OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and Separate Financial Statements

31 August 2016

Registered address and Principal place of business:
P. O. Box 44
Postal Code 311
Sultanate of Oman

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and Separate financial statements

31 August 2016

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REPORT OF THE INDEPENDENT AUDITORS' TO THE SHAREHOLDERS OF OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG

Report on the consolidated and separate financial statements

We have audited the accompanying separate and consolidated financial statements of Oman Education & Training Investment Company SAOG ("the Company") and its subsidiaries ("the Group") set out on pages 2 to 35, which comprise the separate and consolidated statement of financial position as at 31 August 2016, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards, the relevant disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion
In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company and the Group as at 31 August 2016 and its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
In our opinion, the separate and consolidated financial statements of the Company and the Group as at and for the year ended 31 August 2016, in all material respects, comply with:

- the relevant disclosure requirements of the Capital Market Authority; and
- the Commercial Companies Law of 1974, as amended.

24 October 2016 *Paul Callaghan*

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and separate statement of financial position

as at 31 August

	Notes	Group 2016 RO	Parent Company 2016 RO	Group 2015 RO	Parent Company 2015 RO
ASSETS					
Non-current assets					
Property and equipment	4	**38,079,234**	**12,499**	37,892,093	16,103
Investment in subsidiaries	5	-	**6,399,050**	-	6,399,050
Total non-current assets		**38,079,234**	**6,411,549**	37,892,093	6,415,153
Current assets					
Inventories	6	**182,553**	-	173,811	-
Trade and other receivables	7	**5,392,896**	**3,319,958**	3,500,746	2,899,260
Bank balances and cash	8	**426,458**	**21,764**	1,915,479	688,464
Total current assets		**6,001,907**	**3,341,722**	5,590,036	3,587,724
Total assets		**44,081,141**	**9,753,271**	43,482,129	10,002,877
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	9	**7,000,000**	**7,000,000**	7,000,000	7,000,000
Legal reserve	10	**1,378,783**	**1,287,926**	1,273,593	1,197,896
Property revaluation reserve	4	**5,752,740**	-	5,752,740	-
Retained earnings		**1,980,375**	**1,082,312**	2,083,693	1,322,040
Total equity		**16,111,898**	**9,370,238**	16,110,026	9,519,936
Non-controlling interest		**2,337**	-	2,084	-
Total equity and minority interest		**16,114,235**	**9,370,238**	16,112,110	9,519,936
Non-current liabilities					
Deferred grants related to assets	11	**17,374,708**	-	17,841,713	-
Term loan	12	**2,475,422**	-	3,136,779	-
Deferred tax liability	13	**942,346**	-	942,346	-
End of service benefits	14	**1,047,784**	**39,141**	930,198	36,784
Students' deposits		**213,060**	-	191,305	-
Notes payable		-	-	7,962	-
Total non-current liabilities		**22,053,320**	**39,141**	23,050,303	36,784

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and separate statement of financial position (continued)

as at 31 August

	Notes	Group 2016 RO	Parent Company 2016 RO	Group 2015 RO	Parent Company 2015 RO
Current liabilities					
Banks borrowings	*15*	**752,008**	**-**	5,484	-
Current portion of term loan	*12*	**1,575,000**	**-**	1,175,000	-
Trade and other payables	*16*	**3,288,748**	**343,892**	2,935,403	446,157
Provision for income tax	*13*	**297,830**	-	203,829	-
Total current liabilities		**5,913,586**	**343,892**	4,319,716	446,157
Total liabilities		**27,966,906**	**383,033**	27,370,019	482,941
Total equity and liabilities		**44,081,141**	**9,753,271**	43,482,129	10,002,877
Net assets per share	*17*	**0.230**	**0.134**	0.230	0.136

The financial statements were approved and authorised for issue by the Board of Directors on ______ and signed on their behalf by:

______________________________ Mahmoud bin Mohd. Al Jarwani
Chairman

______________________________ Jamal bin Said bin Rajab Al-Ojaili
Vice Chairman

The notes on pages 9 to 35 form an integral part of these consolidated financial statements.

The report of the Auditors is set forth on page 1.

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and separate statement of profit or loss and other comprehensive income

