2019, the Group introduced the Class A debenture as a means to gain priority interview at a kindergarten. Purchase of the debenture is optional and is payable at the time of application to the kindergarten. The debenture has a nominal value of $500,000. When a student holding the debenture graduates from the kindergarten and gains a Year 1 place of a Foundation school, Renaissance College or Discovery College, the debenture will be converted into an Individual Nomination Right under the Group.

Class A debenture is repayable in full if a child is not successful at the kindergarten interview, withdraws from the kindergarten before graduation from K2, or does not subsequently takes up a kindergarten or Year 1 place under the Group.

Class B 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 (2021: $7,000) for each child entering one of the kindergartens for the first time from August 2013 onwards. This debenture has been renamed "Class B debenture" with effect from September 2019.

A Class A debenture holder whose child is successful at the interview and subsequently takes up a kindergarten place does not need to purchase a Class B debenture.

Class B debenture is repayable when the student leaves the school with sufficient notice.

Both Class A and Class B debentures are non-transferable, interest-free, non-depreciating and unsecured. Initially the Group recognises the debentures 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.

24 Debenture (continued)

At 31 August, the analysis of the carrying amount of debenture is as follow:

	The Group	
	2022	*2021*
	$'million	$'million
Class A debenture	84.2	94.8
Class B debenture	11.0	10.9
Total debenture	95.2	105.7
Less: to be transferred to individual nomination right or repayable within one year	(53.8)	(48.4)
Repayable after one year	41.4	57.3

25 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 (2021: $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 $7,530 (2021: $7,530) 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.

Movements in non-refundable building levy were as follows:

	The Group	
	2022	*2021*
	$'million	$'million
At the beginning of the year	49.6	47.8
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the year	(12.7)	(11.7)
Increase as a result of receipts in advance of service during the year	14.0	13.5
At the end of the year	50.9	49.6
Less: to be recognised within one year	(7.3)	(6.9)
After one year	43.6	42.7

26 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 (2021: $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	
	2022	*2021*
	$'million	$'million
At the beginning of the year	258.7	232.6
Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the year	(60.0)	(41.5)
Increase as a result of receipts in advance of service during the year	77.6	67.6
At the end of the year	276.3	258.7
Less: to be recognised within one year	(28.5)	(25.0)
After one year	247.8	233.7

27 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	
	2022	*2021*
	$'million	$'million
At the beginning of the year	36.3	38.1
Less: Amortisation to statement of comprehensive income	(1.7)	(1.8)
At the end of the year	34.6	36.3
Less: Within one year or on demand	(1.8)	(1.7)
After one year	32.8	34.6

28 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.

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.

28 Reserves (continued)

During the year, the Group and the Foundation transferred $75.7 million (2021: $80.6 million) and $54.9 million (2021: $59.5 million), respectively, from capital fund to general reserve. The transfer represented the depreciation charge of capital projects funded by the capital fund.

(b) Investment fund

During the year, the Group and the Foundation transferred $76.1 million (2021: $473.0 million) from general reserve to ESFI for investment. The amount was recorded under investment fund for transparency.

(c) 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 $75.9 million (2021: $178.5 million from building reserve to general reserve) from general reserve to building reserve to reflect the sum spent or reserved. The available fund for future expansion, maintaining or replacing buildings is $296.7 million (2021: $573.5 million).

(d) Schools reserves

The Group's reserves include the accumulated surplus of individual schools of the Foundation which amounted to $251.4 million as at 31 August 2022 (2021: $221.0 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 2022, the respective School Councils have authorised or contracted for capital commitments of $62.9 million (2021: $47.9 million). The respective School Councils also reserve certain sums for major upgrades at schools.

During the year, $16.6 million (2021: $24.6 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.

(e) 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.

29 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 is also exposed to currency and market price risks arising from its investments in funds (note 8). 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 except for lease liabilities of which the repayment schedule is disclosed in note 22.

(c) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to bank deposits, cash at bank and lease liabilities. The Foundation's exposure to changes in interest rates relates primarily to bank deposits, cash at bank, lease liabilities and loan to subsidiary. The interest rate profile of the Group and the Foundation is set out in (i) below.

29 Financial risk management and fair values (continued)

(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*			
	2022		*2021*		*2022*		*2021*	
	Effective interest rate %	$'million	*Effective interest rate* %	$'million	*Effective interest rate* %	$'million	*Effective interest rate* %	$'million
Loan to subsidiary	-	-	-	-	6.88%	15.7	3.97%	23.8
Lease liabilities	2.74%	(42.5)	2.77%	(65.9)	1.25%	(16.6)	1.48%	(26.8)
Deposits with original maturities greater than three months	1.80%	733.6	0.32%	995.2	1.84%	700.4	0.33%	947.3
Restricted cash	-	3.1	-	3.9	-	-	-	-
Cash and cash equivalents	0.12%	507.7	0.01%	503.0	0.36%	161.2	0.03%	151.8
		1,201.9		1,436.2		860.7		1,096.1

(ii) Sensitivity analysis

At 31 August 2022, it is estimated that a general increase/decrease of 100 basis points (2021: 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 $12.0 million (2021: $14.4 million). Other components of reserves would not be affected (2021: 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 2021.

(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.

