Oman Education & Training Investment Co. SAOG and its Subsidiaries

Report and consolidated financial statements for the period ended 31 August 2013

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Independent auditor's report
to the shareholders of
Oman Education & Training Investment Co. SAOG
and its subsidiaries

We have audited the accompanying financial statements of **Oman Education & Training Investment Co. SAOG** (the Parent Company) and **Oman Education & Training Investment Co. SAOG and its subsidiaries** (the Group), which comprise of the Parent Company and consolidated statement of financial position as of 31 August 2013, and the Parent Company and consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 3 to 41.

Board of Directors' responsibility for the financial statements

Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority and for such internal control as the Board of Directors 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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Parent Company's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Basis for qualified opinion

As explained in note (25) to the financial statements, the Group had obtained an income tax exemption certificate for five years, for Sohar University and Sohar International School's activities, effective September 2003. The Group will apply for an extension for the exemption for additional five years starting from September 2008. If the Group is unable to obtain the extension, a tax liability of RO 731,946 (30 September 2012- RO 559,000) will become due and the final tax amount will be determined based on the assessment of Secretariat General for Taxation. Accordingly, the tax liability of the Group will increase and retained earnings will decrease by RO 731,946.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 August 2013, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority.

**Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
27 October 2013**

**Signed by
Alfred Strolla
Partner**

Consolidated statement of financial position at 31 August 2013

		31 August 2013		30 September 2012	
			Parent		Parent
	Notes	**Group**	**Company**	Group	Company
ASSETS		**RO**	**RO**	RO	RO
Non-current assets					
Property and equipment	**5**	**34,702,813**	**1,284,309**	34,111,316	1,329,796
Investment in subsidiaries	**6**	**-**	**6,299,200**	-	6,299,200
Total non-current assets		**34,702,813**	**7,583,509**	34,111,316	7,628,996
Current assets					
Inventories	**7**	**102,938**	**3,954**	122,406	4,642
Trade and other receivables	**8**	**2,691,736**	**1,492,271**	1,545,136	858,051
Bank balances and cash	**9**	**939,730**	**8,372**	1,678,466	23,362
Total current assets		**3,734,404**	**1,504,597**	3,346,008	886,055
Total assets		**38,437,217**	**9,088,106**	37,457,324	8,515,051
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	**10**	**7,000,000**	**7,000,000**	7,000,000	7,000,000
Statutory reserve	**11**	**1,049,341**	**1,003,383**	970,727	937,550
Property revaluation reserve		**5,180,223**	**-**	5,180,223	-
Retained earnings / accumulated losses		**875,586**	**411,426**	168,060	(181,070)
		14,105,150	**8,414,809**	13,319,010	7,756,480
Non-controlling interest		**1,595**	**-**	1,462	-
Total equity		**14,106,745**	**8,414,809**	13,320,472	7,756,480
Non-current liabilities					
Deferred grants related to assets	**12**	**16,477,851**	**-**	16,622,350	-
Term loan	**13**	**2,433,164**	**-**	2,032,538	-
Deferred tax liability	**14**	**706,464**	**-**	706,464	-
End of service benefits	**15**	**690,441**	**60,917**	568,056	61,967
Students' deposits		**103,788**	**-**	136,305	-
Notes payable		**23,888**	**-**	23,888	-
Total non-current liabilities		**20,435,596**	**60,917**	20,089,601	61,967

Consolidated statement of financial position at 31 August 2013 (continued)

		31 August 2013		30 September 2012	
	Notes	**Group RO**	**Parent Company RO**	Group RO	Parent Company RO
Current liabilities					
Banks borrowings	**16**	**1,458,145**	**206,672**	1,540,477	111,022
Current portion of term loan	**13**	**625,000**	**-**	250,000	-
Trade and other payables	**17**	**1,811,731**	**405,708**	2,256,774	585,582
Total current liabilities		**3,894,876**	**612,380**	4,047,251	696,604
Total liabilities		**24,330,472**	**673,297**	24,136,852	758,571
Total equity and liabilities		**38,437,217**	**9,088,106**	37,457,324	8,515,051
Net assets per share	**18**	**0.201**	**0.120**	0.190	0.111

Mahmoud bin Mohd. Al Jarwani
Chairman

Jamal bin Said bin Rajab Al-Ojaili
Vice Chairman

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

Consolidated statement of comprehensive income for the period ended 31 August 2013

	Notes	Period from 1 October 2012 to 31 August 2013 Group RO	Period from 1 October 2012 to 31 August 2013 Parent Company RO	30 September 2012 Group RO	30 September 2012 Parent Company RO
Income					
Tuition fee		**11,023,889**	**1,098,578**	10,052,773	1,001,110
Other income	**19**	**1,326,534**	**1,355,172**	1,185,553	737,875
Total income		**12,350,423**	**2,453,750**	11,238,326	1,738,985
Expenses					
Salaries and related costs	**20**	**(7,347,428)**	**(1,279,905)**	(6,672,958)	(1,260,180)
Administrative and other operating expenses	**21**	**(3,134,368)**	**(437,118)**	(3,542,186)	(411,044)
Depreciation of property and equipment	**5**	**(1,135,069)**	**(71,282)**	(979,685)	(92,195)
Total expenses		**(11,616,865)**	**(1,788,305)**	(11,194,829)	(1,763,419)
Profit / (loss) for the period / year from operations		**733,558**	**665,445**	43,497	(24,434)
Release of grants related to assets	**12**	**211,655**	**-**	133,606	-
Finance costs		**(158,940)**	**(7,116)**	(158,906)	(8,655)
Loss on land revaluation		**-**	**-**	(197,339)	(197,339)
Profit / (loss) for the period / year		**786,273**	**658,329**	(179,142)	(230,428)
Other comprehensive income / (loss) :					
Loss on revaluation of properties		**-**	**-**	2,016,000	-
Less: Income tax effect		**-**	**-**	(241,920)	-
Other comprehensive income / (loss) for the period / year		**-**	**-**	1,774,080	-
Total comprehensive income / (loss) for the period / year		**786,273**	**658,329**	1,594,938	(230,428)
Profit / (loss) attributable to:					
Equity holder of the parent		**786,140**	**658,329**	(179,193)	(230,428)
Non-controlling interest		**133**	**-**	51	-
		786,273	**658,329**	(179,142)	(230,428)
Total comprehensive income / (loss) for the period / year attributable to:					
Equity holder of the parent		**786,140**	**658,329**	1,594,753	(230,428)
Non-controlling interest		**133**	**-**	185	-
		786,273	**658,329**	1,594,938	(230,428)
Earnings / (loss) per share	**22**	**0.011**	**0.009**	(0.003)	(0.003)

