Oman Education & Training Investment Co. SAOG and its Subsidiaries

Report and consolidated financial statements for the year ended 30 September 2012

Oman Education & Training Investment Co. SAOG
and its Subsidiaries

Report and consolidated financial statements
for the year ended 30 September 2012

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 30 September 2012, and the Parent Company and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 39.

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 is currently working on obtaining 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 583,000 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 the same amount.

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 30 September 2012, and of its financial performance and its 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 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
XX November 2012

Signed by
Alfred Strolla
Partner

Oman Education & Training Investment Co. SAOG and its Subsidiaries

Consolidated statement of financial position
at 30 September 2012

	Notes	Group 2012 RO	Parent Company 2012 RO	Group 2011 RO	Parent Company 2011 RO
ASSETS					
Non-current assets					
Property and equipment	5	**34,111,316**	**1,329,796**	25,975,215	1,608,452
Investment in subsidiaries	6	**-**	**6,299,200**	-	6,149,300
Total non-current assets		**34,111,316**	**7,628,996**	25,975,215	7,757,752
Current assets					
Inventories	7	**122,406**	**4,642**	123,310	14,518
Trade and other receivables	8	**1,545,136**	**858,051**	1,860,473	1,047,478
Bank balances and cash	9	**1,678,466**	**23,362**	692,310	3,092
Total current assets		**3,346,008**	**886,055**	2,676,093	1,065,088
Total assets		**37,457,324**	**8,515,051**	28,651,308	8,822,840
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	**7,000,000**	**7,000,000**	7,000,000	7,000,000
Statutory reserve	11	**970,727**	**937,550**	970,727	937,550
Property revaluation reserve		**5,180,223**	**-**	3,406,277	-
Retained earnings / accumulated losses		**168,060**	**(181,070)**	557,253	259,358
		13,319,010	**7,756,480**	11,934,257	8,196,908
Non-controlling interest		**1,462**	**-**	1,277	-
Total equity		**13,320,472**	**7,756,480**	11,935,534	8,196,908
Non-current liabilities					
Deferred grants related to assets	12	**16,622,350**	**-**	11,000,535	-
Term loan	13	**2,032,538**	**-**	870,785	-
Deferred government grant	13	**-**	**-**	198,347	-
Deferred tax liability	14	**706,464**	**-**	464,544	-
End of service benefits	15	**568,056**	**61,967**	481,445	48,620
Students' deposits		**136,305**	**-**	241,090	-
Notes payable		**23,888**	**-**	31,850	-
Total non-current liabilities		**20,089,601**	**61,967**	13,288,596	48,620

Consolidated statement of financial position at 30 September 2012 (continued)

	Notes	Group 2012 RO	Parent Company 2012 RO	Group 2011 RO	Parent Company 2011 RO
Current liabilities					
Banks borrowings	**16**	**1,540,477**	**111,022**	207,082	207,082
Current portion of term loan	**13**	**250,000**	**-**	368,500	-
Trade and other payables	**17**	**2,256,774**	**585,582**	2,851,596	370,230
Total current liabilities		**4,047,251**	**696,604**	3,427,178	577,312
Total liabilities		**24,136,852**	**758,571**	16,715,774	625,932
Total equity and liabilities		**37,457,324**	**8,515,051**	28,651,308	8,822,840
Net assets per share	**18**	**0.190**	**0.111**	0.171	0.117

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 year ended 30 September 2012

	Notes	Group 2012 RO	Parent Company 2012 RO	Group 2011 RO	Parent Company 2011 RO
Income					
Tuition fee		**10,052,773**	**1,001,110**	8,770,702	870,762
Other income	**19**	**1,185,553**	**737,875**	949,574	690,410
Total income		**11,238,326**	**1,738,985**	9,720,276	1,561,172
Expenses					
Salaries and related costs	**20**	**(6,672,958)**	**(1,260,180)**	(5,762,755)	(1,080,524)
Administrative and other operating expenses	**21**	**(3,542,186)**	**(411,044)**	(2,952,500)	(321,550)
Depreciation of property and equipment	**5**	**(979,685)**	**(92,195)**	(902,121)	(90,342)
Total expenses		**(11,194,829)**	**(1,763,419)**	(9,617,376)	(1,492,416)
Profit / (loss) for the year from operations		**43,497**	**(24,434)**	102,900	68,756
Release of grants related to assets	**12**	**133,606**	**-**	333,343	-
Finance costs		**(158,906)**	**(8,655)**	(151,495)	(9,447)
Loss on land revaluation		**(197,339)**	**(197,339)**	-	-
(Loss) / profit for the year		**(179,142)**	**(230,428)**	284,748	59,309
Other comprehensive income / (loss) :					
Gain / (loss) on revaluation of properties		**2,016,000**	**-**	(491,000)	-
Less: Income tax effect		**(241,920)**	**-**	58,920	-
Other comprehensive income / (loss) for the year		**1,774,080**	**-**	(432,080)	-
Total comprehensive income / (loss) for the year		**1,594,938**	**(230,428)**	(147,332)	59,309
(Loss) / profit attributable to:					
Equity holder of the parent		**(179,193)**	**(230,428)**	284,723	59,309
Non-controlling interest		**51**	**-**	25	-
		(179,142)	**(230,428)**	284,748	59,309
Total comprehensive income / (loss) for the year attributable to:					
Equity holder of the parent		**1,594,753**	**(230,428)**	(147,311)	59,309
Non-controlling interest		**185**	**-**	(21)	-
		1,594,938	**(230,428)**	(147,332)	59,309
(Loss) / earnings per share	**22**	**(0.003)**	**(0.003)**	0.004	0.001

