



ESF Educational Services Limited
英基教育服務有限公司

Financial Statements
for the year ended 31 August 2024

Report of the Board of Directors

The Board of Directors has pleasure in submitting their annual report together with the audited financial statements for the year ended 31 August 2024.

Principal place of business

ESF Educational Services Limited (“the Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25/F, 1063 King’s Road, Quarry Bay, Hong Kong.

Principal activities

The principal activities of the Company are the operation of one child care centre, five kindergartens and two private independent schools, the provision of English as an Additional Language (EAL) courses and sports activities for young people. The management expertise and administration of the Company are substantially provided by The English Schools Foundation (“the Foundation”). The Company is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

Financial statements

The surplus of the Company for the year ended 31 August 2024 and the Company’s financial position as at that date are set out in the financial statements on pages 3 to 36.

Reserves

The Company has transferred the surplus of \$62,183,000 (2023: \$43,401,000) to reserves. The Company shows other movements in reserves in the statement of changes in reserves.

Under the terms of the Memorandum of Association of the Company, no portion of the income and property of the Company can be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise by way of profit to the members of the Company.

Properties, plant and equipment

The Company has set out details of movements in properties, plant and equipment in note 9 to the financial statements.

Directors

The directors of the Company during the financial year and up to the date of this report were:

Belinda Greer (Chairman)
Vivian Cheung Wai Yan
Charles Caldwell
John Stewart
Robert Shorthouse
Niamh McKeague
Mark Blackshaw (appointed on 19 February 2024)

In accordance with articles 29 and 30 of the Company's articles of association, all existing directors shall retire from office at each annual general meeting but shall be eligible for re-election.

At no time during the year was the Company, or its holding entity a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of an interest in the Company or any other body corporate.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company or its holding entity was a party and in which a director had a material interest existed at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Belinda Greer

Director

Hong Kong, 09 DEC 2024

Statement of comprehensive income for the year ended 31 August 2024 (Expressed in Hong Kong dollars)

| | Note | 2024 \$'000 | 2023 \$'000 |
|--|---------|----------------|----------------|
| Income | 2 | | |
| Operating income | | 829,820 | 775,326 |
| Non-operating income | | 34,231 | 34,885 |
| | | <u>864,051</u> | <u>810,211</u> |
| Expenditure | | | |
| <i>Staff expenses</i> | | | |
| Salaries and teaching resources | | 419,472 | 399,503 |
| Gratuities and MPF contributions | | 67,039 | 64,862 |
| Housing allowance | | 32,078 | 31,981 |
| Medical expenses | | 21,900 | 18,555 |
| Staff education allowance | | 26,378 | 25,740 |
| Passage allowance | | 261 | 240 |
| | 3(a) | <u>567,128</u> | <u>540,881</u> |
| <i>Other expenses</i> | | | |
| Advertisements | | 919 | 1,147 |
| Audit fee | | 318 | 316 |
| Cost of goods sold | | 780 | 741 |
| Depreciation | 3(b), 9 | 45,471 | 47,571 |
| Development and operating agreement payment | 24(a) | 9,000 | 9,000 |
| Management and administrative expenses | 24(a) | 32,238 | 30,909 |
| Office and general expenses | 4 | 60,249 | 58,219 |
| Rent, rates and building management fee | 5 | 13,221 | 10,449 |
| Scholarship fund and hardship allowance | 14 | 56,493 | 52,795 |
| Teaching materials and resources | 6 | 16,051 | 14,782 |
| | | <u>234,740</u> | <u>225,929</u> |
| Total expenses | | <u>801,868</u> | <u>766,810</u> |
| Surplus and total comprehensive income for the year | 3 | <u>62,183</u> | <u>43,401</u> |

Statement of comprehensive income
for the year ended 31 August 2024 (continued)
(Expressed in Hong Kong dollars)

| | 2024 \$'000 | 2023 \$'000 |
|---------------------------------|----------------|----------------|
| Represented by: | | |
| Accumulated fund surplus | 27,952 | 8,516 |
| Capital fund surplus | 34,231 | 34,885 |
| | <u>62,183</u> | <u>43,401</u> |

The notes on pages 9 to 36 form part of these financial statements.

Statement of financial position at 31 August 2024

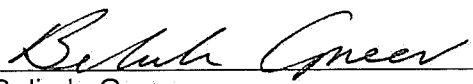
(Expressed in Hong Kong dollars)


| | Note | 31 August 2024 \$'000 | 31 August 2023 \$'000 |
|---|-------|-----------------------------|-----------------------------|
| Non-current asset | | | |
| Properties, plant and equipment | 9 | 245,007 | 275,152 |
| Current assets | | | |
| Inventories | | 664 | 400 |
| Rental and utilities deposits | | 6,441 | 5,404 |
| Prepayments | 11 | 9,223 | 8,216 |
| Fees and other receivables | 11 | 2,785 | 3,238 |
| Restricted cash | 12 | 3,073 | 3,110 |
| Deposits with original maturities over three months | | 36,100 | 34,700 |
| Cash and cash equivalents | 13(a) | 451,713 | 370,398 |
| | | 509,999 | 425,466 |
| Current liabilities | | | |
| Creditors and accruals | | 63,201 | 62,089 |
| Lease liabilities | 20 | 12,062 | 15,200 |
| Nomination rights received in advance | 19 | 310 | 460 |
| Provision for staff gratuities and MPF contributions | | 32,567 | 32,880 |
| Scholarship fund | 14 | 20,472 | 16,616 |
| Hardship allowance | 14 | 20,455 | 15,761 |
| Fees received in advance | 15 | 86,960 | 85,172 |
| Debenture | 17 | 32,558 | 40,612 |
| Deferred income | | | |
| - non-refundable building levy | 18 | 7,969 | 7,794 |
| - nomination rights | 19 | 11,171 | 10,205 |
| Amount due to the Foundation | 16 | 11,785 | 8,575 |
| Loan from the Foundation | 16 | - | 7,912 |
| | | 299,510 | 303,276 |
| Net current assets | | 210,489 | 122,190 |
| Total assets less current liabilities | | 455,496 | 397,342 |

