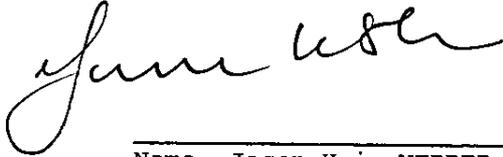


 **Nexia**
Charles Mar Fan Limited
馬炎璋會計師行有限公司

Certified True Copy



Name: Jason Haim WEBBER
Capacity: Director
Date: 6 May 2021

CARMEL SCHOOL ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended July 31, 2020



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07/05/2021

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CARMEL SCHOOL ASSOCIATION LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits its report together with the audited financial statements of Carmel School Association Limited (the "Association") for the year ended July 31, 2020.

PRINCIPAL ACTIVITIES

The Association is principally engaged in the promotion of education and operation of a school.

RESULTS

The results of the Association for the year are set out in the statement of comprehensive income on page 7 of the financial statements.

BOARD OF DIRECTORS

The directors who held office during the year and up to the date of this report are:

| | |
|-----------------------------|-----------------------------------|
| Agnes Josephine Effron | |
| Atara Sivan | |
| David Jacob Samuel Naphtali | |
| Deborah Esther Maghnagi | |
| Jason Haim Webber | |
| Jason Kent Budovitch | |
| Nahum Shemesh | |
| Russell Davidson | |
| Seth Fischer | |
| Shay Razon | |
| Tara Diestel | |
| David Lawrence Weiss | (Appointed on September 6, 2019) |
| Belinda Anne Caviglia | (Appointed on September 10, 2019) |
| Jonathan Bryant Zeman | (Appointed on May 21, 2020) |
| David Zeiden | (Resigned on June 30, 2020) |

The following directors were nominated representatives of the Parent Teachers' Association of the School: -

Belinda Anne Caviglia
Deborah Esther Maghnagi

In accordance with Article 31 of the Association's Articles of Association, all remaining directors continue in office until the expiration of the term of 2 years.

CARMEL SCHOOL ASSOCIATION LIMITED

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

MEMBERS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

In the opinion of the directors, no transaction, arrangement or contract of significance in relation to the Association's activities to which the Association was a party and in which a member of the Board of Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the Association's activities were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of the directors of the Association.

BUSINESS REVIEW

At Carmel School everything revolves around "Excellence, Community, Tradition" as its logo indicates. Family involvement is key and it is believed that the parent-school partnership underpins a child's ability to blossom and develop to his or her full potential. The School functions as one large family, providing support, care, help and direction.

As the only Jewish International through-school in South East Asia, Carmel School is committed to academic excellence through fostering intellectual curiosity, self-directed learning and the individual development of each child. We are now a Continuum IB World School accredited to offer the Primary Years Program (PYP), Middle Years Program (MYP) and the Diploma Program (DP). As only the sixth Continuum IB International School in Hong Kong, we boast sustained high results and entry to top universities by our graduating cohorts.

With regard to financial performance, the total revenue of the Association for the year ended July 31, 2020 was approximately HK\$81.3 million, representing a decrease of 0.4% as compared with that for the year ended July 31, 2019 (HK\$81.6 million). The revenue was from School tuition income, subvention income and donation income. During the year, the school recorded a deficit of HK\$2 million compared to a surplus of HK\$0.3 million last year. Staff remuneration, facility and equipment upgrade, as well as repairs and maintenance continued to be the major expenditure items.

In 2019-20, the School tuition fees were increased by 5% in order to cover pay rises and various educational enhancements. The student enrollment figures were directly impacted by the instability arising from the effects of the international trade war and the global pandemic this year. Our student enrollment numbers dropped 12% compared with last year, resulting in a sizeable deficit.

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CARMEL SCHOOL ASSOCIATION LIMITED

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

With the School's very high IB results, its strong reputation and the growing popularity of the IB curriculum, the Association is confident that the School will maintain or exceed the current number of students. The Association will continue to enhance all aspects of the Carmel education and is dedicated to providing high quality education to students.

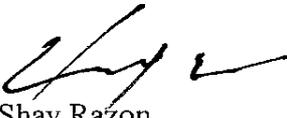
OTHER MATTERS

In the opinion of the directors, there are no other matters, apart from those disclosed in this report that are material for the members' appreciation of the state of the Association's affairs for the year ended July 31, 2020.

AUDITOR

The financial statements have been audited by Messrs. Nexia Charles Mar Fan Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of the Directors



Shay Razon
Chairman

Hong Kong, October 22, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
Carmel School Association Limited
(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the annexed financial statements of Carmel School Association Limited ("the Association"), which comprise the statement of financial position as at July 31, 2020, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at July 31, 2020, 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 Association 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the report of the board of directors, but does not include 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Members of
Carmel School Association Limited
(Incorporated in Hong Kong and limited by guarantee)**

Responsibilities of 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 Association'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 Association 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 was 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 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 financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 Association's internal control.