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

Consolidated statement of changes in equity for the period ended 31 August 2013

	Equity attributable to equity holders of the parent company						
	Share capital RO	Statutory reserve RO	Property revaluation reserve RO	Retained earnings RO	Total RO	Non controlling interest RO	Total equity RO
Group							
At 1 October 2012	**7,000,000**	**970,727**	**5,180,223**	**168,060**	**13,319,010**	**1,462**	**13,320,472**
Profit for the period	**-**	**-**	**-**	**786,140**	**786,140**	**133**	**786,273**
Transfer to statutory	**-**	**78,614**	**-**	**(78,614)**	**-**	**-**	**-**
At 31 August 2013	**7,000,000**	**1,049,341**	**5,180,223**	**875,586**	**14,105,150**	**1,595**	**14,106,745**
Parent							
At 1 October 2012	**7,000,000**	**937,550**	**-**	**(181,070)**	**7,756,480**		
Profit for the period	**-**	**-**	**-**	**658,329**	**658,329**		
Transfer to statutory reserve	**-**	**65,833**	**-**	**(65,833)**	**-**		
At 31 August 2013	**7,000,000**	**1,003,383**	**-**	**411,426**	**8,414,809**		

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

Oman Education & Training Investment Co. SAOG and its Subsidiaries

Consolidated statement of changes in equity
for the period ended 31 August 2013 (continued)

	Share capital	Statutory reserve	Property revaluation reserve	Retained earnings / accumulated losses	Total	Non Controlling interest	Total equity
	Equity attributable to equity holders of the parent company						
	RO	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
Group							
At 1 October 2011	7,000,000	970,727	3,406,277	557,253	11,934,257	1,277	11,935,534
Loss for the year	-	-	-	(179,193)	(179,193)	51	(179,142)
Gain on revaluation of properties	-	-	1,773,946	-	1,773,946	134	1,774,080
Dividend paid	-	-	-	(210,000)	(210,000)	-	(210,000)
At 30 September 2012	7,000,000	970,727	5,180,223	168,060	13,319,010	1,462	13,320,472
Parent							
At 1 October 2011	7,000,000	937,550	-	259,358	8,196,908		
Loss for the year	-	-	-	(230,428)	(230,428)		
Dividend paid	-	-	-	(210,000)	(210,000)		
At 30 September 2012	7,000,000	937,550	-	(181,070)	7,756,480		

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

Oman Education & Training Investment Co. SAOG and its Subsidiaries

Consolidated statement of cash flows for the period ended 31 August 2013

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Operating activities				
Profit / (loss) for the period / year	**786,273**	**658,329**	(179,142)	(230,428)
Adjustments for:				
Depreciation of property and equipment	**1,135,069**	**71,282**	979,685	92,195
Provision for end of service benefits	**208,533**	**24,077**	218,675	26,880
Interest income	**(3,084)**	**-**	(1,883)	-
Finance costs	**158,940**	**7,116**	158,906	8,655
Loss on revaluation of land	**-**	**-**	197,339	197,339
Deferred Government grant related to assets	**(211,655)**	**-**	(133,606)	-
Allowance for impaired debts	**22,009**	**22,009**	343,000	10,000
Allowance for slow moving and obsolete inventories	**-**	**-**	17,273	-
Allowance for impaired debts written off	**-**	**-**	29,318	-
Dividend income	**-**	**(1,151,498)**	-	(461,551)
Operating profit / (loss) from operating activities before changes in working capital	**2,096,085**	**(368,685)**	1,629,565	(356,911)
Movement in working capital:				
Inventories	**19,468**	**688**	(16,369)	9,876
Trade and other receivables	**(1,168,609)**	**33,717**	(26,763)	59,727
Students' deposits	**(32,517)**	**-**	(166,985)	-
Notes payable	**-**	**-**	(7,962)	-
Trade and other payables	**(445,043)**	**(179,874)**	(532,622)	215,352
Cash from / (used in) operations	**469,384**	**(514,154)**	878,864	(71,956)
End of service benefits paid	**(86,148)**	**(25,127)**	(132,064)	(13,533)
Cash from / (used in) operating activities	**383,236**	**(539,281)**	746,800	(85,489)
Investing activities				
Purchase of property and equipment	**(1,726,566)**	**(25,795)**	(7,327,343)	(10,878)
Fixed deposits	**-**	**-**	117,373	-
Interest received	**3,084**	**-**	1,883	-
Investment in a subsidiary	**-**	**-**	-	(149,900)
Dividend received	**-**	**461,552**	-	581,252
Government grant received	**67,156**	**-**	5,755,420	-
Cash (used in) / from investing activities	**(1,656,326)**	**435,757**	(1,452,667)	420,474

Consolidated statement of cash flows for the period ended 31 August 2013 (continued)