for the year ended 31 August

	Notes	Group 2016 RO	Parent Company 2016 RO	Group 2015 RO	Parent Company 2015 RO
Income					
Tuition fees		**13,330,064**	**-**	12,014,728	-
Other income	*18*	**1,060,634**	**1,366,413**	1,469,850	1,615,559
Total income		**14,390,698**	**1,366,413**	13,484,578	1,615,559
Expenses					
Salaries and related costs	*19*	**(8,268,059)**	**(346,209)**	(8,086,987)	(322,375)
Administrative and other operating expenses	*20*	**(3,211,143)**	**(113,751)**	(2,693,069)	(148,180)
Depreciation of property and equipment	*4*	**(1,653,283)**	**(6,022)**	(1,149,976)	(6,376)
Total expenses		**(13,132,485)**	**(465,982)**	(11,930,032)	(476,931)
Profit for the year from operations		**1,258,213**	**900,431**	1,554,546	1,138,628
Release of deferred government grant	*11*	**467,005**	**-**	251,949	-
Finance costs		**(402,797)**	**(129)**	(256,321)	(110)
Loss on sale of investment in subsidiary		**-**	**-**	(18,840)	(18,840)
Profit for the year before tax		**1,322,421**	**900,302**	1,531,334	1,119,678
Income tax	*13*	**(270,296)**	**-**	(232,148)	-
Net profit and total comprehensive income for the year		**1,052,125**	**900,302**	1,299,186	1,119,678
Total comprehensive income for the year attributable to:					
Parent Company shareholders		**1,051,872**	**900,302**	1,298,926	1,119,678
Non-controlling interest		**253**	**-**	260	-
		1,052,125	**900,302**	1,299,186	1,119,678
Earnings per share	*21*	**0.015**	**0.013**	0.019	0.016

The notes on pages 9 to 35 form an integral part of these consolidated financial statements.

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OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated statement of changes in equity- Group

for the year ended 31 August 2016

Group	Share capital	Legal reserve	Property revaluation reserve	Retained earnings	Total	Non-controlling Interest	Total equity
	RO	RO	RO	RO	RO	RO	RO
At 1 September 2014	7,000,000	1,143,700	5,752,166	1,374,818	15,270,684	1,824	15,272,508
Adjustment due to sale of subsidiaries	-	-	574	29,842	30,416	-	30,416
Net profit and total comprehensive income for the year	-	-	-	1,298,926	1,298,926	260	1,299,186
Transfer to legal reserve	-	129,893	-	(129,893)	-	-	-
Dividend paid	-	-	-	(490,000)	(490,000)	-	(490,000)
At 31 August 2015	7,000,000	1,273,593	5,752,740	2,083,693	16,110,026	2,084	16,112,110
At 1 September 2015	**7,000,000**	**1,273,593**	**5,752,740**	**2,083,693**	**16,110,026**	**2,084**	**16,112,110**
Net profit and total comprehensive income for the year	-	**-**	**-**	**1,051,872**	**1,051,872**	**253**	**1,052,125**
Transfer to legal reserve	-	**105,190**	**-**	**(105,190)**	**-**	**-**	-
Dividend paid	-	**-**	**-**	**(1,050,000)**	**(1,050,000)**	**-**	**(1,050,000)**
At 31 August 2016	**7,000,000**	**1,378,783**	**5,752,740**	**1,980,375**	**16,111,898**	**2,337**	**16,114,235**

The notes on pages 9 to 35 form an integral part of these consolidated financial statements.
The report of the Auditors is set forth on page 1.

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Separate statement of changes in equity- Parent Company

for the year ended 31 August 2016

Parent	Share capital RO	Legal reserve RO	Property revaluation reserve RO	Retained earnings RO	Total equity RO
At 1 September 2014	7,000,000	1,085,928	-	804,330	8,890,258
Net profit for the year	-	-	-	1,119,678	1,119,678
Transfer to legal reserve	-	111,968	-	(111,968)	-
Dividend paid	-	-	-	(490,000)	(490,000)
At 31 August 2015	7,000,000	1,197,896	-	1,322,040	9,519,936
At 1 September 2015	**7,000,000**	**1,197,896**	**-**	**1,322,040**	**9,519,936**
Net profit for the year	**-**	**-**	**-**	**900,302**	**900,302**
Transfer to legal reserve	**-**	**90,030**	**-**	**(90,030)**	**-**
Dividend paid	**-**	**-**	**-**	**(1,050,000)**	**(1,050,000)**
At 31 August 2016	**7,000,000**	**1,287,926**	**-**	**1,082,312**	**9,370,238**

The notes on pages 9 to 35 form an integral part of these consolidated financial statements.
The report of the Auditors is set forth on page 1.

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated and separate statement of cash flows

for the year ended 31 August 2016

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Operating activities				
Profit for the year before tax	**1,322,421**	**900,302**	1,531,334	1,119,678
Adjustments for:		**-**		-
Depreciation of property and equipment	**1,653,283**	**6,022**	1,149,976	6,376
Provision for end of service benefits	**255,686**	**11,619**	232,068	12,168
Interest income	**(2,946)**	**-**	(4,647)	-
Finance costs	**402,797**	**129**	256,321	110
Loss from sale of investment in subsidiary	**-**	**-**	18,840	-
Gain on disposal of property and equipment	**(2,062)**	**-**	(5,622)	-
Deferred Government grant related to assets	**(467,005)**	**-**	(251,949)	-
Allowance for impaired debts and advances	**535,009**	**-**	95,863	-
Allowance for impaired debts written off	**(51,150)**	**-**	(153,006)	-
Dividend income	**-**	**(1,366,412)**	-	(1,615,559)
Operating profit / (loss) from operating activities before changes in working capital	**3,646,033**	**(448,340)**	2,869,178	(477,227)
Changes in working capital:				
Inventories	**(8,742)**	**-**	(57,632)	-
Trade and other receivables	**(2,376,009)**	**(420,697)**	513,065	(476,960)
Students' deposits	**21,753**		38,332	-
Notes payable	**(7,962)**	**-**	(7,962)	-
Trade and other payables	**353,346**	**(102,266)**	423,151	11,173
Cash generated from / (used in) operations	**1,628,419**	**(971,303)**	3,778,132	(943,014)
Income tax paid	**(176,294)**	**-**	(124,030)	-
End of service benefits paid	**(138,100)**	**(9,262)**	(108,346)	-
Cash generated from / (used in) operating activities	**1,314,025**	**(980,565)**	3,545,756	(943,014)