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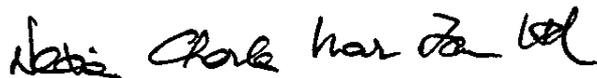
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Members of
Carmel School Association Limited
(Incorporated in Hong Kong and limited by guarantee)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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



Nexia Charles Mar Fan Limited
Certified Public Accountants
Chan Ko, Brenda Margaret
Practising Certificate Number: P02298

October 22, 2020

CARMEL SCHOOL ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JULY 31, 2020**

| | <u>Note</u> | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--|-------------|----------------------|---------------------|
| Turnover | 6 | 77,613,904 | 80,740,151 |
| Other revenue | 7 | 3,650,284 | 863,855 |
| Administrative expenses | | (83,175,376) | (81,291,271) |
| Finance costs | | <u>(60,438)</u> | <u>(11,805)</u> |
| (Deficit)/surplus and total comprehensive income for the year | 8 | <u>\$(1,971,626)</u> | <u>\$300,930</u> |

The annexed notes form an integral part of these financial statements.

CARMEL SCHOOL ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JULY 31, 2020

| | <u>Note</u> | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|------------------------------------|-------------|---------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 830,210 | 547,522 |
| Right-of-use assets | 11 | <u>2,943,937</u> | <u>-</u> |
| | | 3,774,147 | 547,522 |
| | | ----- | ----- |
| Current assets | | | |
| Accounts and other receivables | 12 | 3,153,476 | 3,138,028 |
| Bank balances and cash | 13 | <u>39,554,288</u> | <u>36,277,606</u> |
| | | 42,707,764 | 39,415,634 |
| | | ----- | ----- |
| Total assets | | <u>\$46,481,911</u> | <u>\$39,963,156</u> |
| | | ===== | ===== |
| FUNDS | | | |
| Accumulated funds | | | |
| - General fund | | <u>12,687,689</u> | <u>14,659,315</u> |
| Total funds | | <u>12,687,689</u> | <u>14,659,315</u> |
| | | ----- | ----- |
| LIABILITIES | | | |
| Current liabilities | | | |
| Obligations under finance leases | 14 | 37,232 | 62,424 |
| Other payables and accruals | | 8,049,928 | 4,025,247 |
| Deposits received | | 22,688,702 | 21,122,536 |
| Deferred income | 15 | 54,923 | 54,923 |
| Lease liabilities | 11 | <u>2,119,229</u> | <u>-</u> |
| | | 32,950,014 | 25,265,130 |
| | | ----- | ----- |
| Non-current liabilities | | | |
| Obligations under finance leases | 14 | 1,479 | 38,711 |
| Lease liabilities | 11 | <u>842,729</u> | <u>-</u> |
| | | 844,208 | 38,711 |
| | | ----- | ----- |
| Total liabilities | | <u>33,794,222</u> | <u>25,303,841</u> |
| | | ----- | ----- |
| Total funds and liabilities | | <u>\$46,481,911</u> | <u>\$39,963,156</u> |
| | | ===== | ===== |

Approved and authorised for issue by the Board of Directors on October 22, 2020 and signed on its behalf by


Shay Razon
Director


Russell Davidson
Director

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The annexed notes form an integral part of these financial statements.

CARMEL SCHOOL ASSOCIATION LIMITED

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED JULY 31, 2020

| | General fund <u>HK\$</u> |
|--|--------------------------------|
| At August 1, 2018 | 14,358,385 |
| Surplus and total comprehensive income for the year | <u>300,930</u> |
| At July 31, 2019 and August 1, 2019 | 14,659,315 |
| Deficit and total comprehensive income for the year | <u>(1,971,626)</u> |
| At July 31, 2020 | <u><u>\$12,687,689</u></u> |

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CARMEL SCHOOL ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2020