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Financing activities				
Term loan received	**1,025,627**	**-**	2,282,538	-
Repayment of term loan	**(250,000)**	**-**	(1,437,632)	-
Short term loans received	**-**	**-**	1,250,000	-
Dividend paid	**-**	**-**	(210,000)	(210,000)
Finance costs paid	**(158,940)**	**(7,116)**	(158,906)	(8,655)
Cash from / (used in) financing activities	**616,687**	**(7,116)**	1,726,000	(218,655)
Change in cash and cash equivalents	**(656,403)**	**(110,640)**	1,020,133	116,330
Cash and cash equivalents at the beginning of the period / year	**1,387,988**	**(87,660)**	367,855	(203,990)
Cash and cash equivalents at the end of the period / year (Note 9)	**731,585**	**(198,300)**	1,387,988	(87,660)

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

1. General

Oman Education & Training Investment Co. SAOG ("the parent company") is an Omani Joint Stock Company incorporated in the Sultanate of Oman on 9 November 1998 under a trade license issued by the Ministry of Commerce & Industry. The Company's Head Office is located at Sohar and its registered address is at P O Box 44, Sohar, Postal Code 311, Sultanate of Oman.

The principal activity of the Group is providing educational services.

These financial statements are presented in Rials Omani (RO) since that is the currency of the country in which the majority of the Group's transactions are denominated.

2. Adoption of new and revised international financial reporting standards (IFRS)

For the period ended 31 August 2013, the Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 October 2012.

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 – *Disclosures – Transfer of Financial Assets*	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset
Amendments to IAS 12 – *Deferred Tax : Recovery Of Underlying Assets*	The amendments to IAS 12 provide an exception to the general principal set out in IAS 12 income taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover a carrying amount of the asset. Specifically, the amendments established a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 *Investment Property* will be recovered entirely through sale.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
New IFRS and relevant amendments	
Financial Instruments	
IFRS 9: *Financial Instruments* (as revised in 2010 *to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)*	January 2015
Amendments to IFRS 9 and IFRS 7 : *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	January 2015
Consolidation, joint arrangements, associates and disclosures	
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: *Joint Arrangements*	January 2013
IFRS 12: *Disclosure of Interests in Other Entities*	January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosures in Other Entities : Transition Guidance and investments entities*	January 2013
IAS 27: *Separate Financial Statements (as revised in 2011)*	January 2013
IAS 27: *Separate Financial Statements amendments for investments entities*	January 2014
IAS 28: Investments in Associates, *reissued as IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*	January 2013
Fair value measurement	
IFRS 13: *Fair Value Measurement*	January 2013
Revised IFRS	
Employee benefits	
IAS 19: Employee Benefits (*as revised in 2011 for the post- employment benefits and termination benefits)*	January 2013
Amendments to IFRSs	
IAS 1: *Presentation of items of other comprehensive income*	July 2012
IAS 32 : *Offsetting Financial Assets and Financial Liabilities*	January 2014
Annual improvements to IFRSs 2009 to 2011 Cycles	January 2013
IFRS 7 : *Disclosures – Offsetting Financial Assets and Financial Liabilities*	January 2013
New Interpretations and amendments to Interpretations:	
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Group.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the measurement of certain non-current assets and financial instruments at fair value.

A summary of significant accounting policies, which have been consistently applied by the Group and are consistent with those used in the previous periods, is set out below:

Basis of consolidation

The consolidated financial statements comprise those of Oman Education & Training Investment Company SAOG and its subsidiaries as at 31 August. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Subsidiaries where the Parent Company owns more than 50% of the subsidiary's share capital:

Name of Subsidiary	Proportion of ownership interest	Principal activity
Sohar University LLC	99.99%	Education and Training Investments
Modern Catering Company .LLC	99.93%	Catering, cleaning and maintenance
Sohar Transportation and Shipping Services LLC	99.93%	Transportation (not yet operational)

3. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment other than land is stated at cost less accumulated depreciation and any identified impairment loss.

Land is measured at fair value less impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation increase arising is credited to the revaluation reserve net of related income tax, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged to the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged so as to write off the cost of assets, except land, over their estimated useful lives, using the straight line method, on the following bases:

	Years
Permanent buildings	40
Furniture, fixtures and equipment	5
Motor vehicles	5
Library books	5
Computers	5
Others	5
Porta-cabins	6.7

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the net book value of the asset and is recognized in the statement of comprehensive income.

Capital work-in-progress

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

3. Summary of significant accounting policies (continued)

Investment in subsidiaries

Investments in subsidiaries are carried in the financial statements of the Parent Company at cost less any impairment.

Grants related to assets

Subsidies were granted by the Government of the Sultanate of Oman and the Private Sector towards the purchase and construction of property and equipment. The subsidy was credited to deferred grants related to assets and is recognized in the statement of comprehensive income over the useful life of property and equipment which were financed by the subsidy.

Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Inventories

Inventories at the reporting date consist of books, stationery and consumable items, and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the Group’s statement of financial position when the Group has become a party to the contractual provisions of the instrument.

The principal financial assets are cash and bank balances and trade and other receivables.

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

The principal financial liabilities are term loans, bank overdraft, student's deposit, notes payable and trade and other payables.

Borrowings are recognized initially at cost, less attributable transactions costs. Subsequent to initial recognition, borrowings are stated at amortised cost with the difference between cost and redemption value recognized in the profit or loss over the period of the borrowings on an effective interest basis.

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

Employee benefits

Termination benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

Provision for non-Omani employees has been made for termination gratuities, leave pay and passage accordance with the terms of the Labour Law of the Sultanate of Oman and is based on the current remuneration and cumulative years of service at the reporting date.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Deferred government grant

Interest subsidy is recognised in the statement of financial position initially as a deferred Government grant and is amortised over the life of the loan based on the effective interest method in the same years in which the interest expense is incurred.