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Consolidated statement of cash flows

for the year ended 31 August 2016 (continued)

	2016		2015	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Investing activities				
Purchase of property and equipment	**(1,844,351)**	**(2,418)**	(3,625,452)	(525)
Interest received	**2,946**	**-**	4,647	-
Proceeds from disposals of property and equipment	**5,989**	**-**	7,460	-
Proceeds from sale of investment in subsidiary	**-**	**-**	1,221,824	-
Investment in a subsidiary	**-**	**-**	-	495,000
Dividend received	**-**	**1,366,412**	-	1,615,559
Government grant received	**-**	**-**	1,510,450	-
Cash (used in) / generated from investing activities	**(1,835,416)**	**1,363,994**	(881,071)	2,110,034
Financing activities				
Term loan received	**913,643**	**-**	1,207,626	-
Repayment of term loan	**(1,175,000)**	**-**	(950,000)	-
Short term loans received/ (paid)	**750,000**	**-**	(750,000)	-
Dividend paid	**(1,050,000)**	**(1,050,000)**	(490,000)	(490,000)
Finance costs paid	**(402,797)**	**(129)**	(256,321)	(110)
Cash used in financing activities	**(964,154)**	**(1,050,129)**	(1,238,695)	(490,110)
Change in cash and cash equivalents	**(1,485,545)**	**(666,700)**	1,425,990	676,910
Cash and cash equivalents at the beginning of the year	**1,909,995**	**688,464**	484,005	11,554
Cash and cash equivalents at the end of the year (note 8)	**424,450**	**21,764**	1,909,995	688,464

The notes on pages 9 to 35 form an integral part of these consolidated financial statements.

The report of the Auditors is set forth on page 1.

Notes to the financial statements
(forming part of the financial statements)

1 Legal status and principal activities

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 PO Box 44, Sohar, Postal Code 311, Sultanate of Oman.

The principal activity of the Company is providing educational services.

During September 2013, an extraordinary general meeting was held for the purpose of separating Sohar International School from the Parent Company, accordingly a separate entity was established on 19 March 2014 namely Sohar International School LLC ("School") under a license from Ministry of Commerce and Industry. The assets and liabilities related to the School were transferred from the Parent Company. As at 1 September 2014 the Parent Company sold its equity interest in the School to a third party.

The subsidiary companies controlled by the Parent Company are as following:

Name of Subsidiary	Proportion of ownership interest	Principal activity
Sohar University LLC	99.99%	Education and Training Investments
Modern Catering Company LLC	99.90%	Catering, cleaning and maintenance
Sohar Transportation and Shipping Services LLC	99.93%	Transportation (dormant)

2 Basis of preparation and significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the disclosure requirements of the Capital Market Authority of the Sultanate of Oman and the requirements of the Commercial Companies Law of 1974, as amended.

(b) Basis of measurement

These consolidated and separate financial statements have been prepared on the historical cost basis except for land which is carried at revalued amount.

(c) Functional currency

These consolidated and separate financial statements are presented in Rials Omani (RO), which is the Group's functional currency.

(d) Use of estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Notes to the financial statements
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(e) Significant accounting policies

The accounting policies are consistently applied and are consistent with those used in prior years. The significant accounting policies set out below have been consistently applied in dealing with items that are considered material in relation to the Group's financial statements to all the years presented.

(f) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the subsidiaries. The financial statements of the Subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Parent Company. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

The Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss.

In the Parent Company's separate financial statements investments in subsidiaries are stated at cost, less provision for impairment in value of any individual investment. Dividend income is recognised in the profit or loss in the period in which entitlement is established.

Transaction eliminated on consolidation

Intra-group balances and transactions, and any recognized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as recognized gains, but only to the extent that there is no evidence of impairment.

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

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the financial statements
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(g) Property and equipment

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

Land is measured at revalued amount 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.

Depreciation is charged so as to write off the cost of assets, except land and capital work in progress 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 profit or loss.

Revaluation surplus

Surplus on revaluation of land is credited to the surplus on revaluation account (net of deferred taxation). Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. When revalued assets are sold, any related amount included in the surplus on revaluation is transferred to retained earnings.