| | <u>Note</u> | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|-------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| (Deficit)/surplus for the year | | (1,971,626) | 300,930 |
| Adjustments for: | | | |
| Interest income | | (92,414) | (11,520) |
| Finance costs | | 60,438 | 11,805 |
| Provision for doubtful debts | | 790,963 | 1,470,828 |
| Depreciation | | <u>1,941,767</u> | <u>331,914</u> |
| | | 729,128 | 2,103,957 |
| Increase in accounts and other receivables | | (806,411) | (1,549,047) |
| Increase in other payables and accruals | | 4,024,681 | 1,613,113 |
| Increase in deposits received | | <u>1,566,166</u> | <u>1,735,558</u> |
| <i>Net cash generated from operating activities</i> | | 5,513,564 | 3,903,581 |
| Cash flows from investing activities | | | |
| Interest received | | 92,414 | 11,520 |
| Acquisition of property, plant and equipment | | (639,716) | (477,050) |
| Decrease in time deposits with maturity over three months | | 7,000,000 | - |
| <i>Net cash generated from/(used in) investing activities</i> | | 6,452,698 | (465,530) |
| Cash flows from financing activities | | | |
| Capital element of finance lease rentals paid | 18(b) | (62,424) | (61,756) |
| Interest element of finance lease rentals paid | 18(b) | (6,156) | (11,805) |
| Lease payments | 18(b) | (1,621,000) | - |
| <i>Net cash used in financing activities</i> | | <u>(1,689,580)</u> | <u>(73,561)</u> |
| Net increase in cash and cash equivalents | | 10,276,682 | 3,364,490 |
| Cash and cash equivalents at beginning of year | | <u>29,277,606</u> | <u>25,913,116</u> |
| Cash and cash equivalents at end of year | | <u>\$39,554,288</u> | <u>\$29,277,606</u> |
| Analysis of cash and cash equivalents | | | |
| Bank balances and cash | 13 | <u>\$39,554,288</u> | <u>\$29,277,606</u> |

The annexed notes form an integral part of these financial statements.

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CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

1. GENERAL

Carmel School Association Limited (“the Association”) is a not-for-profit organisation. Its principal activities are promotion of education and operation of a school (“the School”). The Association did not carry out any trading activity during the year and no revenue was generated therefrom.

The Association is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee. The address of its registered office is One Robinson Place, 70 Robinson Road, Mid-Levels, Hong Kong. The School is situated on three campuses providing education for pre-nursery, elementary school and high school at Jewish Community Centre, 70 Robinson Road, Mid-Levels, Hong Kong, 10 Borrett Road, Mid-Levels, Hong Kong and 460 Shau Kei Wan Road, Shau Kei Wan, Hong Kong, respectively.

The Association is a charitable institution registered under Section 88 of the Inland Revenue Ordinance and is exempted from payment of Hong Kong Profits Tax.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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 Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the financial statements for the year ended July 31, 2019, unless otherwise stated.

New/revised HKFRSs issued and adoption

In preparing the current year’s financial statements, the Association has adopted, for the first time, new and revised HKFRSs that are effective for the Association’s financial year beginning on August 1, 2019. Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Association’s results and financial position for the current or prior periods have been prepared or presented in these financial statements.

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

New/revised HKFRSs issued and adoption (continued)

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Association has initially applied HKFRS 16 as from August 1, 2019. The Association has elected to use the modified retrospective approach and there was no impact to the opening balance of accumulated funds at August 1, 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Association applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after August 1, 2019. For contracts entered into before August 1, 2019, the Association has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. August 1, 2019), the Association determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at August 1, 2019. The incremental borrowing costs rate used for determination of the present value of the lease payments is 2.4%.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

New/revised HKFRSs issued and adoption (continued)

HKFRS 16, Leases (continued)

(b) *Transitional impact (continued)*

To ease the transition to HKFRS 16, the Association applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Association elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before July 31, 2020; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Association applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at July 31, 2019 to the opening balance for lease liabilities recognised as at August 1, 2019:

| | <u>HK\$</u> |
|---|----------------------|
| Operating lease commitments at July 31, 2019 | 1,311,500 |
| <u>Add:</u> Lease payments for additional periods where the the Association considers it reasonably certain that it will exercise the extension options | 860,000 |
| <u>Less:</u> Commitments relating to short-term leases and other leases with remaining lease term ending on or before July 31, 2020 recognised exempt from capitalisation | (414,000) |
| Total future interest expenses | <u>(38,055)</u> |
| Total lease liabilities recognised at August 1, 2019 | \$1,719,445 ===== |

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CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Accounting estimates and judgements

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, or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated depreciation losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|-------------------------------|---|
| Furniture and fixtures | 3 years |
| Office and computer equipment | 3 years |
| Leasehold improvements | Shorter of useful lives and lease periods |
| Motor vehicles | 3 to 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(c) Receivables

A receivable is recognised when the Association 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. If revenue has been recognised before the Association has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Loss allowances for receivables are always measured at an amount equal to lifetime expected credit losses. Expected credit losses are estimated based on the Association's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of reporting period.

(d) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Provisions

A provision is recognised when the Association has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditure expected to be required to settle the obligation.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the Association operates (the “functional currency”). The financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Association.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liabilities denominated in foreign currencies are recognised in surplus or deficit.

(h) Employee benefits

(i) Pension obligations

The Association operates a mandatory provident fund scheme (“MPF scheme”) in Hong Kong. The Association has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefits (continued)

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave and other non-accumulating compensated absences are not recognised until the time of leave.