Taxation

In accordance with the Ministerial Decision No. 11/2008, the Group's educational activities have been exempted from income tax.

3. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. However borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Tuition fee is recognized over the year of instruction.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising from foreign currency transactions are included in the profit or loss.

Cash and cash equivalents

For the purpose of cash and cash equivalents, cash and cash equivalents consist of bank balances and cash with a maturity of less than three months from the date of placement, net of outstanding bank overdrafts.

Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law and the requirements of Capital Market Authority and is charged in the statement of comprehensive income.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Allowance for impaired students' receivables
Allowance for impaired students' receivables is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are due.

Allowance for slow moving and obsolete inventories
Allowance for slow moving and obsolete inventories is based on management's assessment of various factors such as the usability and normal wear and tear using best estimates.

5. Property and equipment

Group	Freehold land RO	Permanent buildings RO	Furniture fixtures and equipment RO	Motor vehicles RO	Library books RO	Computers RO	Others RO	Porta-cabins RO	Capital work-in-progress RO	Total RO
Cost or valuation										
At 1 October 2011	5,166,340	9,246,157	1,641,822	206,235	255,071	1,014,801	919,368	395,394	11,502,603	30,347,791
Additions	-	-	348,373	-	23,629	95,748	16,360	1,502	6,841,731	7,327,343
Transfers	-	7,880,472	-	-	-	-	-	-	(7,880,472)	-
Write-off	-	-	-	-	-	-	-	-	(30,218)	(30,218)
Adjustments	-	-	146,254	-	-	-	-	-	-	146,254
Revaluation	1,818,661	-	-	-	-	-	-	-	-	1,818,661
At 1 October 2012	**6,985,001**	**17,126,629**	**2,136,449**	**206,235**	**278,700**	**1,110,549**	**935,728**	**396,896**	**10,433,644**	**39,609,831**
Additions	**-**	**-**	**168,749**	**19,199**	**17,283**	**139,593**	**334,380**	**1,016**	**1,046,346**	**1,726,566**
Transfers	**-**	**-**	**472,698**	**-**	**-**	**258,663**	**-**	**-**	**(731,361)**	**-**
At 31 August 2013	**6,985,001**	**17,126,629**	**2,777,896**	**225,434**	**295,983**	**1,508,805**	**1,270,108**	**397,912**	**10,748,629**	**41,336,397**

5. Property and equipment (continued)

Group	Freehold land RO	Permanent buildings RO	Furniture fixtures and equipment RO	Motor vehicles RO	Library books RO	Computers RO	Others RO	Porta-cabins RO	Capital work-in-progress RO	Total RO
Depreciation										
At 1 October 2011	-	1,612,811	1,215,180	147,883	197,771	544,561	456,656	197,714	-	4,372,576
Charge for the year	-	316,052	213,648	22,800	28,788	175,385	165,380	57,632	-	979,685
Adjustments	-	-	146,254	-	-	-	-	-	-	146,254
Transfers	-	(10,717)	-	-	-	-	-	-	10,717	-
At 1 October 2012	**-**	**1,918,146**	**1,575,082**	**170,683**	**226,559**	**719,946**	**622,036**	**255,346**	**10,717**	**5,498,515**
Charge for the period	**-**	**391,083**	**255,619**	**21,460**	**21,869**	**219,309**	**178,692**	**47,037**	**-**	**1,135,069**
At 31 August 2013	**-**	**2,309,229**	**1,830,701**	**192,143**	**248,428**	**939,255**	**800,728**	**302,383**	**10,717**	**6,633,584**
Carrying amount										
At 31 August 2013	**6,985,001**	**14,817,400**	**947,195**	**33,291**	**47,555**	**569,550**	**469,380**	**95,529**	**10,737,912**	**34,702,813**
At 30 September 2012	6,985,001	15,208,483	561,367	35,552	52,141	390,603	313,692	141,550	10,422,927	34,111,316

The term loan, bank borrowings and Government grant are secured by a charge over the entire property and equipment.

Capital work-in-progress represents the infrastructure, buildings and software installation.

5. Property and equipment (continued)

Parent company	Freehold land RO	Permanent buildings RO	Furniture fixtures and equipment RO	Motor vehicles RO	Library books RO	Computers RO	Others RO	Porta-cabins RO	Capital work-in-progress RO	Total RO
Cost or valuation										
At 1 October 2011	832,339	600,318	180,202	48,909	3,973	101,610	20,392	105,880	-	1,893,623
Additions	-	-	5,990	-	-	3,026	360	1,502	-	10,878
Revaluation	(197,339)	-	-	-	-	-	-	-	-	(197,339)
At 1 October 2012	**635,000**	**600,318**	**186,192**	**48,909**	**3,973**	**104,636**	**20,752**	**107,382**	**-**	**1,707,162**
Additions	**-**	**-**	**6,373**	**-**	**-**	**14,208**	**246**	**1,016**	**3,952**	**25,795**
At 31 August 2013	**635,000**	**600,318**	**192,565**	**48,909**	**3,973**	**118,844**	**20,998**	**108,398**	**3,952**	**1,732,957**