(h) 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.

(i) Deferred government grant 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 grant related to assets and is recognized in the profit or loss over the useful life of property and equipment which were financed by the subsidy.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of the Group's receivables is calculated as the present value of future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use.

2 Basis of preparation and significant accounting policies *(continued)*

(j) Impairment (continued)

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(k) 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.

(l) 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.

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.

(m) Employee benefits

Payment is made to Omani Government's Social Security Scheme under Royal Decree number 72 / 91 (as amended) for Omani employees.

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.

(n) 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.

Notes to the financial statements
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(o) Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefits will be realized.

(p) 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.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Tuition fee is recognized as income when it is considered probable that the fees will be received from the students.

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

(r) 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.

(s) Cash and cash equivalents

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

(t) 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 to profit or loss.

2 Basis of preparation and significant accounting policies *(continued)*

(u) Equity

Items representing a residual interest in the Group's net assets are presented as equity. Such items include paid-up share capital.

(v) Adoption of new and revised International Financial Reporting Standards ("IFRS")

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 August 2016, and have not been applied in preparing these consolidated and separate financial statements as follows:

IFRS 9, 'Financial instruments' (effective on or after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

IFRS 15, Revenue from contracts with customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 construction contracts and IFRIC 13 customer loyalty programs. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16, Leases specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

Management are still considering what impact these standards will have on the consolidated and separate financial statements.

3 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.

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 resulting in a material adjustment in the year ending 31 August 2017 is included in the following notes:

3 Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

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 its best estimates.

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the financial statements
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4 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/ fair value										
At 1 Sep 2015	7,000,000	29,548,659	3,771,919	228,366	350,956	1,935,353	1,401,695	421,208	1,603,999	46,262,155
Additions	-	21,204	442,246	-	16,447	228,588	39,867	18,470	1,077,529	1,844,351
Disposals	-	-	(43,158)	-	-	-	-	(52,251)	-	(95,409)
At 31 Aug 2016	**7,000,000**	**29,569,863**	**4,171,007**	**228,366**	**367,403**	**2,163,941**	**1,441,562**	**387,427**	**2,681,528**	**48,011,097**
Depreciation										
At 1 Sep 2015	-	3,076,214	2,180,114	175,918	290,253	1,230,810	1,124,504	292,249	-	8,370,062
Charge for the year	-	739,083	501,100	15,404	22,957	230,753	113,957	30,029	-	1,653,283
Disposal	-	-	(39,233)	-	-	-	-	(52,249)	-	(91,482)
At 31 Aug 2016	**-**	**3,815,297**	**2,641,981**	**191,322**	**313,210**	**1,461,563**	**1,238,461**	**270,029**	**-**	**9,931,863**
Carrying amount										
At 31 Aug 2016	**7,000,000**	**25,754,566**	**1,529,026**	**37,044**	**54,193**	**702,378**	**203,101**	**117,398**	**2,681,528**	**38,079,234**
At 31 Aug 2015	7,000,000	26,472,445	1,591,805	52,448	60,703	704,543	277,191	128,959	1,603,999	37,892,093

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Notes to the financial statements
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4. 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/ fair value										
At 1 Sep 2015	-	-	14,645	13,968	-	7,125	-	-	-	35,738
Additions	-	-	1,440	-	-	978	-	-	-	2,418
At 31 Aug 2016	**-**	**-**	**16,085**	**13,968**	**-**	**8,103**	**-**	**-**	**-**	**38,156**
Depreciation										
At 1 Sep 2015	-	-	6,881	9,358	-	3,396	-	-	-	19,635
Charge for the year	-	-	3,895	692	-	1,435	-	-	-	6,022
At 31 Aug 2016	**-**	**-**	**10,776**	**10,050**	**-**	**4,831**	**-**	**-**	**-**	**25,657**
Carrying amount										
At 31 Aug 2016	**-**	**-**	**5,309**	**3,918**	**-**	**3,272**	**-**	**-**	**-**	**12,499**
At 31 Aug 2015	-	-	7,764	4,610	-	3,729	-	-	-	16,103

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Notes to the financial statements
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4 Property and equipment *(continued)*

Freehold land was revalued at its open market value of RO 7 million by an independent professional valuer as of 5 August 2014. The surplus arising on revaluation has been taken to revaluation reserve included as a separate component of equity.

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

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Cost	**462,796**	**-**	462,796	-

The revaluation surplus of RO 5,752,740, net of tax effect of RO 784,464, has been recognized in equity. The revaluation reserve is not available for distribution.

5 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.