(i) Donations

Donations, which are earmarked for specific purposes, are initially deferred and recognised as income when there is reasonable assurance that the Association will comply with the conditions attaching to it. They are recognised in surplus or deficit to match with the related costs for which they are intended to be used.

Donations relating to the payment of students scholarships and teaching materials are recognised in surplus or deficit to match with such expenses paid.

Donations relating to the purchase of property, plant and equipment are recognised in surplus or deficit to match with the estimated useful lives of the assets when the assets are put in use.

Donations, which are general in nature but used by the Association for a period specified, is recognised on an accrual basis.

(j) Government grant

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Association will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in surplus or deficit over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included as non-current liabilities as deferred government grants and are recognised in surplus or deficit on a straight-line basis over the expected lives of the related assets.

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CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue and other income

Income is classified by the Association as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Association's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Association is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

- (i) Tuition income is recognised over time as the services are rendered.
- (ii) Donation and subvention income is recognised when the right to receive payment is established.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iv) Other income is recognised on an accrual basis.

(l) Lessee accounting

Policy applicable from August 1, 2019

At inception of a contract, the Association 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.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Lessee accounting (continued)

Policy applicable from August 1, 2019 (continued)

At the lease commencement date, the Association recognises a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets. When the Association enters into a lease in respect of a low-value asset, the Association 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 surplus or deficit 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 asset 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.

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 Association'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 Association 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 surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Lessee accounting (continued)

Policy applicable prior to August 1, 2019

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Association is the lessor, assets leased by the Association under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to surplus or deficit on the straight-line basis over the lease terms. Where the Association is the lessee, rentals payable under the operating leases are charged to surplus or deficit on the straight-line basis over the lease terms.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets to the Association. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The principal portion of the leasing commitments is shown as obligations of the Association. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to surplus or deficit over the term of the relevant lease so as to provide a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Assets held under finance leases are depreciated on the basis described in note 3(a).

Leases which do not transfer substantially all the risks and rewards of ownership to the Association are classified as operating leases.

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Related parties

- (a) A person or a close member of that person's family is related to the Association if that person:
- (i) has control or joint control over the Association;
 - (ii) has significant influence over the Association; or
 - (iii) is a member of the key management personnel of the Association or of a parent of the Association.

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.

- (b) An entity is related to the Association if any of the following conditions applies:
- (i) The entity and the Association are members of the same group.
 - (ii) The entity is an associate or joint venture of the Association (or an associate or joint venture of a member of a group of which the Association is a member), or vice versa.
 - (iii) Both the entity and the Association 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 Association or an entity related to the Association.
 - (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).

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial risk

The Association's principal financial instruments comprise cash and cash equivalents, receivables and payables. The Association is exposed to the following risks through its normal operations.

Credit risk

The Association has guidelines and procedures governing the process of granting credit in business. Receivable balances are monitored on an ongoing basis.

Liquidity risk

The table below summarises the maturity profile of the Association's financial liabilities at July 31 based on contractual payments.

| | 2020 | | |
|----------------------------------|---------------------|------------------|---------------------|
| | Less than | Over | Total |
| | <u>1 year</u> | <u>1 year</u> | |
| | HK\$ | HK\$ | HK\$ |
| Obligations under finance leases | 37,232 | 1,479 | 38,711 |
| Other payables and accruals | 8,049,928 | - | 8,049,928 |
| Deposits received | 22,688,702 | - | 22,688,702 |
| Deferred income | 54,923 | - | 54,923 |
| Lease liabilities | <u>2,165,500</u> | <u>851,000</u> | <u>3,016,500</u> |
| | <u>\$32,996,285</u> | <u>\$852,479</u> | <u>\$33,848,764</u> |
| | | | |
| | 2019 | | |
| | Less than | Over | Total |
| | <u>1 year</u> | <u>1 year</u> | |
| | HK\$ | HK\$ | HK\$ |
| Obligations under finance leases | 62,424 | 38,711 | 101,135 |
| Other payables and accruals | 4,025,247 | - | 4,025,247 |
| Deposits received | 21,122,536 | - | 21,122,536 |
| Deferred income | <u>54,923</u> | <u>-</u> | <u>54,923</u> |
| | <u>\$25,265,130</u> | <u>\$38,711</u> | <u>\$25,303,841</u> |

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CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2020

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

The Association's capital comprises primarily the surpluses accumulated since incorporation and is for use with the following objectives:

- (a) To safeguard the Association's ability to continue as a going concern, so that it can continue to promote education and operate a school.
- (b) To provide capital for the purpose of strengthening the Association's risk management capability.

The Association is not subject to any externally imposed capital requirements. The Board of Directors regularly review and manage the capital of the Association to ensure adequacy for both the operational and capital needs.