Statement of financial position at 31 August 2024
(continued)
(Expressed in Hong Kong dollars)

| | Note | 31 August 2024 \$'000 | 31 August 2023 \$'000 |
|--------------------------------|------|-----------------------------|-----------------------------|
| Non-current liabilities | | | |
| Lease liabilities | 20 | 16,552 | 24,090 |
| Debenture | 17 | 36,368 | 37,147 |
| Deferred income | | | |
| - non-refundable building levy | 18 | 43,838 | 43,828 |
| - nomination rights | 19 | 78,822 | 74,544 |
| | | <u>175,580</u> | <u>179,609</u> |
| NET ASSETS | | <u>279,916</u> | <u>217,733</u> |
| RESERVES | | | |
| | 21 | | |
| Capital fund | | 138,016 | 129,893 |
| Accumulated fund surplus | | <u>141,900</u> | <u>87,840</u> |
| TOTAL SURPLUS | | <u>279,916</u> | <u>217,733</u> |

Approved and authorised for issue by the board of directors on 09 DEC 2024


Belinda Greer
Director


Vivian Cheung Wai Yan
Director

The notes on pages 9 to 36 form part of these financial statements.

Statement of changes in reserves for the year ended 31 August 2024

(Expressed in Hong Kong dollars)

| | <i>Accumulated fund surplus</i> \$'000 | <i>Capital fund</i> \$'000 (note 21(b)) | <i>Total</i> \$'000 |
|--|---|---|------------------------|
| At 1 September 2022 | 54,777 | 119,555 | 174,332 |
| Surplus and total comprehensive income for the year | 8,516 | 34,885 | 43,401 |
| Transfers | 24,547 | (24,547) | - |
| At 31 August 2023 and 1 September 2023 | 87,840 | 129,893 | 217,733 |
| Surplus and total comprehensive income for the year | 27,952 | 34,231 | 62,183 |
| Transfers | 26,108 | (26,108) | - |
| At 31 August 2024 | 141,900 | 138,016 | 279,916 |

The notes on pages 9 to 36 form part of these financial statements.

Cash flow statement for the year ended 31 August 2024

(Expressed in Hong Kong dollars)

| | Note | 2024 \$'000 | 2023 \$'000 |
|---|-------|----------------|-----------------|
| Operating activities | | | |
| Net cash generated from operating activities | 13(b) | <u>64,186</u> | <u>58,059</u> |
| Investing activities | | | |
| Payments for the purchase of properties, plant and equipment (net of capital creditors) | | (413) | (27,290) |
| Decrease/(increase) in restricted cash | | 37 | (39) |
| Increase in deposits with original maturities over three months | | (1,400) | (1,500) |
| Interest received | | <u>13,539</u> | <u>10,370</u> |
| Net cash used in investing activities | | <u>11,763</u> | <u>(18,459)</u> |
| Financing activities | | | |
| Re-payment of loan from the Foundation | | (7,912) | (7,787) |
| Net proceeds from nomination rights | 13(c) | 11,600 | 9,399 |
| Proceeds from non-refundable building levy | 13(c) | 21,110 | 21,326 |
| Transfer/refund of debenture | 13(c) | (31,617) | (42,838) |
| Proceeds from issuance of debenture | 13(c) | 29,584 | 36,165 |
| Interest expenses paid to the Foundation | | (251) | (637) |
| Capital element of lease rentals paid | 13(c) | (15,207) | (17,272) |
| Interest element of lease rentals paid | 13(c) | <u>(1,941)</u> | <u>(967)</u> |
| Net cash generated from financing activities | | <u>5,366</u> | <u>(2,611)</u> |
| Net increase in cash and cash equivalents | | 81,315 | 36,989 |
| Cash and cash equivalents at the beginning of the year | | <u>370,398</u> | <u>333,409</u> |
| Cash and cash equivalents at the end of the year | 13(a) | <u>451,713</u> | <u>370,398</u> |

The notes on pages 9 to 36 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Background

ESF Educational Services Limited (“the Company”) is incorporated in Hong Kong under the Hong Kong Companies Ordinance and is limited by guarantee. In the event that the Company is wound up, each member’s guaranteed contribution to the assets of the Company is limited to \$100. The Company had 4 members as at 31 August 2024 (2023: 4 members). The directors of the Company are responsible for the preparation of financial statements.

The principal activities of the Company are to operate one child care centre, five kindergartens and two private independent schools, the provision of English as an Additional Language (EAL) courses and sports activities for young people. The management expertise and administration of the Company are substantially provided by The English Schools Foundation.

2 Income

Accounting policy

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

The Company 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 Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Company’s revenue and other income recognition policies are as follows:

(i) Tuition fees

The Company recognises tuition fees when they are receivable.

