LUTHERAN PHILIP HOUSE LIMITED
- MA TAU WAI NURSERY SCHOOL

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2015

譚許謝何會計師行有限公司

TAM, HUI, TSE & HO CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

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TAM, HUI, TSE & HO CPA LIMITED

Suites 607-9, 6/F., North Tower, World Finance Centre, Harbour City, Kowloon. Tel: 2544 9082 Fax: 2545 8035 Website: www.ththcpa.com

Directors :

JOHN C. W. TAM	譚振寰會計師	NASSAR C. K. TSE	謝長國會計師
DANNY L. T. HUI	許立德會計師	FRANKIE T. S. HO	何達成會計師

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF LUTHERAN PHILIP HOUSE LIMITED
RE : MA TAU WAI NURSERY SCHOOL

We have audited the financial statements of Lutheran Philip House Limited (the "Nursery") set out on pages 3 to 14, which comprise the statement of financial position as at 31 August 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Supervisors' responsibility for the financial statements

The supervisor of the Nursery is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and for such internal control as the supervisor determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the supervisor, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE BOARD OF DIRECTORS OF LUTHERAN PHILIP HOUSE LIMITED
RE : MA TAU WAI NURSERY SCHOOL

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Nursery as at 31 August 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

TAM, HUI, TSE & HO CPA LIMITED
Certified Public Accountants

Tse Chiang Kwok, Nassar
Practising Certificate Number : P1974

Hong Kong, 29 MAR 2016

譚許謝何會計師行有限公司
九龍尖沙咀海港城環球金融中心北座6樓607-9室 電話: 2544 9082 圖文傳真: 2545 8035 網址: www.ththcpa.com

LUTHERAN PHILIP HOUSE LIMITED
RE : MA TAU WAI NURSERY SCHOOL
STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2015

	Note	**2015** **HK$**	2014 HK$
ASSETS			
Non-current assets			
Plant and equipment	6	**18,677.35**	24,698.45
Current assets			
Inventories		**23,451.40**	19,194.20
Account receivables		**149,770.10**	4,095.00
Rental and utility deposit		**11,690.00**	11,690.00
Cash and cash equivalents	7	**803,416.73**	984,297.38
		988,328.23	1,019,276.58
Total assets		**1,007,005.58**	1,043,975.03
EQUITY			
Capital and reserves attributable to the Nursery's equity holders			
Accumulated fund		**779,324.33**	891,937.03
LIABILITIES			
Current liabilities			
Accruals		**70,717.55**	36,265.50
Receipt in advance		**156,963.70**	115,772.50
Total liabilities		**227,681.25**	152,038.00
Total equity and liabilities		**1,007,005.58**	1,043,975.03

Approved and authorised for issue on 29 MAR 2016

Leung Yet Man
Chairman

Ho Shuk Ha
Director

Wu Oi Kuen
Supervisor

The notes on pages 7 to 14 form an integral part of these financial statements.

LUTHERAN PHILIP HOUSE LIMITED - MA TAU WAI NURSERY SCHOOL
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	**2015** **HK$**	2014 HK$
School fee income		**2,673,474.00**	2,521,523.00
Sales of textbook book and sundry income		**127,647.90**	113,509.90
Cost of sales of textbook, exercise book and sundry income		**(127,442.70)**	(111,906.20)
Other income	8	**624,667.90**	780,764.35
Employee benefit expenses	9	**(2,763,734.73)**	(2,459,154.26)
Depreciation expenses		**(15,721.10)**	(15,818.05)
Other expenses	10	**(631,503.97)**	(558,546.34)
(Loss)/Profit for the year		**(112,612.70)**	270,372.40
Other comprehensive income/(loss) for the year		**-**	-
Total comprehensive (loss)/income for the year		**(112,612.70)**	270,372.40

The notes on pages 7 to 14 form an integral part of these financial statements.