Fair values

All of the financial assets and liabilities are carried at amounts not materially differed from their fair values as at July 31, 2020 and July 31, 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used in these financial statements that the directors expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

6. TURNOVER

Turnover represents tuition income, donation income and subvention income and is analysed as follows:

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--|---------------------|---------------------|
| Disaggregation by service lines within the scope of HKFRS 15 | | |
| Tuition income | 65,943,203 | 70,261,282 |
| Less: Discount | <u>(660,180)</u> | <u>-</u> |
| | 65,283,023 | 70,261,282 |
| Revenue from other sources | | |
| Donation income | 3,713,100 | 3,832,715 |
| Subvention income | <u>8,617,781</u> | <u>6,646,154</u> |
| | <u>12,330,881</u> | <u>10,478,869</u> |
| | <u>\$77,613,904</u> | <u>\$80,740,151</u> |
| Disaggregation by timing of revenue recognition | | |
| Over time | <u>\$65,283,023</u> | <u>\$70,261,282</u> |

7 OTHER REVENUE

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--------------------|---------------------|---------------------|
| Government grants* | 2,876,864 | - |
| Interest income | 92,414 | 11,520 |
| Sundry income | <u>681,006</u> | <u>852,335</u> |
| | <u>\$3,650,284</u> | <u>\$863,855</u> |

* During the year, the Association received subsidies under the Employment Support Scheme and other special anti-epidemic grants.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

8. (DEFICIT)/SURPLUS FOR THE YEAR

The (deficit)/surplus for the year is arrived at after charging/(crediting):

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|-----------------------|-----------------------|
| Auditors' remuneration | \$75,600 ===== | \$73,900 ===== |
| Depreciation | | |
| Property, plant and equipment | 357,028 | 331,914 |
| Right-of-use assets | <u>1,584,739</u> | <u>-</u> |
| | \$1,941,767 ===== | \$331,914 ===== |
| Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (included in staff costs) | \$ - ===== | \$2,724,681 ===== |
| Variable lease payments not included in the measurement of lease liabilities (included in staff costs) | \$945,258 ===== | \$ - ===== |
| Finance costs | | |
| Interest on lease liabilities | 54,282 | - |
| Interest on obligations under finance leases | <u>6,156</u> | <u>11,805</u> |
| | \$60,438 ===== | \$11,805 ===== |
| Staff costs | | |
| Salaries, housing and benefits | 56,340,545 | 54,343,042 |
| Pension costs - MPF scheme | <u>3,363,892</u> | <u>3,065,412</u> |
| | \$59,704,437 ===== | \$57,408,454 ===== |
| Provision for doubtful debts | \$790,963 ===== | \$1,470,828 ===== |

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CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

9. DIRECTORS' BENEFITS AND INTERESTS

Particulars of directors' benefits and interests disclosed pursuant to section 383 of the Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

(a) Directors' emoluments

There are no emoluments paid to or receivable by the directors for the year (2019: HK\$Nil) in respect of their qualifying services.

(b) Directors' retirement benefits

There are no retirement benefits paid to or receivable by the directors for the year (2019: HK\$Nil) in respect of their qualifying services.

(c) Payments in respect of termination of directors' services

There are no payments for loss of offices made to or receivable by the directors for the year (2019: HK\$Nil) in respect of the termination of the qualifying services of the directors.

(d) Consideration by third parties for making available directors' services

There is no consideration provided to or receivable by any third party for the year (2019: HK\$Nil) for making available the services of a person as a director of the Association, or in any other capacity while a director.

(e) Loans, quasi-loans and other dealings

There are no loans, quasi-loans and other dealings made for the year (2019: HK\$Nil) in favour of directors, a controlled body corporate of a director or a connected entity of a director.

(f) Directors' material interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance in relation to the Association's business to which the Association was a party and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