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

(ii) Other programme fees

The Company recognises other programme fees on an accrual basis in respect of programmes provided; unearned programme fees are treated as fees received in advance.

2 Income (continued)

(iii) Donations

The Company recognises donations when the Company becomes entitled to the donations and it is probable that they will be received. The Company recognises donations relating to expenditure incurred on a systematic basis in the same year in which the related expenditure is incurred. The Company recognises donations that compensate the Company 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.

(iv) Application fee income

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

(v) Rental income

The Company recognises rental income earned from the licensing use of school facilities as income on an accruals basis.

(vi) Resale income

The Company recognises resale income that represents income earned from selling textbooks, stationery and school uniforms on an accrual basis.

(vii) Interest income

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

(viii) Non-refundable building levy

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

(ix) Nomination rights

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 Company recognises income from nomination rights in equal instalments over the student's expected school life or at the time when the student leaves the school within the group which consists of The English Schools Foundation and the Company. Amounts received but not yet recognised as revenue are recorded as deferred income – nomination rights.

2 Income (continued)

| | 2024 \$'000 | 2023 \$'000 |
|--|-----------------------|-----------------------|
| Operating income | | |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Recognised at a point in time | | |
| - Application fee income | 5,551 | 3,287 |
| - Examination fees | 1,373 | 1,314 |
| - Resale income | 3,906 | 5,305 |
| - Other income | 4,652 | 8,545 |
| | <u>15,482</u> | <u>18,451</u> |
| Recognised over time | | |
| - Renaissance College tuition fees | 332,493 | 312,061 |
| - Discovery College tuition fees | 232,432 | 215,892 |
| - Camps and educational visits | 27,940 | 22,019 |
| - Kindergarten tuition fees | 159,596 | 146,973 |
| - Language and Learning Centre tuition fees | 3,891 | 185 |
| - Language course fees | 12,444 | 15,319 |
| - Sports course fees | 23,782 | 23,354 |
| - Clubs course fees | 30 | 135 |
| - Relief grant to parents | (2,464) | (31) |
| | <u>790,144</u> | <u>735,907</u> |
| Revenue from other sources | | |
| - Donations | 1,485 | 1,832 |
| - Rental income | 9,170 | 8,766 |
| - Interest income | 13,539 | 10,370 |
| | <u>24,194</u> | <u>20,968</u> |
| Total operating income | <u><u>829,820</u></u> | <u><u>775,326</u></u> |
| Non-operating income | | |
| Revenue from contracts with customers within the scope of HKFRS 15 recognised over time | | |
| Non-refundable building levy | 20,925 | 20,604 |
| Nomination rights | 13,306 | 14,281 |
| Total non-operating income | <u><u>34,231</u></u> | <u><u>34,885</u></u> |

3 Surplus and total comprehensive income for the year

Surplus and total comprehensive income for the year is arrived at after charging:

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| (a) Staff expenses: | | |
| Contributions to defined contribution retirement scheme | 10,859 | 10,647 |
| Salaries, wages and other benefits | 556,269 | 530,234 |
| | 567,128 | 540,881 |
| (b) Other items: | | |
| Depreciation | | |
| - owned property, plant and equipment | 30,433 | 30,759 |
| - right-of-use assets | 15,038 | 16,812 |
| Interest on lease liabilities | 1,941 | 967 |
| Impairment losses on fees receivables | 861 | 492 |
| Loss on disposal of properties, plant and equipment | 70 | 1,390 |
| Auditor's remuneration | 318 | 316 |
| | 318 | 316 |

4 Office and general expenses

| | 2024 \$'000 | 2023 \$'000 |
|---------------------------------------|----------------|----------------|
| Building repair and maintenance | 14,675 | 14,428 |
| Insurance | 2,403 | 2,623 |
| Minor equipment/furniture written off | 2,462 | 1,669 |
| Printing | 864 | 792 |
| Legal and professional fees | 1,102 | 823 |
| Postage | 229 | 168 |
| Recruiting | 857 | 1,657 |
| Stationery | 357 | 225 |
| Training expenses | 2,486 | 1,859 |
| Transportation | 719 | 507 |
| Utilities | 10,090 | 10,398 |
| General office expenses and others | 21,813 | 21,466 |
| Interest expenses | 2,192 | 1,604 |
| | 60,249 | 58,219 |

5 Rent, rates and building management fee

| | 2024 \$'000 | 2023 \$'000 |
|---|-----------------|----------------|
| Gross rent and rates for the year | 14,323 | 11,697 |
| Less: Recovered or recoverable from the Government of the Hong Kong Special Administrative Region | (3,384) | (3,372) |
| Building management fee | 10,939 2,282 | 8,325 2,124 |
| | 13,221 | 10,449 |

The Company receives reimbursement of rent and rates paid for premises of Renaissance College and Discovery College from the Government of the Hong Kong Special Administrative Region.

6 Teaching materials and resources

| | 2024 \$'000 | 2023 \$'000 |
|----------------------|----------------|----------------|
| Teaching materials | 11,476 | 10,380 |
| Course expenses | 3,393 | 3,240 |
| Examination expenses | 1,182 | 1,162 |
| | 16,051 | 14,782 |

7 Directors' emoluments

In accordance with article 5 of the Company's memorandum of association, no directors of the Company are appointed to any salaried office and no directors shall be given fees, emoluments or other benefits by the Company.