			2016		2015	
	Country of Incorporation	**Principal activity**	**Proportion held**	**Carrying value**	Proportion held	Carrying value
Subsidiary companies			%	**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	**249,750**	99.93	249,750
Sohar Transportation and Shipping Services LLC	Sultanate of Oman	Transport	99.93	**149,900**	99.93	149,900
				6,399,050		6,399,050

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6 Inventories

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Inventories	**182,553**	-	234,505	-
Less: allowance for slow-moving and obsolete inventories	**-**	-	(60,694)	-
	182,553	-	173,811	-

Movement in the provision for slow moving and obsolete inventory:

At 1 September	**60,694**	-	60,694	-
Written off during the year	**(60,694)**	-	-	-
At 31 August	**-**	-	60,694	-

7 Trade and other receivables

Fees receivables	**5,545,546**	**134,007**	1,793,467	147,550
Less: Provision for doubtful debts	**(1,217,121)**	**(99,927)**	(1,236,262)	(99,927)
Net fees receivable	**4,328,425**	**34,080**	557,205	47,623
Prepayments	**157,265**	**5,390**	148,605	-
Due from employees	**14,961**	**1,943**	16,950	3,099
Due from related parties (Note 22)	**-**	**1,887,750**		830,510
Dividend receivable	**-**	**1,366,412**		1,615,559
Other receivables	**63,983**	**24,383**	453,036	402,469
	236,209	**3,285,878**	618,591	2,851,637
Advance to contractors and suppliers	**1,332,062**	**-**	2,325,750	-
Less: allowance for impaired debts	**(503,800)**	**-**	(800)	-
	828,262	**-**	2,324,950	-
	5,392,896	**3,319,958**	3,500,746	2,899,260

OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the financial statements
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7 Trade and other receivables *(continued)*

Movement in the provision for fees receivables were as follows:

	2016 Group	2016 Parent Company	2015 Group	2015 Parent Company
	RO	**RO**	RO	RO
At 1 September	**1,236,262**	**99,927**	1,240,477	-
Charge for the year	**32,009**	**-**	95,865	-
Transfer during the year	**-**	**-**	52,926	99,927
Written off during the year	**(51,150)**	**-**	(153,006)	-
At 31 August	**1,217,121**	**99,927**	1,236,262	99,927

8 Bank balances and cash

Cash on hand	**29,290**	**-**	25,651	109
Banks balances	**397,168**	**21,764**	1,889,828	688,355
Cash and bank balances	**426,458**	**21,764**	1,915,479	688,464
Banks overdrafts (note 15)	**(2,008)**	**-**	(5,484)	-
Cash and cash equivalents	**424,450**	**21,764**	1,909,995	688,464

9 Share capital

Authorized share capital 2016 and 2015 100,000,000 shares of RO 0.100 each	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Issued and paid up share capital 2016 and 2015 70,000,000 shares of RO 0.100 each	**7,000,000**	**7,000,000**	7,000,000	7,000,000

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9 Share capital *(continued)*

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

	2016 RO	**%**	2015 RO	%
Global Financial Investments Co. SAOG	**2,637,666**	**37.68**	2,637,666	37.68
Suleiman bin Ahmed Saeid Al Hoqani	**1,224,237**	**17.49**	1,224,237	17.49
First National LLC	**1,028,410**	**14.69**	1,028,410	14.69
Legal heirs of Said bin Mohammed Rajab Al- Ojaili	**-**	**-**	840,889	12.01

10 Legal 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.

11 Deferred government grants

	2016 Group RO	**2016 Parent Company RO**	2015 Group RO	2015 Parent Company RO
At 1 September	**17,841,713**	-	16,583,211	-
Received during the year	**-**	-	1,510,451	-
Release to income during the year	**(467,005)**	-	(251,949)	-
At 31 August	**17,374,708**	**-**	17,841,713	-

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 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 which receives a management fee of RO 7,963 per annum. The Group has issued postdated cheques for the management fees which are disclosed as notes payable under trade and other payables.

11 Deferred government grants related to assets *(continued)*

The deferred government grant related to assets includes an amount of RO 75,000 received 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 Decree 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. The Group has received the full amount of the grant. During the year 2015, the Group received grant amounting RO 1,510,450 towards construction of Sohar University building.

12 Term loan

	2016 Group	**2016 Parent Company**	2015 Group	2015 Parent Company
	RO	**RO**	RO	RO
Term loan	**4,050,422**	**-**	4,311,779	-
Current portion	**(1,575,000)**	**-**	(1,175,000)	-
Long term portion	**2,475,422**	**-**	3,136,779	-

Term loan represents the first loan taken to complete the Phase I building and second loan for Phase II buildings. Both loans were obtained from Bank Sohar SAOG at an interest rate of 5.5% per annum (2015:5%) and to be reviewed annually. The first loan is repayable in 4 equal semi-annual installments of RO 350,000 each. The second loan is repayable in 7 equal semi-annual installments of RO 312,500 each starting 25 February 2017. The loan is secured by a mortgage over the Group's fixed and current assets. The loan is also secured by the mortgage of plot no 788 located at Sohar.