LUTHERAN PHILIP HOUSE LIMITED - MA TAU WAI NURSERY SCHOOL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015

	Accumulated Fund HK$
Balance at 1 September 2013	621,564.63
Total comprehensive income	270,372.40
Balance at 31 August 2014	891,937.03
Balance at 1 September 2014, as per above	891,937.03
Total comprehensive loss	(112,612.70)
Balance at 31 August 2015	779,324.33

Teacher Development Subsidy included in the accumulated fund as the end of the reporting period is as follows :

	2015 HK$	2014 HK$
Accumulated surplus/(deficit)	-	-

One-off Development Grant for Kindergartens included in the accumulated fund at the end of the reporting period is as follows :

	2015 HK$	2014 HK$
Accumulated surplus	**174,541.00**	174,541.00

LUTHERAN PHILIP HOUSE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2015

	Note	**2015** **HK$**	2014 HK$
Cash flow from operating activities			
(Loss)/Profit before tax		**(112,612.70)**	270,372.40
Adjustments for :			
Depreciation		**15,721.10**	15,818.05
Interest income		**(103.20)**	(86.25)
		(96,994.80)	286,104.20
Changes in working capital			
Inventories		**(4,257.20)**	3,736.00
Trade and other receivables		**(145,675.10)**	3,814.80
Trade and other payables		**75,643.25**	14,905.05
Net cash (used in)/generated from operating activities		**(171,283.85)**	308,560.05
Cash flow from investing activities			
Purchase of plant and equipment		**(9,700.00)**	(13,779.00)
Interest received		**103.20**	86.25
Net cash used in investing activities		**(9,596.80)**	(13,692.75)
Net (decrease)/increase in cash and cash equivalents		**(180,880.65)**	294,867.30
Cash and cash equivalents at beginning of year		**984,297.38**	689,430.08
Cash and cash equivalents at end of year	7	**803,416.73**	984,297.38

The notes on pages 7 to 14 form an integral part of these financial statements.

1. GENERAL INFORMATION

Lutheran Philip House Limited - Ma Tau Wai Nursery School (the "Nursery") is a nursery operated in Hong Kong. Its business address is No. 115, 117 & 118, G/F., Magnolia House, Ma Tau Wai Estate, Kowloon, Hong Kong.

These financial statements are presented in Hong Kong dollar, unless otherwise stated.

2. SUMMARY OF BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Nursery have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Nursery's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Standards, amendment and interpretations
The Nursery has adopted all relevant standards, amendment and interpretations effective for the financial period. The management are of the opinion that the adoption does not have any impact on the Nursery's financial statements.

The Nursery has not adopted any relevant standards, amendment and interpretations issued subsequent to but not being effective at 31 August 2015 of which the management are of the opinion that there will be no material impact on the financial statements for the period of initial application.

2.2 Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Nursery and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

2. SUMMARY OF BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Property, plant and equipment (cont'd)

Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Furniture, fixtures, equipment and decoration	25% - 33.33% per annum
Computer hardware and software	33.33% per annum

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.3).

2.3 Impairment of investments in non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 Financial assets

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as 'receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 2.6 and 2.7).

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss and other comprehensive income.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.8 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Employee benefits

Employee benefits represent short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2.10 Revenue recognition

Revenue comprises the fair value of the school fee and other income received or receivable in the ordinary course of the Nursery's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Nursery recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Nursery's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the income have been resolved. The Nursery bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Revenue recognition (cont'd)

(a) Nursery services income
Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) Subventions, grants, subsidies and reimbursement received
On actual receipt basis.

(c) Sales of goods
When the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the consideration, associated costs or the possible return of goods.

(d) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Nursery reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

2.11 Leases (as the lessee)

Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Nursery's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Board has policies (not written) to focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Nursery's financial performance as follows :-

(a) Market risk
(i) Foreign exchange risk
The Nursery's business transactions are mainly denominated in Hong Kong dollar and hence its exposure to foreign exchange risk is insignificant.