8 Taxation

The Company is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

9 Properties, plant and equipment

Accounting policy

(a) Company owned property, plant and equipment

The Company records properties, plant and equipment other than construction in progress in the statement of financial position at cost less related government grants, accumulated depreciation and impairment losses (see note 25(e)).

The Company records construction in progress at cost less related government grants and impairment losses, and the Company transfers it to other categories of properties, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

(b) Leased assets

At inception of a contract, the Company 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 Company 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 Company enters into a lease in respect of a low-value asset, the Company 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.

9 Properties, plant and equipment (continued)

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 Company'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 Company'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 Company 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.

(c) *Subsequent measurement*

The Company charges depreciation that is designed to write off the cost of properties, plant and equipment, less related government grants to their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- | | |
|---------------------------------------|---|
| - Buildings | 20 - 50 years |
| - Leasehold improvements | Shorter of 10 years/period of the lease |
| - Furniture and equipment | 3 - 10 years |
| - Other properties leased for own use | Over the unexpired term of the lease |

Annually the Company reviews the estimated life of the assets and the estimates of residual value. The Company states construction in progress at cost net of related government grants and construction in progress is not subject to any depreciation charge. Where parts of an item of properties, plant and equipment 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 Company adds subsequent expenditure relating to properties, plant and equipment that the Company has already recognised to the carrying amount of the asset provided the Company considers that it is probable that the Company will obtain future economic benefits, in excess of the originally assessed standard of performance of the existing assets, 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 properties, plant and equipment, the Company recognises the related gains and losses being the difference between the net disposal proceeds and the carrying amount of the item.

9 Properties, plant and equipment (continued)

| | Buildings \$'000 | Leasehold improvements \$'000 | Furniture and equipment \$'000 | Other properties leased for own use \$'000 | Construction in progress \$'000 | Total \$'000 |
|---|---------------------|-------------------------------------|--------------------------------------|---|---------------------------------------|-----------------|
| Cost: | | | | | | |
| At 1 September 2023 | 518,443 | 47,638 | 202,588 | 80,943 | - | 849,612 |
| Additions | 2,037 | 367 | 8,360 | 4,494 | 138 | 15,396 |
| Disposals/adjustments* | - | - | (6,579) | - | - | (6,579) |
| At 31 August 2024 | 520,480 | 48,005 | 204,369 | 85,437 | 138 | 858,429 |
| Government grants: | | | | | | |
| At 1 September 2023 and 31 August 2024 | (328,751) | - | - | - | - | (328,751) |
| Depreciation: | | | | | | |
| At 1 September 2023 | 61,146 | 43,802 | 95,860 | 44,901 | - | 245,709 |
| Charge for the year | 10,207 | 1,209 | 19,478 | 14,577 | - | 45,471 |
| Written back on disposals/adjustments* | - | - | (6,509) | - | - | (6,509) |
| At 31 August 2024 | 71,353 | 45,011 | 108,829 | 59,478 | - | 284,671 |
| Net book value: | | | | | | |
| At 31 August 2024 | 120,376 | 2,994 | 95,540 | 25,959 | 138 | 245,007 |

* Adjustments on cost and depreciation of properties, plant and equipment relate to certain properties, plant and equipment 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.

9 Properties, plant and equipment (continued)

| | Buildings \$'000 | Leasehold improvements \$'000 | Furniture and equipment \$'000 | Other properties leased for own use \$'000 | Construction in progress \$'000 | Total \$'000 |
|---|---------------------|-------------------------------------|--------------------------------------|---|---------------------------------------|-----------------|
| Cost: | | | | | | |
| At 1 September 2022 | 505,289 | 47,226 | 120,143 | 55,229 | 64,115 | 792,002 |
| Additions | 9,780 | 623 | 12,561 | 25,714 | 16,988 | 65,666 |
| Transfers | 3,374 | - | 76,965 | - | (80,339) | - |
| Disposals/adjustments* | - | (211) | (7,081) | - | (764) | (8,056) |
| At 31 August 2023 | 518,443 | 47,638 | 202,588 | 80,943 | - | 849,612 |
| Government grants: | | | | | | |
| At 1 September 2022 and 31 August 2023 | (328,751) | - | - | - | - | (328,751) |
| Depreciation: | | | | | | |
| At 1 September 2022 | 51,796 | 40,953 | 83,408 | 28,574 | - | 204,731 |
| Charge for the year | 9,350 | 3,060 | 18,834 | 16,327 | - | 47,571 |
| Written back on disposals/adjustments* | - | (211) | (6,382) | - | - | (6,593) |
| At 31 August 2023 | 61,146 | 43,802 | 95,860 | 44,901 | - | 245,709 |
| Net book value: | | | | | | |
| At 31 August 2023 | 128,546 | 3,836 | 106,728 | 36,042 | - | 275,152 |

* Adjustments on cost and depreciation of properties, plant and equipment relate to certain properties, plant and equipment 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.