Maturity of the term loan:

Within one year	**1,575,000**	-	1,175,000	-
Between 1 and 2 years	**1,325,000**	-	1,512,500	-
Between 2 and 5 years	**1,150,422**	**-**	1,624,279	-
At 31 August	**4,050,422**	**-**	4,311,779	-

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13 Taxation

In accordance with the Ministerial Decision No. 11/2008, the Group had obtained an income tax exemption certificate for five years for Sohar University activities, which was effective from September 2003. In 2008, the Group applied for an extension in the exemption for additional five years starting from September 2008 which was granted by the Tax Authorities. For the financial year 2014, the Group has become taxable since the expiry of second exemption period in 2013.

The Group provides for income tax in accordance with the Income Tax Laws of the Sultanate of Oman at the rate of 12% on taxable profits in excess of RO 30,000. The tax rate is expected to increase to 15%.

The tax charge for the year comprises:

	2016	**2016**	2015	2015
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Current year				
Current tax	**270,296**	**-**	203,169	-
Deferred tax	**-**	**-**	28,979	-
Tax expense for the year	**270,296**	**-**	232,148	-

The following is a reconciliation of income taxes calculated on accounting results at the applicable tax rate with the income tax expense for the year:

Accounting profit before income tax	**1,322,421**	**900,302**	1,531,334	1,119,678
Income tax expense computed at applicable tax rates	**155,091**	**104,436**	180,160	130,761
Add / (less): tax on items disallowed	**115,205**	**(104,436)**	51,988	(130,761)
	270,296	**-**	232,148	-

Status of assessments

The Group’s assessments for the tax years 2009 to 2015 have not yet been finalized with the Secretariat General of Taxation at the Ministry of Finance. The Members believe that additional taxes, if any, in respect of open tax years would not be significant to the Group’s financial position as at 31 August 2016.

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13 Taxation *(continued)*

Deferred tax

The deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Recognised deferred tax liabilities are attributable to the following items:

	As at 1 September 2015	Profit or loss	**As at 31August 2016**
	RO	RO	**RO**
Land revaluation reserve (note 4)	784,464	-	**784,464**
Provision	(178,120)	-	**(178,120)**
Property and equipment	336,002	-	**336,002**
	942,346	-	**942,346**

The Company has not recognized the net deferred tax asset of RO 93,864 in the books of accounts as a matter of prudence.

14 End of service benefits

	2016	**2016**	2015	2015
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At 1 September	**930,198**	**36,784**	866,454	24,616
Charge during the year	**255,686**	**11,619**	232,068	12,168
Transfer to School	**-**	-	(59,978)	-
Paid during the year	**(138,100)**	**(9,262)**	(108,346)	-
At 31 August	**1,047,784**	**39,141**	930,198	36,784

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15 Bank borrowings

	2016	**2016**	2015	2015
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Bank overdraft	**2,008**	-	5,484	-
Short term loans	**750,000**	**-**	-	-
	752,008	**-**	5,484	-

(a) Bank overdraft carries an interest rate of 5.75% per annum (2015: 5.75% to 8% per annum) and are repayable on demand.

(b) Short term loans carries an interest rate of 5.75% (2015: 5.75% to 8%). The loans are secured by mortgage over Group's property and equipment.

16 Trade and other payables

Trade payables	**969,211**	**10,316**	509,529	83,448
Accrued expenses	**487,859**	**5,686**	481,658	5,685
Advance tuition fees	**358,176**	**-**	364,643	-
Advance cheques	**-**	**-**	64,423	-
Provision for leave pay and passage	**188,856**	**20,828**	225,376	12,447
Research grant (see below)	**90,881**	**-**	130,456	-
Students' deposits	**51,594**	**-**	52,591	-
Retention payables	**1,080,320**	**-**	1,063,137	-
Notes payable	**7,963**	**-**	7,963	-
Due to related parties (note 22)	**-**	**307,062**	-	344,577
Other payables	**53,888**	**-**	35,627	-
	3,288,748	**343,892**	2,935,403	446,157

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:

At 1 September	**130,456**	**-**	114,673	-
Received during the year	**60,816**	**-**	229,938	-
Utilised during the year	**(100,391)**	**-**	(214,155)	-
At 31 August	**90,881**	**-**	130,456	-

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17 Net assets per share

Net assets per share is calculated by dividing the net assets at the end of the year attributable to shareholders of Parent Company, by the number of shares outstanding as follows:

	2016	**2016**	2015	2015
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Net assets (RO)	**16,111,898**	**9,370,238**	16,110,026	9,519,936
Number of ordinary shares	**70,000,000**	**70,000,000**	70,000,000	70,000,000
Net assets per share (RO)	**0.230**	**0.134**	0.230	0.136

18 Other income

Students' accommodation	**578,791**	-	703,039	-
Students' transportation	**211,592**	-	319,606	-
Gain on disposal of property and equipment	**2,062**	-	5,622	-
Interest income	**2,946**	-	4,647	-
Dividend income	**-**	**1,366,413**	-	1,615,559
Other income	**265,243**	**-**	436,936	-
	1,060,634	**1,366,413**	1,469,850	1,615,559