10. PROPERTY, PLANT AND EQUIPMENT

| | <u>Furniture and fixtures</u> HK\$ | <u>Office and computer equipment</u> HK\$ | <u>Leasehold improvements</u> HK\$ | <u>Motor vehicles</u> HK\$ | <u>Total</u> HK\$ |
|--|---|--|---|-----------------------------------|----------------------|
| <u>Cost</u> | | | | | |
| At August 1, 2018 | 1,766,081 | 6,045,583 | 32,069,679 | 245,794 | 40,127,137 |
| Additions | 259,000 | 63,050 | - | 155,000 | 477,050 |
| Disposals | <u>-</u> | <u>-</u> | <u>-</u> | <u>(112,794)</u> | <u>(112,794)</u> |
| At July 31, 2019 and August 1, 2019 | 2,025,081 | 6,108,633 | 32,069,679 | 288,000 | 40,491,393 |
| Additions | <u>26,000</u> | <u>613,716</u> | <u>-</u> | <u>-</u> | <u>639,716</u> |
| At July 31, 2020 | <u>2,051,081</u> | <u>6,722,349</u> | <u>32,069,679</u> | <u>288,000</u> | <u>41,131,109</u> |
| <u>Accumulated depreciation</u> | | | | | |
| At August 1, 2018 | 1,711,617 | 5,805,802 | 31,961,538 | 245,794 | 39,724,751 |
| Charge for the year | 76,580 | 144,610 | 108,141 | 2,583 | 331,914 |
| Written back on disposal | <u>-</u> | <u>-</u> | <u>-</u> | <u>(112,794)</u> | <u>(112,794)</u> |
| At July 31, 2019 and August 1, 2019 | 1,788,197 | 5,950,412 | 32,069,679 | 135,583 | 39,943,871 |
| Charge for the year | <u>100,884</u> | <u>225,144</u> | <u>-</u> | <u>31,000</u> | <u>357,028</u> |
| At July 31, 2020 | <u>1,889,081</u> | <u>6,175,556</u> | <u>32,069,679</u> | <u>166,583</u> | <u>40,300,899</u> |
| <u>Net book value</u> | | | | | |
| At July 31, 2020 | <u>\$162,000</u> | <u>\$546,793</u> | <u>\$ -</u> | <u>\$121,417</u> | <u>\$830,210</u> |
| At July 31, 2019 | <u>\$236,884</u> | <u>\$158,221</u> | <u>\$ -</u> | <u>\$152,417</u> | <u>\$547,522</u> |

The net book value of property, plant and equipment held by the Association under finance leases was HK\$Nil (2019: HK\$2,014).

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

| | <u>HK\$</u> |
|---|--------------------|
| At August 1, 2019 | - |
| Recognition upon initial application of HKFRS 16 (Note 2) | 1,719,445 |
| New leases entered during the year | 2,809,231 |
| Depreciation provided during the year | <u>(1,584,739)</u> |
| At July 31, 2020 | \$2,943,937 |
| At July 31, 2020: | |
| Cost | 4,528,676 |
| Accumulated depreciation | <u>(1,584,739)</u> |
| Net carrying amount | \$2,943,937 |

The right-of-use assets represent the Association's rights to use the underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities.

Lease liabilities

| | <u>HK\$</u> |
|---|----------------|
| Maturity analysis - contractual undiscounted cash flows | |
| - Less than one year | 2,165,500 |
| - One to five years | <u>851,000</u> |
| Total undiscounted lease liabilities at July 31, 2020 | \$3,016,500 |
| Lease liabilities (discounted) analysed as: | |
| - Current portion | 2,119,229 |
| - Non-current portion | <u>842,729</u> |
| | \$2,961,958 |

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CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Amounts recognised in the statement of financial position

| | <u>HK\$</u> |
|---|--------------------|
| At August 1, 2019 | - |
| Recognition upon initial application of HKFRS 16 (Note 2) | 1,719,445 |
| New leases entered during the year | 2,809,231 |
| Interest charged to surplus or deficit | 54,282 |
| Payments during the year | <u>(1,621,000)</u> |
| At July 31, 2020 | <u>\$2,961,958</u> |

Amounts recognised in the statement of comprehensive income

| | <u>HK\$</u> |
|--|------------------|
| Interest on lease liabilities | 54,282 |
| Expenses relating to short-term leases | <u>945,258</u> |
| | <u>\$999,540</u> |

Amount recognised in the statement of cash flows

| | <u>HK\$</u> |
|-------------------------------|--------------------|
| Total cash outflow for leases | <u>\$1,621,000</u> |

12. ACCOUNTS AND OTHER RECEIVABLES

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| | HK\$ | HK\$ |
| Tuition receivables | 7,070,970 | 6,792,146 |
| <u>Less: Provision for doubtful debts</u> | <u>(6,039,547)</u> | <u>(5,248,584)</u> |
| | 1,031,423 | 1,543,562 |
| Other receivables, prepayments and deposits | <u>2,122,053</u> | <u>1,594,466</u> |
| | <u>\$3,153,476</u> | <u>\$3,138,028</u> |

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

12. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

(a) *Impairment of tuition receivables*

The movements in the provision for doubtful debts during the year are as follows: -

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--|---------------------|---------------------|
| At beginning of the year | 5,248,584 | 3,777,756 |
| Impairment losses recognised during the year | <u>790,963</u> | <u>1,470,828</u> |
| At end of the year | <u>\$6,039,547</u> | <u>\$5,248,584</u> |

(b) *Ageing analysis*

The aging analysis of tuition receivables is as follows: -

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--------------|---------------------|---------------------|
| 0-30 days | - | 27,841 |
| 31-60 days | - | 15,880 |
| 61-90 days | - | - |
| Over 90 days | <u>1,031,423</u> | <u>1,499,841</u> |
| | <u>\$1,031,423</u> | <u>\$1,543,562</u> |

Receivables that were past due relate to a number of independent students that have a good track record with the Association. Based on past experience on the recoverability, and taking into consideration of current conditions and forecasts of future economic conditions, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Association does not hold any collateral over these balances.