9 Properties, plant and equipment (continued)

(d) 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 | 31 August 2024 \$'000 | 1 September 2023 \$'000 |
|--|-------|-----------------------------|-------------------------------|
| Other properties leased for own use, carried at depreciated cost | (i) | 25,959 | 36,042 |
| Furniture and equipment, carried at depreciated cost | (ii) | 1,334 | 1,760 |
| | | <u>27,293</u> | <u>37,802</u> |

The analysis of expense items in relation to leases recognised in the statement of comprehensive income is as follows:

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Furniture and equipment | 461 | 485 |
| Other properties leased for own use | <u>14,577</u> | <u>16,327</u> |
| Interest on lease liabilities (note 3(b)) | 1,941 | 967 |
| Expense relating to short-term leases | 8,795 | 6,494 |
| Variable lease payments not included in the measurement of lease liabilities | <u>1,107</u> | <u>903</u> |

During the year, additions to right-of-use assets were \$4,530,000 (2023: \$27,520,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 13(d) and 20 respectively.

(i) Other properties leased for own use

The Company has obtained the right to use certain properties as school premises through tenancy agreements. The leases typically run for an initial period of three to ten years.

(ii) Other leases

The Company leases office equipment under leases expiring from one to five 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.

10 Current assets and current liabilities

With the exception of restricted cash mentioned in note 12, deposits for the rental of properties and utilities of \$6,441,000 (2023: \$5,404,000), those prepayments, fees and other receivables mentioned in note 11 and creditors and accruals of \$6,373,000 (2023: \$6,221,000), the Company expects all other current assets and liabilities to be recovered or settled within one year from the end of the reporting period.

11 Prepayments, fees and other receivables

Accounting policy

Fees and other receivables are recognised when the Company 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 Company 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 Company states the receivables at cost and including allowance for credit losses.

| | <i>31 August 2024 \$'000</i> | <i>31 August 2023 \$'000</i> |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Fees receivables | 2,389 | 4,734 |
| Less: Allowance for credit losses | (1,017) | (2,853) |
| | 1,372 | 1,881 |
| Loans to staff | 849 | 929 |
| Amount due from the government | 564 | 428 |
| | 2,785 | 3,238 |
| Prepayments | 9,223 | 8,216 |

The Company expects the amount of the Company's fees receivables and prepayments to be recovered or recognised as expense after more than one year is \$1,089,000 (2023: \$1,304,000). The Company expects all of the other accounts and other receivables to be recovered or recognised as expense within one year.

Impairment of fees receivables

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

11 Prepayments, fees and other receivables (continued)

The Company measures loss allowances for fees receivables at an amount equal to lifetime expected credit losses (“ECLs”), which are calculated using a provision matrix. As the Company’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:

| | 2024 \$'000 | 2023 \$'000 |
|-----------------------------------|----------------|----------------|
| At the beginning of the year | 2,853 | 3,342 |
| Impairment loss recognised | 861 | 492 |
| Uncollectible amounts written off | (2,697) | (981) |
| | 1,017 | 2,853 |
| At the end of the year | 1,017 | 2,853 |

At 31 August 2024, the Company’s allowance for credit losses in respect of fees receivables amounted to \$1,017,000 (2023: \$2,853,000). The Company does not hold any collateral over these balances.

12 Restricted cash

A deposit of \$3,073,000 (2023: \$3,110,000) is pledged 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.

13 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Deposits with original maturities less than three months | 100,000 | 300 |
| Cash at bank and in hand | 351,713 | 370,098 |
| | 451,713 | 370,398 |
| | 451,713 | 370,398 |

13 Cash and cash equivalents and other cash flow information (continued)

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

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Operating activities | | |
| Surplus and total comprehensive income for the year | 62,183 | 43,401 |
| Adjustments for: | | |
| Interest income | (13,539) | (10,370) |
| Nomination rights | (13,306) | (14,281) |
| Non-refundable building levy | (20,925) | (20,604) |
| Depreciation | 45,471 | 47,571 |
| Interest expenses paid to the Foundation | 251 | 637 |
| Interest on lease liabilities | 1,941 | 967 |
| Impairment loss on fees receivables | 861 | 492 |
| Loss on disposal of properties, plant and equipment | 70 | 1,390 |
| | 63,007 | 49,203 |
| Operating surplus before changes in working capital | 63,007 | 49,203 |
| (Increase)/decrease in inventories | (264) | 185 |
| Increase in rental and utilities deposits | (1,037) | (136) |
| Increase in prepayments | (1,007) | (902) |
| (Increase)/decrease in fees and other receivables | (408) | 2,988 |
| Increase in amount due to the Foundation | 3,210 | 5,113 |
| Decrease in creditors and accruals excluding capital creditors | (9,340) | (10,981) |
| (Decrease)/increase in provision for staff gratuities and MPF contributions | (313) | 6,145 |
| Increase in scholarship fund | 3,856 | 1,383 |
| Increase in hardship allowance | 4,694 | 5,670 |
| Increase/(decrease) in fees received in advance | 1,788 | (609) |
| | 64,186 | 58,059 |
| Net cash generated from operating activities | 64,186 | 58,059 |

13 Cash and cash equivalents and other cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company'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.