19 Salaries and related costs

Salaries and allowances	**6,477,133**	**290,591**	6,298,928	263,698
Employee's bonus	**117,841**	**5,685**	129,007	5,685
Leave pay	**715,657**	**11,040**	769,833	10,607
Social security	**337,394**	**12,797**	315,413	6,359
End of service benefits (note 14)	**255,686**	**11,619**	232,068	12,168
Air passage	**136,518**	**7,676**	158,638	14,241
Other costs	**227,830**	**6,801**	183,100	9,617
	8,268,059	**346,209**	8,086,987	322,375

20 Administrative and other operating expenses

	2016 Group RO	**2016 Parent Company RO**	2015 Group RO	2015 Parent Company RO
Students' transportation	**283,666**	**-**	482,034	-
Repairs and maintenance	**404,697**	**-**	253,058	371
Utilities	**389,176**	**-**	254,431	312
Rent	**233,769**	**-**	421,714	8,400
Teaching material	**149,711**	-	119,617	-
Scholarship	**144,704**	-	55,949	-
Cleaning expenses	**60,811**	**1,380**	69,512	2,760
Advertising and marketing	**68,625**	**3,978**	69,954	3,885
Communication	**116,860**	**428**	124,988	1,463
Entertainment	**53,604**	**4,247**	40,446	1,848
Travel allowances	**37,790**	**440**	23,730	817
Printing and stationery	**50,321**	**5,169**	40,386	3,067
Graduation expenses	**47,414**	-	53,284	-
Academic expenses	**33,984**	-	27,827	-
Security and safety	**-**	-	28,724	-
Summer school expenses	**15,300**	-	570	-
Insurance	**14,672**	**1,185**	16,327	6,815
In-house conferences	**42,708**	**5,430**	40,516	3,020
MSM membership	**9,807**	**9,807**	5,963	5,963
Allowance for impaired debts	**535,009**	-	95,864	-
Legal, consultancies and professional fees	**241,530**	**37,932**	163,057	66,762
Vehicle expenses and conveyance	**23,945**	**3,489**	19,334	944
Board of Directors and Audit Committee's sitting fees	**36,200**	**36,200**	34,500	33,500
Board of governance sitting fees	**23,400**	-	31,075	-
Continue education center expenses	**83,521**	-	119,313	-
Miscellaneous expenses	**109,919**	**4,066**	100,896	8,253
	3,211,143	**113,751**	2,693,069	148,180

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21 Earnings per share

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Profit for the year (RO)	**1,051,872**	**900,302**	1,298,926	1,119,678
Weighted average number of shares on issue	**70,000,000**	**70,000,000**	70,000,000	70,000,000
Earnings per share – (RO)	**0.015**	**0.013**	0.019	0.016

The earning per share is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year.

22 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.

The Group entered into transactions in the ordinary course of business with related parties.

(a) At 31 August balances with related parties were as follows:

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Due from related parties:				
Sohar University LLC	**-**	**1,887,750**	-	830,510
Total	**-**	**1,887,750**	-	830,510
Due to a related party:				
Sohar Transportation and Maintenance and Services LLC	**-**	**149,900**	-	149,900
Modern Catering Company LLC	**-**	**157,162**	-	194,677
Total	**-**	**307,062**	-	344,577

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22 Related parties *(continued)*

(b) During the year transactions with the related parties are as follows:

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Consultancies and professional fees	**-**	**-**	50,000	50,000
Rent	**24,266**	**-**	24,266	-
Total	**24,266**	**-**	74,266	50,000

Outstanding balances at the year end arise in the normal course of business. For the year ended 31 August 2016, the Group has not recorded any impairment of amounts owed by related parties.

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.

	2016	2015
	RO	RO
Salaries and allowances of key management personnel	**302,477**	216,082
Sitting fees- Board of directors and audit committee	**36,200**	34,500
Sitting fees- Board of governors	**23,400**	31,075

23 Contingencies and commitments

Capital commitments for acquisition of property and equipment	**170,806**	5,388,825

The Group is party to certain litigations and claims against it and / or in favour of the Company. Based on the Company’s legal counsel advice, the management believes that no material liability would arise to the Group upon settlement of these cases.

24 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.

24 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:

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Students' receivables	**5,545,546**	**134,007**	1,793,467	147,550
Other receivables	**78,944**	**3,280,488**	469,986	2,851,637
Bank balances	**397,168**	**21,764**	1,889,828	688,355
	6,021,658	**3,436,259**	4,153,281	3,687,542

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

	2016		2015	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Ministry of Higher Education	**3,953,580**	**-**	142,190	-
Others	**1,591,966**	**134,007**	1,651,277	147,550
	5,545,546	**134,007**	1,793,467	147,550

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

Group	**2016**		2015	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Past due from 1st academic semester	**278,545**	-	60,946	-
Past due from 2nd academic semester	**3,840,860**	-	232,833	-
Past due for summer academic semester	**84,674**	-	-	-
Past due more than 365 days	**1,341,467**	**1,217,121**	1,499,688	1,236,262
	5,545,546	**1,217,121**	1,793,467	1,236,262

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

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24 Financial risk management *(continued)*

Credit risk (continued)

Exposure to credit risk *(continued)*

Parent	**2016**		2015	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Past due more than 365 days	**134,007**	**99,927**	147,550	99,927
	134,007	**99,927**	147,550	99,927

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due that are settled by delivering cash or another financial asset. 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.