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

13. BANK BALANCES AND CASH

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|---------------------|---------------------|
| Current accounts and cash in hand | 38,029,994 | 29,253,338 |
| Time deposits | <u>1,524,294</u> | <u>7,024,268</u> |
| Bank balances and cash in the statement of financial position | 39,554,288 | 36,277,606 |
| Time deposits with maturity over three months | <u> -</u> | <u>(7,000,000)</u> |
| Cash and cash equivalents in the statement of cash flows | <u>\$39,554,288</u> | <u>\$29,277,606</u> |

Time deposits are placed with banks for varying periods of one to three months depending on the immediate cash requirements of the Association, and earn interest at the respective short term time deposit rates.

14. OBLIGATIONS UNDER FINANCE LEASES

The Association has had equipments under finance leases for terms of five years.

At July 31, 2020, the Association had obligations under the finance lease repayables as follows: -

| | <u>Minimum lease payments</u> | | <u>Present value of minimum lease payments</u> | |
|--|-------------------------------|---------------------|--|---------------------|
| | <u>2020</u> HK\$ | <u>2019</u> HK\$ | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
| Amounts repayable: | | | | |
| Within one year | 38,740 | 68,580 | 37,232 | 62,424 |
| More than one year, but not exceeding five years | <u>1,490</u> | <u>40,230</u> | <u>1,479</u> | <u>38,711</u> |
| | 40,230 | 108,810 | | |
| Less: Future finance charges | <u>(1,519)</u> | <u>(7,675)</u> | | |
| Present value of lease payments | <u>\$38,711</u> | <u>\$101,135</u> | 38,711 | 101,135 |
| Less: Amounts shown under current liabilities | | | <u>(37,232)</u> | <u>(62,424)</u> |
| Non-current portion | | | <u>\$1,479</u> | <u>\$38,711</u> |

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CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

15. DEFERRED INCOME

Deferred income represents the donation received in advance designated for the following specific purposes: -

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--------------------|---------------------|---------------------|
| Teaching materials | \$54,923 | \$54,923 |
| | ===== | ===== |

The deferred income of teaching materials will be released and credited to surplus or deficit once the teaching materials were expensed.

16. COMMITMENTS

Operating lease commitments

At July 31, 2020, the Association had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|---------------------|---------------------|
| Not later than one year | - | 1,237,000 |
| Later than one year and not later than five years | <u>-</u> | <u>74,500</u> |
| | \$ - | \$1,311,500 |
| | ===== | ===== |

The Association is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Association has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Association adjusted the opening balances at August 1, 2019 to recognise lease liabilities relating to these leases (Note 2). From August 1, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

Capital commitments

At July 31, 2020, there were capital commitments as follows:

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|----------------------------------|---------------------|---------------------|
| Contracted but not provided for: | | |
| - Renovation fee | \$ - | \$516,122 |
| | ===== | ===== |

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CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

17. RELATED PARTY TRANSACTIONS

- (a) During the year, no related party transaction was carried out by the Association.
- (b) No key management personnel compensation has been incurred by the Association for the year.

18. NOTES TO THE STATEMENT OF CASH FLOWS

- (a) Major non-cash transaction

During the year, the adoption of HKFRS 16 by the Association gives rise to right-of-use assets of HK\$4,528,676. The corresponding lease liabilities are recognised at the same amount by the Association.

- (b) Changes in liabilities arising from financing activities

| | <u>Lease liabilities</u> HK\$ | <u>Obligations under finance leases</u> HK\$ | <u>Total</u> HK\$ |
|---|----------------------------------|---|----------------------|
| At August 1, 2018 | - | 162,891 | 162,891 |
| Changes from financing cash flows: | | | |
| Capital element of finance lease rentals paid | - | (61,756) | (61,756) |
| Interest element of finance lease rentals paid | - | (11,805) | (11,805) |
| | - | (73,561) | (73,561) |
| Other changes: | | | |
| Interest on obligations under finance leases (Note 8) | - | 11,805 | 11,805 |
| At July 31, 2019 and August 1, 2019 | - | 101,135 | 101,135 |