| | Nomination rights received in advance \$'000 (Note 19) | Individual Nomination rights \$'000 (Note 19) | Non- refundable building levy \$'000 (Note 18) | Debenture \$'000 (Note 17) | Lease liabilities \$'000 (Note 20) | Total \$'000 |
|--|---|---|---|----------------------------------|---|-----------------|
| At 1 September 2022 | 510 | 78,781 | 50,900 | 95,232 | 29,043 | 254,466 |
| Changes from financing cash flows: | | | | | | |
| Net proceeds from nomination rights | (50) | 9,449 | - | - | - | 9,399 |
| Proceeds from non-refundable building levy | - | - | 21,326 | - | - | 21,326 |
| Proceeds from debenture | - | - | - | 36,165 | - | 36,165 |
| Transfer/refund of debenture | - | 10,800 | - | (53,638) | - | (42,838) |
| Capital element of lease rentals paid | - | - | - | - | (17,272) | (17,272) |
| Interest element of lease rentals paid | - | - | - | - | (967) | (967) |
| Total changes from financing cash flows | (50) | 20,249 | 21,326 | (17,473) | (18,239) | 5,813 |
| Other changes: | | | | | | |
| Nomination right income (note 2) | - | (14,281) | - | - | - | (14,281) |
| Non-refundable building levy income (note 2) | - | - | (20,604) | - | - | (20,604) |
| Increase in lease liabilities from entering new leases during the period | - | - | - | - | 27,519 | 27,519 |
| Interest in lease liabilities (note 3(b)) | - | - | - | - | 967 | 967 |
| Total other changes | - | (14,281) | (20,604) | - | 28,486 | (6,399) |
| At 31 August 2023 and 1 September 2023 | 460 | 84,749 | 51,622 | 77,759 | 39,290 | 253,880 |
| Changes from financing cash flows: | | | | | | |
| Net proceeds from nomination rights | (150) | 11,750 | - | - | - | 11,600 |
| Proceeds from non-refundable building levy | - | - | 21,110 | - | - | 21,110 |
| Proceeds from debenture | - | - | - | 29,584 | - | 29,584 |
| Transfer/refund of debenture | - | 6,800 | - | (38,417) | - | (31,617) |
| Capital element of lease rentals paid | - | - | - | - | (15,207) | (15,207) |
| Interest element of lease rentals paid | - | - | - | - | (1,941) | (1,941) |
| Total changes from financing cash flows | (150) | 18,550 | 21,110 | (8,833) | (17,148) | 13,529 |
| Other changes: | | | | | | |
| Nomination right income (note 2) | - | (13,306) | - | - | - | (13,306) |
| Non-refundable building levy income (note 2) | - | - | (20,925) | - | - | (20,925) |
| Increase in lease liabilities from entering new leases during the period | - | - | - | - | 4,531 | 4,531 |
| Interest in lease liabilities (note 3(b)) | - | - | - | - | 1,941 | 1,941 |
| Total other changes | - | (13,306) | (20,925) | - | 6,472 | (27,759) |
| At 31 August 2024 | 310 | 89,993 | 51,807 | 68,926 | 28,614 | 239,650 |

13 Cash and cash equivalents and other cash flow information (continued)

(d) Total cash outflow for leases

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

| | 2024 \$'000 | 2023 \$'000 |
|-----------------------------|----------------|----------------|
| Within operating cash flows | 9,902 | 7,397 |
| Within financing cash flows | 17,148 | 18,239 |
| | <u>27,050</u> | <u>25,636</u> |

14 Scholarship fund and hardship allowance

Pursuant to the service agreement between the Company and the Government of the Hong Kong Special Administrative Region, the Company 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 2024, Renaissance College and Discovery College have each set aside 10% (2023: 10%) of their respective tuition fees which consists of 8% (2023: 8%) for Renaissance College and 9% (2023: 9%) for Discovery College as scholarship fund and 2% (2023: 2%) for Renaissance College and 1% (2023: 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 \$33,250,000 (2023: \$31,206,000) and \$23,243,000 (2023: \$21,589,000) respectively.

| | 2024 \$'000 | 2023 \$'000 |
|------------------------------|----------------|----------------|
| Scholarship fund | | |
| At the beginning of the year | 16,616 | 15,233 |
| Addition | 47,519 | 44,395 |
| Utilisation | (43,663) | (43,012) |
| | <u>20,472</u> | <u>16,616</u> |
| At the end of the year | <u>20,472</u> | <u>16,616</u> |
| Hardship allowance | | |
| At the beginning of the year | 15,761 | 10,091 |
| Addition | 8,974 | 8,400 |
| Utilisation | (4,280) | (2,730) |
| | <u>20,455</u> | <u>15,761</u> |
| At the end of the year | <u>20,455</u> | <u>15,761</u> |

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

14 Scholarship fund and hardship allowance (continued)

The Company transfers previous year's hardship allowance surplus to the statement of comprehensive income to fund part of the expenses.

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 Company recognises the related revenue (see note 2). In cases where the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue, a corresponding receivable is also recognised.

Movements in fees received in advance were as follows:

| | \$'000 |
|--|----------|
| Balance at 1 September 2022 | 85,781 |
| Decrease as a result of recognising revenue during the year that was included in fees received in advance at the beginning of the year | (85,781) |
| Increase as a result of receipts in advance of service to be rendered as at 31 August 2023 | 85,172 |
| | 85,172 |
| Balance at 31 August 2023 and 1 September 2023 | 85,172 |
| Decrease as a result of recognising revenue during the year that was included in fees received in advance at the beginning of the year | (85,172) |
| Increase as a result of receipts in advance of service to be rendered as at 31 August 2024 | 86,960 |
| | 86,960 |
| Balance at 31 August 2024 | 86,960 |

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

16 Amount due to and loan from the Foundation

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

Loan from the Foundation is unsecured and bears interest at the higher of 3-month HIBOR plus 1% and the average external borrowing cost of the Foundation plus 1% per annum. The amount is repayable by 72 equal monthly instalments from 30 September 2018 to 31 August 2024.