5. Property and equipment (continued)

Parent company	Freehold land RO	Permanent buildings RO	Furniture fixtures and equipment RO	Motor vehicles RO	Library books RO	Computers RO	Others RO	Porta-cabins RO	Capital work-in-progress RO	Total RO
Depreciation										
At 1 October 2011	-	56,838	120,316	40,170	2,929	25,647	3,624	35,647	-	285,171
Charge for the year	-	16,596	32,062	3,385	797	19,190	4,148	16,017	-	92,195
At 1 October 2012	**-**	**73,434**	**152,378**	**43,555**	**3,726**	**44,837**	**7,772**	**51,664**	**-**	**377,366**
Charge for the period	**-**	**13,895**	**17,347**	**2,786**	**245**	**18,260**	**3,826**	**14,923**	**-**	**71,282**
At 31 August 2013	**-**	**87,329**	**169,725**	**46,341**	**3,971**	**63,097**	**11,598**	**66,587**	**-**	**448,648**
Carrying amount										
At 31 August 2013	**635,000**	**512,989**	**22,840**	**2,568**	**2**	**55,747**	**9,400**	**41,811**	**3,952**	**1,284,309**
At 30 September 2012	635,000	526,844	33,814	5,354	247	59,799	12,980	55,718	-	1,329,796

The certain permanent buildings were erected on a land hired from Government of Oman. The capital work in progress represents the installation of new software for the Sohar International School

5. Property and equipment (continued)

An independent valuation of the Group's land was performed during the previous financial year by M/s. Hamptons International Partners LLC to determine the fair value of the land. The valuation, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices, for similar properties.

If land was measured using the cost model, the carrying amounts would be as follows:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Cost	**1,295,135**	**832,339**	1,295,135	832,339

The revaluation surplus, net of tax effect, has been recognized in equity. The revaluation reserve is not available for distribution.

6. Investment in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries listed in the following table. All of the subsidiaries are incorporated in the Sultanate of Oman.

Subsidiary companies	**Country of incorporation**	**Principal activity**	**Proportion held (%)**	**Carrying value**	**Proportion held (%)**	**Carrying value**
			31 August 2013		30 September 2012	
				RO		RO
Sohar University LLC	Sultanate of Oman	Education	99.99	5,999,400	99.99	5,999,400
Modern Catering Co. LLC	Sultanate of Oman	Catering and cleaning	99.93	149,900	99.93	149,900
Sohar Transportation and Shipping Services LLC	Sultanate of Oman	Transport	99.93	149,900	99.93	149,900
				6,299,200		6,299,200

Notes to the consolidated financial statements for the period ended 31 August 2013 (continued)

7. Inventories

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Inventories	**152,679**	**3,954**	172,147	4,642
Less: allowance for slow-moving and obsolete inventories	**(49,741)**	**-**	(49,741)	-
	102,938	**3,954**	122,406	4,642

Movements in the provision for slow moving and obsolete inventory:

At 1 October	**49,741**	**-**	32,468	-
Charge for the period / year	**-**	**-**	17,273	-
At 31 August / 30 September	**49,741**	**-**	49,741	-

8. Trade and other receivables

Students' receivables	**3,359,568**	**172,237**	2,441,058	132,093
Less: allowance for impaired students' receivables (Note 8.a)	**(1,118,998)**	**(47,000)**	(1,096,989)	(24,991)
Net students' receivables	**2,240,570**	**125,237**	1,344,069	107,102
Prepaid expenses	**103,652**	**12,329**	107,280	8,496
Due from employees	**24,946**	**3,879**	42,674	10,622
Due from related parties (Note 23)	**-**	**197,928**	-	269,579
Dividend receivable	**-**	**1,151,498**	-	461,552
Other receivables	**82,023**	**1,400**	808	700
	210,621	**1,367,034**	150,762	750,949
Advance to suppliers	**241,345**	**-**	51,105	-
Less: allowance for impaired debts	**(800)**	**-**	(800)	-
	240,545	**-**	50,305	-
	2,691,736	**1,492,271**	1,545,136	858,051

8. Trade and other receivables (continued)

a. Movements in the allowance for impaired students' receivables were as follows:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 October	**1,096,989**	**24,991**	753,843	14,991
Charge for the period / year	**22,009**	**22,009**	343,000	10,000
Adjustment during the period / year	**-**	**-**	146	-
At 31 August / 30 September	**1,118,998**	**47,000**	1,096,989	24,991

9. Bank balances and cash

	31 August 2013 Group RO	**31 August 2013 Parent Company RO**	30 September 2012 Group RO	30 September 2012 Parent Company RO
Cash on hand	**23,269**	**8,372**	76,213	23,362
Banks balances: current accounts	**916,461**	**-**	1,602,253	-
Cash and bank balances	**939,730**	**8,372**	1,678,466	23,362
Banks overdrafts	**(208,145)**	**(206,672)**	(290,478)	(111,022)
Cash and cash equivalents	**731,585**	**(198,300)**	1,387,988	(87,660)

10. Share capital

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Authorized share capital				
100,000,000 shares of RO 0.100 each (2011 - 100,000,000 share of RO 0.100 each)	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**
Issued and paid up share capital				
70,000,000 shares of RO 0.100 each (2011 – 70,000,000 shares of RO 0.100 each)	**7,000,000**	**7,000,000**	7,000,000	7,000,000

At the reporting date the following shareholders held 10% or more of the Parent Company's shares:

	31 August 2013		30 September 2012	
	RO	**%**	RO	%
Global Financial Investments Co. SAOG	**26,376,662**	**37.68**	26,376,662	37.68
Suleiman bin Ahmed Saeid Al Hoqani	**12,348,809**	**17.64**	12,348,809	17.64
First National LLC	**10,495,355**	**14.99**	10,495,355	14.99
Legal heirs of Said bin Mohammed Rajab Al- Ojaili	**8,408,896**	**12.01**	8,408,896	12.01

11. Statutory reserve

The statutory reserve, which is not available for distribution is calculated in accordance with Article 106 of the Commercial Companies Law. The annual appropriation must be 10% of the net profit for the period until such time as the reserve amounts to at least one third of the share capital.