29 Financial risk management and fair values (continued)

ESFI's functional currency is Hong Kong dollars. ESFI is exposed to currency risk primarily through its investments in financial assets that are denominated in United States dollars (USD). Since the Hong Kong dollar (HKD) is pegged to the United States dollar (USD), ESFI's exposure to foreign currency risk in respect of financial assets denominated in United States dollars is considered to be minimal.

(e) *Equity price risk*

As at 31 August 2022, the Group has investments in unlisted funds of $467.1 million (2021: $443.4 million) (note 8). The Group is exposed to market price risk from these investments. The fair value change for the Group's unlisted investment funds in 2022 were $79.2 million loss (2021: $20.2 million gain).

The Group's unlisted investments are held for long term strategic purposes. Their performance is assessed quarterly against the policy benchmark set in the investment policy statement. The Group managed the market risk through diversification of investment portfolio.

At 31 August 2022, it is estimated that an increase/decrease of 5.0% (2021: 5.0%) in the fair value of the Group's unlisted investment funds, with all other variables held constant, would have increased/decreased the Group's surplus for the year and general reserves as follows:

		2022	
		Increase/ (decrease) in surplus for the year and general reserve $'million	*Effect on other components of reserves* $'million
Change in the fund price variable:			
Increase	5%	23.4	-
Decrease	5%	(23.4)	-

		2021	
		Increase/ (decrease) in surplus for the year and general reserve $'million	*Effect on other components of reserves* $'million
Change in the fund price variable:			
Increase	5%	22.2	-
Decrease	5%	(22.2)	-

The sensitivity analysis indicates the instantaneous change in the Group's surplus for the year and general reserve that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial assets held by the Group which expose the Group to market risk at the end of the reporting period. It is also assumed that all other variables remain constant.

29 Financial risk management and fair values (continued)

(f) Fair value measurement

Except financial assets at fair value through profit or loss (note 8), all financial assets and liabilities are carried at amounts not materially different from their fair values at the end of reporting period.

(i) Financial assets measured at fair values

The fair value estimation of the Group's unlisted investment funds is supported by information received from the fund administrators including but not limited to monthly net assets value ("NAV") per account statements.

The following table presents the fair value of the Group's financial assets measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 August 2022	*Fair value measurements as at 31 August 2022 categorised into*		
		Level 1	*Level 2*	*Level 3*
Recurring fair value measurements	$'million	$'million	$'million	$'million
Financial assets measured at FVTPL:				
- Unlisted fund investments	467.1	263.7	195.4	8.0

	Fair value at 31 August 2021	*Fair value measurements as at 31 August 2021 categorised into*		
		Level 1	*Level 2*	*Level 3*
Recurring fair value measurements	$'million	$'million	$'million	$'million
Financial assets measured at FVTPL:				
- Unlisted fund investments	443.4	287.2	156.2	-

29 Financial risk management and fair values (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers during the year.

Valuation techniques and inputs used in Level 1 and 2 fair value measurements

The Group's unlisted fund investments are valued based on the market practice where they are primarily traded which is either the closing price, last traded mid price or bid price as at the end of reporting period. If the NAV of the investments is published frequently on exchange, they are classified as Level 1. In case of infrequent published NAV, they are classified as Level 2 as described above.

Information about Level 3 fair value measurements

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Group's investments classified within level 3 consist of unlisted investment funds which hold unlisted private investments, which therefore have significant unobservable inputs and/or due to significant liquidity restrictions. As observable prices are not available for these securities, the fair value of these investments have been determined based on the recent net asset value of the fund.

Movement in Level 3 fair value measurements

	2022 $'million
At 1 September 2021	-
Purchase	8.2
Distribution	(0.9)
Net movement in unrealised gains	0.7
At 31 August 2022	8.0

There was no transfer between levels during the year ended 31 August 2022.

30 Commitments

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 2022 not provided for in these financial statements were as follows:

	The Group		*The Foundation*	
	2022 $'million	*2021* $'million	*2022* $'million	*2021* $'million
Contracted for	65.0	687.1	47.4	638.2
Authorised but not contracted for	250.6	317.0	245.7	304.3
	315.6	1,004.1	293.1	942.5

31 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.

31 Material related party transactions (continued)

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.

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, Director of Strategic Performance and Quality Assurance, Director of Communications, 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:

	2022 $'million	*2021* $'million
Salaries, allowances and benefits in kind	24.4	22.4
Retirement costs	0.2	0.2
	24.6	22.6

32 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 2022 comprise the Foundation and its subsidiaries.

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.

32 Other significant accounting policies (continued)

(b) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

(c) Basis of preparation of the financial statements

The Group uses the historical cost basis to prepare the financial statements except that the financial assets at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out in notes 8 and 29(f).

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.

(d) Impairment of assets

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

If any such indication exists, the Group estimates the asset's recoverable amount and 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.

32 Other significant accounting policies (continued)

(e) 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 comprises 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.

(f) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(g) 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.

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 August 2022 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

KPMG

Independent auditor's report to the Board of Governors 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 subsidiaries (together the "Group") set out on pages 4 to 57, which comprise the consolidated and Foundation statements of financial position as at 31 August 2022, 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 2022 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 Board of Governors 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.

KPMG

Independent auditor's report to the Board of Governors 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 Board of 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.

Certified Public Accountants

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05 DEC 2022