17 Debenture

Class A debenture

In September 2019, the Company 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 either the Foundation or the Company.

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 Foundation or the Company.

Class B debenture

In August 2013, the Company introduced a debenture which is payable by parents of children joining the Company's kindergartens in August 2013 and subsequent years. The debenture is \$7,000 (2023: \$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 of a kindergarten leaves the school with sufficient notice.

Both Class A and Class B debentures are non-transferable, interest-free, non-depreciating and unsecured. Initially the Company recognises the debentures at fair value, thereafter the Company states this at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost.

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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Class A debenture | 58,300 | 66,650 |
| Class B debenture | 10,626 | 11,109 |
| | <hr/> | <hr/> |
| Total debenture | 68,926 | 77,759 |
| Less: to be transferred to individual nomination right or repayable within one year | (32,558) | (40,612) |
| | <hr/> | <hr/> |
| Repayable after one year | <u>36,368</u> | <u>37,147</u> |

18 Non-refundable building levy

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

The Company charges the 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 (2023: \$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 \$8,060 (2023: \$7,530) per annum for all students.

Movements in non-refundable building levy were as follows:

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| At the beginning of the year | 51,622 | 50,900 |
| Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the year | (9,844) | (10,285) |
| Increase as a result of receipts in advance of service during the year | 10,029 | 11,007 |
| | <hr/> | <hr/> |
| At the end of the year | 51,807 | 51,622 |
| Less: to be recognised within one year | (7,969) | (7,794) |
| | <hr/> | <hr/> |
| After one year | <u>43,838</u> | <u>43,828</u> |

19 Individual nomination rights

Accounting policy

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 Company recognises revenue from individual nomination rights in equal instalments over the student's expected school life or at the time when the student leaves the schools operated by the Company. Amounts received but not yet recognised as revenue are recorded as deferred income – nomination rights.

Movements in individual nomination rights were as follows:

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------------|----------------------|
| At the beginning of the year | 84,749 | 78,781 |
| Decrease as a result of recognising revenue during the year that was included in deferred income at the beginning of the year | (13,156) | (14,031) |
| Increase as a result of receipts in advance of service during the year | <u>18,400</u> | <u>19,999</u> |
| At the end of the year | 89,993 | 84,749 |
| Less: to be recognised within one year | <u>(11,171)</u> | <u>(10,205)</u> |
| After one year | <u><u>78,822</u></u> | <u><u>74,544</u></u> |

As at 31 August 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations is treated as deferred income – nomination rights. This amount represents revenue expected to be recognised in the future from contracts entered into by the customers with the Company. The Company will recognise the expected revenue in future when or as the services are provided.

20 Lease liabilities

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

| | 31 August 2024 | | 31 August 2023 | |
|--------------------------------------|--|---|--|---|
| | <i>Present value of the minimum lease payments</i> \$'000 | <i>Total minimum lease payments</i> \$'000 | <i>Present value of the minimum lease payments</i> \$'000 | <i>Total minimum lease payments</i> \$'000 |
| Within 1 year | 12,062 | 13,783 | 15,200 | 16,924 |
| After 1 year but within 2 years | 8,844 | 9,840 | 10,655 | 12,120 |
| After 2 years but within 5 years | 3,922 | 4,967 | 8,993 | 10,528 |
| After 5 years | 3,786 | 4,360 | 4,442 | 5,304 |
| | 16,552 | 19,167 | 24,090 | 27,952 |
| | 28,614 | 32,950 | 39,290 | 44,876 |
| Less: total future interest expenses | | (4,336) | | (5,586) |
| Present value of lease liabilities | | 28,614 | | 39,290 |

21 Reserves

(a) Components of the Company's reserves

The Company sets out the opening and closing balances and the movements of the Company's reserves during the year in the statement of changes in reserves.

(b) Capital fund

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

During the year, the Company transferred \$26,108,000 (2023: \$24,547,000) from capital fund to general reserve. The transfer represented the depreciation charge of capital projects funded by the capital fund.

21 Reserves (continued)

(c) Capital management

The Company is a non-profit-making institution. The Company is not subject to any externally imposed capital requirements; its activities are mainly funded by tuition fees, programme income, donations, interest income and funds generated from self-financing activities. The Company manages the accumulated surplus of the Company according to the financial management guidelines and procedures of the Company in meeting the objectives of the Company with the view of safeguarding the entity's ability to continue as a going concern.

22 Financial risk management and fair values of financial instruments

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

(a) Credit risk

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

The Company places deposits and cash and cash equivalents with major financial institutions in Hong Kong with good credit ratings.

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 Company's policy is to regularly monitor liquidity requirements to ensure that the Company maintains sufficient reserves of cash.

All the financial liabilities, except for loan from the Foundation as disclosed in note 16, were carried at amounts not materially different from their contractual undiscounted cash flows as at 31 August 2024 and 2023 and are repayable within one year or on demand. The contractual undiscounted cash flows for loan from the Foundation repayable within 1 year, and, between 1 and 5 years are \$nil (2023: \$8,165,000) and \$nil (2023: \$nil), respectively.