12. Deferred government grants related to assets

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 October	**16,622,350**	**-**	11,000,535	-
Received during the period / year	**67,156**	**-**	5,755,421	-
Release to income during the period / year	**(211,655)**	**-**	(133,606)	-
At 31 August / 30 September	**16,477,851**	**-**	16,622,350	-

According to the Board of Higher Education decision No. 3/2003 dated 3 March 2003, the Group was granted a Government subsidy of RO 1,407,500 towards financing part of buildings and other installation's costs which are required for the Group. The Group had received the full amount of the subsidy.

According to the Ministry of Higher Education letter No. 807/2007 dated 6 November 2007, the Group has been granted a conditional Government grant related to assets amounting to RO 1,592,500. This grant was received and recognized during the year 2011. The grant is managed by Oman Development Bank SAOC against a management fee of RO 7,962 per annum. Group has issued postdated cheques for the management fees which appear as notes payable in the statement of financial position.

The deferred government grant related to assets includes an amount of RO 75,000 received from a private individual for the construction of a mosque. This mosque will be constructed at the time of construction of the adjacent university building.

According to the Royal deed by His Majesty and the Board of Higher Education letter No. 55/2/3/2007 dated 24 January 2007, the Group was granted a conditional government grant of RO 17,000,000 towards the infrastructure, buildings, laboratories and main educational halls. This grant is receivable subject to the fulfillment of the conditions of the grant. During the period the Group has utilised grant amounting to RO 67,156 (30 September 2012: RO 5,755,421) towards construction of University building.

Notes to the consolidated financial statements for the period ended 31 August 2013 (continued)

13. Term loan

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Term loan	**3,058,164**	**-**	2,282,538	-
Current portion	**(625,000)**	**-**	(250,000)	-
Long term portion	**2,433,164**	**-**	2,032,538	-

Term loan represents the loan granted by Sohar Bank SAOG at the interest rate of 5% per annum fixed for the first 2 years and thereafter to be reviewed annually. The loan is repayable in 12 semi-annual installment commencing from April 2013. The loan is secured by a mortgage over the Group's property and equipment.

Maturity of the term loan:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Within one year	**625,000**	**-**	250,000	-
Between 1 and 2 years	**950,000**	**-**	625,000	-
Between 2 and 5 years	**1,483,164**	**-**	1,407,538	-
At 31 August / 30 September	**3,058,164**	**-**	2,282,538	-

14. Deferred tax liability

Deferred tax liability arises from the revaluation of freehold lands calculated using the prevailing rate of 12%.

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 October	**706,464**	**-**	464,544	-
Tax effect of revaluation decrease during the period / year	**-**	**-**	241,920	-
At 31 August / 30 September	**706,464**	**-**	706,464	-

Notes to the consolidated financial statements
for the period ended 31 August 2013 (continued)

15. End of service benefits

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 October	**568,056**	**61,967**	481,445	48,620
Charge during the period / year	**208,533**	**24,077**	218,675	26,880
Paid during the period / year	**(86,148)**	**(25,127)**	(132,064)	(13,533)
At 31 August / 30 September	**690,441**	**60,917**	568,056	61,967

16. Bank borrowings

Bank overdraft (a)	**208,145**	**206,672**	290,477	111,022
Short term loans (b)	**1,250,000**	**-**	1,250,000	-
	1,458,145	**206,672**	1,540,477	111,022

(a) Bank overdraft carries an interest rate of 5.75% to 8% per annum (30 September 2012 : 5.75% to 8% per annum) and is payable on demand.

(b) Short term loans carries an interest rate of 5.5% to 6.25% (30 September 2012 : 5.5% to 6.25%). The loans are secured by a mortgage over Group's property and equipment

17. Trade and other payables

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Trade payables	**545,875**	**11,705**	356,586	2,888
Accrued expenses	**407,101**	**16,609**	333,922	30,353
Advance tuition fees	**296,983**	**52,099**	1,183,374	203,578
Provision for leave pay and passage	**232,929**	**75,132**	239,912	49,669
Research grant (note 17(a))	**141,308**	**-**	28,650	-
Students' deposits	**98,291**	**-**	40,000	-
Retention payables	**33,261**	**-**	17,811	-
Notes payable	**7,962**	**-**	7,962	-
Due to related parties (note23)	**-**	**249,858**	-	299,094
Other payables	**48,021**	**305**	48,557	-
	1,811,731	**405,708**	2,256,774	585,582

17. Trade and other payables (continued)

The Group has received research grant jointly from The Research Council of Oman (TRC), Qatar National Research Fund (QNRF) and certain other entities for carrying out educational research work. Movement in the research grant is as follows:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 October	**28,650**	-	84,761	-
Received during the period / year	**291,844**	-	96,399	-
Paid during the period / year	**(179,186)**	-	(152,510)	-
At 31 August / 30 September	**141,308**	-	28,650	-

18. Net assets per share

Net assets per share is calculated by dividing the net assets at the period / year end by the number of shares outstanding as follows:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
Net assets (RO)	**14,104,745**	**8,414,809**	13,320,472	7,756,480
Number of ordinary shares	**70,000,000**	**70,000,000**	70,000,000	70,000,000
Net assets per share (RO)	**0.201**	**0.120**	0.190	0.111

Notes to the consolidated financial statements for the period ended 31 August 2013 (continued)

19. Other income

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Students' accommodation	**626,832**	**-**	545,959	-
Students' transportation	**545,588**	**149,661**	433,517	108,194
Interest income	**3,084**	**-**	1,883	-
Dividend income	**-**	**1,151,498**	-	461,552
Other income	**151,030**	**54,013**	204,194	168,129
	1,326,534	**1,355,172**	1,185,553	737,875