The following are the maturities of the financial liabilities:

2016 **Group**	**Carrying amount** **RO**	**6 months or less** **RO**	**6-12 Months** **RO**	**1-2 Years** **RO**	**More than 2 Years** **RO**
Trade and other payables	**3,229,191**	**1,734,447**	**1,494,744**	**-**	**-**
Term loan	**4,050,422**	**912,500**	**662,500**	**1,325,000**	**1,150,422**
Bank borrowings	**752,008**	**752,008**	**-**	**-**	**-**
Students' deposits	**264,654**	**51,594**	**-**	**-**	**213,060**
Notes payable	**7,963**	**7,963**	**-**	**-**	**-**
	8,304,238	**3,458,512**	**2,157,244**	**1,325,000**	**1,363,482**

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24 Financial risk management *(continued)*

Liquidity risk **(continued)**

2015	Carrying amount RO	6 months or less RO	6-12 Months RO	1-2 Years RO	More than 2 years RO
Group					
Trade and other payables	2,874,849	2,080,166	794,683	-	-
Term loan	4,311,779	587,500	587,500	1,512,500	1,624,279
Bank borrowings	5,484	5,484	-	-	-
Students' deposits	243,896	52,591	-	95,653	95,653
Notes payable	15,926	-	7,963	7,963	-
	7,451,934	2,725,741	1,390,146	1,616,116	1,719,932
2016					
Parent					
Trade payables	**10,316**	**10,316**	**-**	**-**	**-**
Due to related parties	**307,062**	**-**	**307,062**	**-**	**-**
Provision for leave pay and air passage	**20,828**	**20,828**	-	-	-
Accrued expenses	**5,686**	**5,686**	-	-	-
	343,892	**36,830**	**307,062**	**-**	**-**
2015					
Parent					
Trade payables	83,448	83,448	-	-	-
Due to related parties	344,577	-	344,577	-	-
Provision for leave pay and air passage	12,447	12,447	-	-	-
Accrued expenses	5,685	5,685	-	-	-
	446,157	101,580	344,577	-	-

Notes to the financial statements

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24 Financial risk management *(continued)*

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 financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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 at reporting date.

Interest rate risk

The Group has term loans and other short term bank borrowings bearing interest rates as disclosed in note 12 and note 15. The management manages the interest rate risk by constantly monitoring the changes in interest rate.

25 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. The capital requirements are determined by the Oman Commercial Companies Law of 1974, as amended.

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

26 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.

26 Business and geographical segments *(continued)*

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

Group **2016**	**Educational services** RO	**Cleaning and maintenance** RO	**Eliminations** RO	**Total** RO
Segment revenue	**14,365,418**	**725,050**	**(699,770)**	**14,390,698**
Segment expenses	**(13,231,115)**	**(601,140)**	**699,770**	**(13,132,485)**
Finance cost	**(402,639)**	**(158)**	**-**	**(402,797)**
Government grant income	**467,005**	**-**	**-**	**467,005**
Income tax	**(258,461)**	**(11,835)**	**-**	**(270,296)**
Segment results	**940,208**	**111,917**	**-**	**1,052,125**
Segment assets	**43,811,210**	**269,931**	**-**	**44,081,141**
Segment liabilities	**27,886,984**	**79,922**	**-**	**27,966,906**
Cost of property and equipment	**47,878,684**	**132,413**	**-**	**48,011,097**

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

Group 2015	Educational services RO	Cleaning and maintenance RO	Eliminations RO	Total RO
Segment revenue	13,456,017	676,471	(647,910)	13,484,578
Segment expenses	(11,998,802)	(579,140)	647,910	(11,930,032)
Finance cost	(256,321)	-	-	(256,321)
Loss on sales of investment in Subsidiary	(18,840)	-	-	(18,840)
Government grant income	251,949	-	-	251,949
Income tax	(223,501)	(8,647)	-	(232,148)
Segment results	1,210,502	88,684	-	1,299,186
Segment assets	43,271,966	210,163	-	43,482,129
Segment liabilities	27,308,727	61,292	-	27,370,019
Cost of property and equipment	46,211,848	50,307	-	46,262,155

The Parent Company has no separate function and only provided educational services which is reflected in educational services.

27 Proposed distribution

The Board of Directors has proposed a cash dividend of 10% (2015 – 15%) for the year 2016, which is subject to the shareholders' approval in the forthcoming Annual General Meeting.

28 Comparatives

Certain comparative figures have been reclassified to conform to the presentation adopted in these separate and consolidated financial statements.