22 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

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

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

| | 2024 | | 2023 | |
|---|---------------------------------|----------------|---------------------------------|----------------|
| | Effective interest rate % | \$'000 | Effective interest rate % | \$'000 |
| Deposits with original maturities over three months | 2.94% | 36,100 | 3.11% | 34,700 |
| Restricted cash | 0.00% | 3,073 | 0.00% | 3,110 |
| Cash and cash equivalents | 0.01% | 451,713 | 0.01% | 370,398 |
| Loan from the Foundation | - | - | 5.85% | (7,912) |
| Lease liabilities | 6.00% | (28,614) | 4.23% | (39,290) |
| | | <u>462,272</u> | | <u>361,006</u> |

- (ii) Sensitivity analysis

At 31 August 2024, it is estimated that a general increase/decrease of 100 basis points (2023: 100 basis points) in interest rates, with all other variables held constant, would have increased/decreased the Company's surplus and total comprehensive income for the year by approximately \$4,623,000 (2023: \$3,610,000). Other components of reserves would not be affected (2023: \$nil) by the changes in interest rates.

The sensitivity analysis above indicates the annualised impact on the Company's net interest income that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to those floating rate instruments which expose the Company to cash flow interest rate risk at that date. The Company performs the analysis on the same basis for 2023.

(d) Fair value measurement

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

23 Commitments

The Company has certain capital commitments relating mainly to the renovation of the schools. Capital commitments outstanding at 31 August 2024 not provided for in these financial statements were as follows:

| | 2024 \$'000 | 2023 \$'000 |
|-----------------------------------|----------------|----------------|
| Contracted for | 1,988 | 1,988 |
| Authorised but not contracted for | 21,000 | - |
| | 22,988 | 1,988 |

24 Material related party transactions

Accounting policy

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company 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 Company or an entity related to the Company.
 - (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 Company or to the Company's parent.

24 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.

- (a) During the year, the Company had various material transactions with the Foundation as follows:

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Fees in respect of management and administration services provided by the Foundation | 32,238 | 30,909 |
| School premises rental expense paid to the Foundation | 7,215 | 5,840 |
| Teaching and support staff salaries charged to the Foundation for staff secondments and extra-curricular programs | 1,214 | 5,652 |
| Teaching and support staff salaries charged by the Foundation for operation of kindergartens | 1,807 | 419 |
| Fees paid to the Foundation under the Development and Operating Agreement ("DOA") | 9,000 | 9,000 |
| Staff education allowance paid to the Foundation | 7,149 | 6,698 |
| Staff education allowance received from the Foundation | (5,873) | (4,463) |
| Course fees in respect of staff professional development provided by the Foundation | 374 | 272 |
| Interest expenses paid to the Foundation | <u>251</u> | <u>637</u> |

Cumulative fees paid to the Foundation under the DOA up to 31 August 2024 are \$285,017,000 (2023: \$276,017,000).

- (b) **Key management personnel remuneration**

There was no key management personnel for the year ended 31 August 2024 (2023: \$nil).

25 Other material accounting policies

(a) Statement of compliance

The Board has prepared the financial statements 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”), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments to HKFRSs and a new HKFRS that are first effective or available for early adoption for the current accounting period of the Company. Note 25(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs and a new HKFRS that are first effective for the current accounting period of the Company.

None of the developments have had a material effect on how the Company’s results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 27).

(d) Government grants

The Company recognises government grants when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The Company deducts grants provided to the Company relating to properties, plant and equipment from the cost of acquisition in arriving at the carrying amount of the properties, plant and equipment.

25 Other material accounting policies (continued)

(e) Impairment of properties, plant and equipment

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

If any such indication exists, the Company 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 costs of disposal and value in use. In assessing value in use, the Company 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 Company determines the recoverable amount for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

The Company 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 Company credits reversals of impairment losses as income in the year in which the reversals are recognised.

(f) Inventories

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

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

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

(g) Creditors and accruals

The Company initially recognises creditors and accruals at fair value. Subsequent to initial recognition, the Company states these at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

25 Other material accounting policies (continued)

(h) *Employee benefits*

- (i) The Company accrues salaries, gratuities, paid annual leave, leave passage and the cost to the Company of non-monetary benefits in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, the Company states these amounts at their present values.
- (ii) The Company recognises as expense obligations for contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance as incurred.

(i) *Functional and presentation currency*

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

26 Immediate and ultimate controlling entity

At 31 August 2024, the directors consider the immediate parent and ultimate controlling entity of the Company to be The English Schools Foundation, which is incorporated in Hong Kong. The parent of the Company produces consolidated financial statements in accordance with HKFRSs which are available at <https://www.esf.edu.hk/accounts-and-annual-reports/>.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 August 2024 and which have not been adopted in these financial statements.

| | <i>Effective for accounting periods beginning on or after</i> |
|---|---|
| Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i> | 1 January 2024 |
| Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i> | 1 January 2024 |
| Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i> | 1 January 2024 |
| Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i> | 1 January 2024 |
| Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i> | 1 January 2025 |
| Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i> | 1 January 2026 |
| Annual improvements to HKFRSs – Volume 11 | 1 January 2026 |
| HKFRS 18, <i>Presentation and disclosure in financial statements</i> | 1 January 2027 |

The Company 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.



Independent auditor's report to the members of ESF Educational Services Limited

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of ESF Educational Services Limited ("the Company") set out on pages 3 to 36, which comprise the statement of financial position as at 31 August 2024, the statement of comprehensive income, the statement of changes in reserves and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 August 2024 and of its financial performance and its 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") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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 financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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



Independent auditor's report to the members of ESF Educational Services Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent auditor's report to the members of ESF Educational Services Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Certified Public Accountants

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

09 DEC 2024