(ii) Price risk
As at 31 August 2015, the Nursery had no material assets or liabilities of which the carrying values are affected by the prevailing market. Hence, the price risk is insignificant.

(iii) Cash flow and fair value interest rate risk
As the Nursery has no significant interest-bearing assets and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk
As at 31 August 2015, the Nursery's maximum exposure to credit risk which will cause a financial loss to the Nursery due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to other significant receivables. For banks and financial institutions, only those registered as financial institutions are accepted. For other significant receivables, the Nursery considers their financial positions to assess their credit qualities.

(c) Liquidity risk
Prudent liquidity risk management involves maintaining sufficient cash for operations.

During the year, the Nursery finances its working capital requirements through the fund generated from operations. In general, the Nursery operates with a working capital surplus.

3.2 Capital risk management

The Nursery monitors its capital without involving any gearing.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There being no significant accounting estimates and judgements involving in the preparation of the financial statements.

5. FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Nursery as shown in the statement of financial positions are classified as follows:

(a) Other debtors and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and

(b) Other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method.

6. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 August 2015

	Furniture, fixtures equipment and decoration HK$	Computer, hardware and software HK$	Total HK$
Cost			
Balance brought forward	159,777.00	26,217.00	185,994.00
Additions	9,700.00	-	9,700.00
Balance carried forward	169,477.00	26,217.00	195,694.00
Aggregate depreciation			
Balance brought forward	147,155.80	14,139.75	161,295.55
Charge	10,916.10	4,805.00	15,721.10
Balance carried forward	158,071.90	18,944.75	177,016.65
Net book value			
At 31 August 2015	**11,405.10**	**7,272.25**	**18,677.35**

Year ended 31 August 2014

	Furniture, fixtures equipment and decoration HK$	Computer, hardware and software HK$	Total HK$
Cost			
Balance brought forward	159,777.00	12,438.00	172,215.00
Additions	-	13,779.00	13,779.00
Balance carried forward	159,777.00	26,217.00	185,994.00
Aggregate depreciation			
Balance brought forward	135,616.00	9,861.50	145,477.50
Charge	11,539.80	4,278.25	15,818.05
Balance carried forward	147,155.80	14,139.75	161,295.55
Net book value			
At 31 August 2014	12,621.20	12,077.25	24,698.45

7. CASH AND CASH EQUIVALENTS

	2015 HK$	2014 HK$
Cash in hand	**5,000.00**	5,000.00
Cash at bank	**798,416.73**	979,297.38
	803,416.73	984,297.38

8. OTHER INCOME

	2015 HK$	2014 HK$
Subsidy received under the Kindergarten and Child Care Centre Subsidy Scheme	**37,983.00**	39,755.00
Reimbursement of Rent and rates	**134,876.00**	136,072.00
Meal fee	**410,780.00**	386,754.00
Sundry income	**23,333.10**	7,297.10
Bank interest income	**103.20**	86.25
Donation	**-**	12,200.00
Registration income	**5,400.00**	4,350.00
One-off school development grant	**-**	194,250.00
Receipt from Designated Grants	**12,192.60**	-
	624,667.90	780,764.35

9. EMPLOYEE BENEFIT EXPENSES

	2015 HK$	2014 HK$
Wages and salaries	**2,639,486.58**	2,344,688.11
Pension costs - defined contribution plans	**124,248.15**	114,466.15
	2,763,734.73	2,459,154.26

10. OTHER EXPENSES

	2015 HK$	2014 HK$
Operating lease payments	**128,894.50**	127,806.00
Auditors' remuneration	**16,000.00**	16,000.00
Others	**486,609.47**	414,740.34
Total other expenses	**631,503.97**	558,546.34

11. COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	HK$	HK$
Not later than 1 year	**71,687.00**	126,987.00
Later than 1 year and not later than 5 years	**4,387.50**	71,687.00
	76,074.50	198,674.00