20. Salaries and related costs

Salaries and allowances	**5,997,001**	**1,117,830**	5,446,077	1,133,833
Leave pay	**571,064**	**24,459**	478,892	35,002
End of service benefits (Note15)	**208,534**	**24,078**	218,676	26,880
Air passage	**200,188**	**57,624**	151,774	30,457
Social security	**167,015**	**23,841**	139,853	24,687
Legal cases	**28,804**	**4,613**	95,090	-
Other costs	**174,822**	**27,460**	142,596	9,321
	7,347,428	**1,279,905**	6,672,958	1,260,180

21. Administrative and other operating expenses

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Students' transportation	**736,515**	**220,207**	682,354	177,552
Repairs and maintenance	**422,809**	**10,368**	292,751	10,021
Utilities	**277,923**	**8,100**	261,847	8,453
Rent	**218,871**	**7,634**	253,449	1,451
Teaching material	**173,129**	**27,765**	198,568	34,647
Scholarship	**167,398**	**-**	200,241	-
Cleaning expenses	**146,493**	**15,528**	185,223	12,773
Advertising and marketing	**137,644**	**7,126**	117,981	5,114
Communication	**87,354**	**8,100**	87,322	6,305
Entertainment	**69,783**	**3,866**	42,292	7,440
Travel allowances	**67,586**	**10,961**	37,681	7,680
Printing and stationery	**62,070**	**12,130**	54,093	20,811
Graduation expenses	**54,715**	**-**	54,920	-
Contractor settlement	**50,348**	**-**	200,000	-
Collaboration fees	**47,957**	**4,853**	42,721	14,218
Security and safety	**34,378**	**-**	54,857	-
Summer school expenses	**20,775**	**-**	36,113	-
Insurance	**20,065**	**8,655**	33,748	22,830
In-house conferences	**18,006**	**-**	15,004	-
MSM membership	**6,562**	**6,562**	7,087	7,087
Allowance for impaired debts (Note 8(a))	**22,009**	**22,009**	343,000	10,000
Legal, consultancies and professional fees	**68,911**	**6,495**	102,059	3,500
Vehicle expenses and conveyance	**27,018**	**5,029**	30,735	3,423
Board of director's and committees' sitting fee	**31,400**	**31,400**	41,700	41,700
Board of governance and committees' sitting fees	**33,475**	**-**	31,975	-
Continue education center expenses	**46,835**	**-**	27,230	-
Allowance for slow moving and obsolete inventories (Note 7)	**-**	**-**	17,273	-
Miscellaneous expenses	**84,339**	**20,329**	89,962	16,039
	3,134,368	**437,117**	3,542,186	411,044

22. Earnings per share

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
Profit / (loss) for the period / year (RO)	**786,273**	**658,329**	(179,142)	(230,428)
Weighted average number of shares on issue	**70,000,000**	**70,000,000**	70,000,000	70,000,000
Earnings / (losses) per share – (RO)	**0.011**	**0.009**	(0.003)	(0.003)

The par value of each share is RO 0.100 (30 September 2012: RO 0.100). The earning per share is calculated by dividing the profit for the period / year by the weighted average number of shares outstanding during the period / year.

23. Related parties

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

During the period / year transactions with the related parties are as follows:

	31 August 2013		30 September 2012	
	Major shareholders	**Other related parties**	Major shareholders	Other related parties
Rent	**19,360**	**-**	23,564	-
Legal fee	**-**	**-**	-	5,000
Consultancy fee	**-**	**-**	-	-
Insurance cost	**-**	**-**	11,929	-
	19,360	**-**	35,493	5,000

Amounts due from / to related parties are disclosed in note 8 and 17 respectively.

Outstanding balances at the period / year end arise in the normal course of business. For the period ended 31 August 2013, the Group has not recorded any impairment of amounts owed by related parties.

23. Related parties (continued)

Compensation of key management personnel

Key management personnel are those persons having direct authority and responsibility for planning, directing and controlling the activities of the Group.

	Period from 1 October 2012 to 31 August 2013 RO	30 September 2012 RO
Salaries and allowances of key management personnel	**290,790**	265,427
Sitting fee – Board of directors and audit committee	**31,400**	41,700
Sitting fee – Board of governors and committee	**33,475**	31,975

24. Contingencies and commitments

	31 August 2013 RO	30 September 2012 RO
Capital commitments for acquisition of property and equipment	**828,378**	631,890

Contingencies
There have been legal cases filed against the Group and as of the report date no results came out so as to specify the contingencies might be effecting the position of the outstanding liabilities. Adequate provisions have been created as per the management best estimation.

25. Income tax

In accordance with the Ministerial Decision No. 11/2008, the Group had obtained an income tax exemption certificate for five years, for Sohar University and Sohar International School's activities, effective September 2003. The Group will apply for an extension for the exemption for additional five years starting from September 2008.

26. Financial risk management

Overview

Financial instruments consist of financial assets and liabilities. The principal financial assets and liabilities carried on the statement of financial position includes cash and bank balances, trade and other receivables, term loan, bank borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and balances with banks..

Exposure to credit risk

The carrying amount of each financial asset in the statement of financial position represents the maximum exposure to credit risk.

The Group's bank accounts are placed with reputed financial institutions.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each student. The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Management regularly reviews these balances whose recoverability is in doubt.

The Group establishes a provision for impairment that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets.

26. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

The exposure to credit risk at the reporting date was on account of:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Students' receivables	**3,359,568**	**125,237**	2,441,058	132,093
Other receivables	**347,514**	**1,354,705**	94,587	752,453
Bank balances	**916,461**	**-**	1,602,253	-
	4,623,544	**1,479,942**	4,137,898	884,546

The exposure to credit risk for trade receivables at the reporting date by major customers was:

	31 August 2013		30 September 2012	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Ministry of Higher Education	**1,719,760**	**-**	947,320	-
Others	**1,639,808**	**172,237**	1,493,738	132,093
	3,359,568	**172,237**	2,441,058	132,093

The age of students' receivables and related impairment loss at the reporting date was:

Group

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Past due from 1st academic semester	**154,451**	**-**	29,308	7,970
Past due from 2nd academic semester	**1,817,574**	**-**	1,139,635	98,263
Past due for summer academic semester	**159,462**	**-**	180,998	-
Past due more than 365 days	**1,228,081**	**1,118,998**	1,091,117	990,756
	3,359,568	**1,118,998**	2,441,058	1,096,989

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

26. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

Parent

	Period from 1 October 2012 to 31 August 2013		30 September 2012	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Past due from 1st academic semester	**25,237**	**-**	29,308	7,970
Past due from 2nd academic semester	**100,000**	**-**	85,764	-
Past due more than 365 days	**47,000**	**47,000**	17,021	17,021
	172,237	**47,000**	132,093	24,991

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group has access to credit facilities.

26. Financial risk management (continued)

Liquidity risk (continued)

The following are the maturities of the financial liabilities:

Group

31 August 2013

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Term loan	**3,058,164**	**250,000**	**375,000**	**950,000**	**1,483,164**
Bank borrowings	**1,458,145**	**1,458,145**	**-**	**-**	**-**
Trade payables	**545,875**	**545,875**	**-**	**-**	**-**
Accrued expenses	**407,101**	**407,101**	**-**	**-**	**-**
Advance tuition fees	**296,983**	**296,983**	**-**	**-**	**-**
Provision for leave pay and passage	**232,929**	**232,929**	**-**	**-**	**-**
Students' deposits	**202,079**	**98,291**	**-**	**51,894**	**51,894**
Research grant	**141,308**	**141,308**	**-**	**-**	**-**
Retention payable	**33,261**	**33,261**	**-**	**-**	**-**
Notes payable	**31,850**	**7,962**	**-**	**7,962**	**15,926**
Other payables	**48,021**	**48,021**	**-**	**-**	**-**
	6,455,716	**3,519,876**	**375,000**	**1,009,856**	**1550,984**

30 September 2012

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Term loan	2,282,538	-	250,000	625,000	1,407,538
Bank borrowings	1,540,477	1,540,477	-	-	-
Advance tuition fees	1,183,374	591,687	591,687	-	-
Trade payables	356,856	356,586	-	-	-
Accrued expenses	333,922	333,922	-	-	-
Provision for leave pay and air passage	239,912	239,912	-	-	-
Students' deposits	176,305	40,000	-	40,000	96,305
Notes payable	31,850	7,962	-	7,962	15,926
Research grant	28,650	28,650	-	-	-
Retention payable	17,811	17,811	-	-	-
Other payables	48,557	48,557	-	-	-
	6,240,252	3,205,564	841,687	672,962	1,519,769

26. Financial risk management (continued)

Liquidity risk (continued)

Parent Company

31August 2013

	Carrying amount RO	6 months or less RO	6 - 12 months RO
Due to related parties	**249,858**	**249,858**	**-**
Bank borrowings	**206,672**	**206,672**	**-**
Provision for leave pay and air passage	**75,132**	**75,132**	**-**
Advance tuition fees	**52,099**	**52,099**	**-**
Accrued expenses	**16,609**	**16,609**	
Trade payables	**11,705**	**11,705**	**-**
Other payables	**305**	**305**	**-**
	612,380	**612,380**	**-**

30 September 2012

Due to related parties	299,094	299,094	-
Advance tuition fees	203,578	101,789	101,789
Bank borrowings	111,022	111,022	-
Provision for leave pay and air passage	49,669	49,669	-
Trade payables	2,888	2,888	-
Accrued expenses	30,353	30,353	-
	696,604	594,815	101,789

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group’s functional and presentation currency is Rial Omani and the Group’s performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currencies and consequently foreign currency risk is not significant.

26. Financial risk management (continued)

Interest rate risk

The Group has term loans and other short term bank borrowings bearing interest rates as disclosed in Note 13 and Note 16. The management manages the interest rate risk by constantly monitoring the changes in interest rate.

27. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management.

28. Business and geographical segments

Currently, the Group operates in two business segment by providing educational services and cleaning and maintenance service within the Sultanate of Oman. The subsidiary in transportation business has not yet started its business.

The Group has only one geographical segment. Segment information is, accordingly, presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

28. Business and geographical segments (continued)

Business segments (continued)

Financial results of business segments are disclosed in the following schedule:

2013	Educational services RO	Cleaning and maintenance RO	Reconciliations RO	Total RO
Segment revenue	**12,350,423**	**238,644**	**(238,644)**	**12,350,423**
Segment expenses	**(11,624,716)**	**(230,793)**	**238,644**	**(11,616,865)**
Finance cost	**(158,940)**	**-**	**-**	**(158,940)**
Government grant income	**211,655**	**-**	**-**	**211,655**
Segment results	**778,422**	**7,851**	**-**	**786,273**
Segment assets	**34,258,518**	**178,699**	**-**	**38,437,217**
Segment liabilities	**24,302,558**	**27,914**	**-**	**24,330,472**
Allocated cost of acquired property, plant and equipment	**1,681,844**	**44,722**	**-**	**1,726,566**

Until the year 2012 the Group operated in one business segment i.e. educational services within the Sultanate of Oman. The catering and transportation subsidiary companies have not started their business in 2012.

29. Proposed distribution

The Board of Directors has proposed no cash dividend (30 September 2012 – null).

30. Accounting period

Based on the decision of the Annual general Meeting dated ××, the Group's fiscal year has been changed to begin on September 1, instead of October 1. Accordingly, the figures contained in the statement of comprehensive income, cash flows and statement of changes in equity for the current period represents the financial activity for a period of eleven months.

31. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 27 October 2013.