CARMEL SCHOOL ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020

18. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

| | Lease <u>liabilities</u> HK\$ | Obligations under <u>finance leases</u> HK\$ | <u>Total</u> HK\$ |
|---|-------------------------------------|---|----------------------|
| Changes from financing cash flows: | | | |
| Capital element of finance lease rentals paid | - | (62,424) | (62,424) |
| Interest element of finance lease rentals paid | - | (6,156) | (6,156) |
| Lease payments | <u>(1,621,000)</u> | <u>-</u> | <u>(1,621,000)</u> |
| | <u>(1,621,000)</u> | <u>(68,580)</u> | <u>(1,689,580)</u> |
| Other changes: | | | |
| Recognition upon initial application of HKFRS 16 (Note 2) | 1,719,445 | - | 1,719,445 |
| New leases entered during the year | 2,809,231 | - | 2,809,231 |
| Interest on obligations under finance leases (Note 8) | - | 6,156 | 6,156 |
| Interest on lease liabilities (Note 8) | <u>54,282</u> | <u>-</u> | <u>54,282</u> |
| | <u>4,582,958</u> | <u>6,156</u> | <u>4,589,114</u> |
| At July 31, 2020 | <u>\$2,961,958</u> | <u>\$38,711</u> | <u>\$3,000,669</u> |

CARMEL SCHOOL ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2020**

19. COMPARATIVE FIGURES

Certain comparative figures have been represented to conform to current year's presentation.

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED JULY 31, 2020

Up to the date of issue of these financial statements, the HKICPA has issued various amendments, new standards and interpretations ("New HKFRSs") which are not yet effective for the annual accounting year ended July 31, 2020. The Association has not elected for early adoption of the New HKFRSs.

The Association is in the process of making an assessment of the potential impact of the New HKFRSs in the year of initial application. At this stage, it is expected that the adoption of the New HKFRSs is unlikely to have any significant impact on the Association's financial performance and financial position.

(FOR MANAGEMENT PURPOSES ONLY)

CARMEL SCHOOL ASSOCIATION LIMITED

DETAILED INCOME STATEMENT FOR THE YEAR ENDED JULY 31, 2020

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|----------------------|--------------------------|
| Revenue | | |
| Tuition income | 65,283,023 | 70,261,282 |
| Donation income | 3,713,100 | 3,832,715 |
| Subvention income | <u>8,617,781</u> | <u>6,646,154</u> |
| | 77,613,904 | 80,740,151 |
| | ----- | ----- |
| Other income | | |
| Government grants | 2,876,864 | - |
| Interest income | 92,414 | 11,520 |
| Sundry income | <u>681,006</u> | <u>852,335</u> |
| | 3,650,284 | 863,855 |
| | ----- | ----- |
| Administrative expenses | | |
| Advertising, promotion and recruitment | 321,102 | 267,985 |
| Auditors' remuneration | 75,600 | 73,900 |
| Bank charges | 42,783 | 49,686 |
| Computer supplies | 1,312,580 | 1,156,796 |
| Consultancy fees | 681,802 | 439,835 |
| Consumables for teaching | 704,054 | 537,254 |
| Courier services | 10,878 | 20,587 |
| Depreciation - property, plant and equipment | 357,028 | 331,914 |
| Depreciation - right-of-use assets | 1,584,739 | - |
| Electricity and water | 754,009 | 875,247 |
| Fee subsidies | 2,595,948 | 2,665,445 |
| Insurance | 1,846,608 | 1,751,283 |
| International Baccalaureate programme | 163,165 | 164,242 |
| Legal and professional fees | 14,196 | 15,988 |
| Membership dues | 24,363 | 18,099 |
| Messing, lunch and snacks | 2,484,578 | 4,066,176 |
| Pension costs - MPF scheme | 3,363,892 | 3,065,412 |
| Printing, postage and stationery | 660,922 | 823,047 |
| Provision for doubtful debts | 790,963 | 1,470,828 |
| Reference and text books | 705,200 | 707,653 |
| Rent and rates | 12 | - |
| Rental - equipment | 21,840 | 21,840 |
| Repairs and maintenance | 3,087,920 | 1,829,583 |
| Salaries, housing and benefits | 54,797,045 | 54,343,042 |
| School events/lessons | 1,204,277 | 1,700,368 |
| School supplies | 2,258,460 | 1,258,753 |
| Security guards | 2,505,028 | 2,540,542 |
| Sundry expenses | 32,475 | 49,627 |
| Teacher development | 243,993 | 446,855 |
| Telephone and fax | 355,984 | 387,048 |
| Travelling | 160,282 | 200,063 |
| Western Association of Schools & Colleges Accreditation | <u>13,650</u> | <u>12,173</u> |
| | (83,175,376) | (81,291,271) |
| | ----- | ----- |
| Finance costs | | |
| Interest on lease liabilities | 54,282 | - |
| Interest on obligations under finance leases | <u>6,156</u> | <u>11,805</u> |
| | (60,438) | (11,805) ⁰¹²⁶ |
| | ----- | ----- |
| (Deficit)/surplus for the year | <u>\$(1,971,626)</u> | <u>\$300,930</u> |
| | ===== | ===== |