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

Consolidated statement of changes in equity
for the year ended 30 September 2012

	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 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**	**1,773,946**
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 changes in equity
for the year ended 30 September 2012

	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 2010	7,000,000	942,255	3,838,357	1,141,002	12,921,614	1,252	12,922,866
Profit for the year	-	-	-	284,723	284,723	25	284,748
Loss on revaluation of properties	-	-	(432,080)	-	(432,080)	-	(432,080)
Transfer to statutory reserve	-	28,472	-	(28,472)	-	-	-
Dividend paid	-	-	-	(840,000)	(840,000)	-	(840,000)
At 30 September 2011	7,000,000	970,727	3,406,277	557,253	11,934,257	1,277	11,935,534
Parent							
At 1 October 2010	7,000,000	931,619	-	1,045,980	8,977,599		
Profit for the year	-	-	-	59,309	59,309		
Transfer to statutory reserve	-	5,931	-	(5,931)	-		
Dividend paid	-	-	-	(840,000)	(840,000)		
At 30 September 2011	7,000,000	937,550	-	259,358	8,196,908		

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

Consolidated statement of cash flows
for the year ended 30 September 2012

	Group 2012 RO	Parent Company 2012 RO	Group 2011 RO	Parent Company 2011 RO
Operating activities				
Profit for the year	**(179,142)**	**(230,428)**	284,748	59,309
Adjustments for:				
Depreciation of property and equipment	**979,685**	**92,195**	902,121	90,342
Provision for end of service benefits	**218,675**	**26,880**	155,854	21,132
Interest income	**(1,883)**	**-**	(2,196)	-
Finance costs	**158,906**	**8,655**	151,495	9,447
Loss on revaluation of land	**197,339**	**197,339**		
Deferred Government grant related to assets	**(133,606)**	**-**	(333,343)	-
Allowance for impaired debts	**343,000**	**10,000**	346,683	-
Allowance for slow moving and obsolete inventories	**17,273**	**-**	-	-
Dividend income	**-**	**(461,552)**	-	(417,944)
Write off of property and equipment	**30,218**	**-**	-	-
Gain on disposal of property and equipment	**-**	**-**	(6,223)	-
Operating profit / (loss) from operating activities before changes in working capital	**1,630,465**	**(356,911)**	1,499,139	(237,714)
Movement in working capital:				
Inventories	**(16,369)**	**9,876**	(12,149)	(13,296)
Trade and other receivables	**(26,763)**	**59,727**	(601,475)	(561,440)
Students' deposits	**(166,985)**	**-**	15,606	-
Notes payable	**(7,962)**	**-**	31,850	-
Trade and other payables	**(532,622)**	**215,352**	158,029	171,617
Cash from / (used in) operations	**879,764**	**(71,956)**	1,091,000	(640,833)
End of service benefits paid	**(132,964)**	**(13,533)**	(79,814)	(8,829)
Net cash from / (used in) operating activities	**746,800**	**(85,489)**	1,011,186	(649,662)
Investing activities				
Purchase of property and equipment	**(7,327,343)**	**(10,878)**	(8,218,101)	(47,655)
Proceeds from disposal of property and equipment	**-**	**-**	8,884	-
Fixed deposits	**117,373**	**-**	760	-
Interest received	**1,883**	**-**	2,192	-
Investment in a subsidiary	**-**	**(149,900)**	-	(149,900)
Dividend received	**-**	**581,252**	-	1,611,006
Government grant received	**5,755,420**	**-**	8,453,249	-
Net cash (used in) / from investing activities	**(1,452,667)**	**420,474**	246,984	1,413,451

Consolidated statement of cash flows
for the year ended 30 September 2012

	Group 2012 RO	**Parent Company 2012 RO**	Group 2011 RO	Parent Company 2011 RO
Financing activities				
Term loan received	**2,282,538**	**-**	-	-
Repayment of term loan	**(1,437,632)**	**-**	(368,500)	-
Short term loans received	**1,250,000**	**-**		
Dividend paid	**(210,000)**	**(210,000)**	(840,000)	(840,000)
Finance costs paid	**(158,906)**	**(8,655)**	(151,495)	(9,447)
Net cash from / (used in) financing activities	**1,726,000**	**(218,655)**	(1,359,995)	(849,447)
Net change in cash and cash equivalents	**1,020,133**	**116,330**	(101,825)	(85,658)
Cash and cash equivalents at the beginning of the year	**367,855**	**(203,990)**	469,680	(118,332)
Cash and cash equivalents at the end of the year (Note 9)	**1,387,988**	**(87,660)**	367,855	(203,990)

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 year ended 30 September 2012, 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 2011.

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 30 September. 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 LLC	99.93%	Catering
Sohar Transportation and Shipping Services LLC	99.93%	Transportation

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 Company'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.

Notes to the consolidated financial statements for the year ended 30 September 2012

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 2010	5,657,340	8,974,490	1,939,679	213,636	239,475	977,516	774,621	395,394	3,976,095	23,148,246
Additions	-	-	76,639	11,999	15,596	126,888	144,747	-	7,842,232	8,218,101
Revaluation	(491,000)	-	-	-	-	-	-	-	-	(491,000)
Transfers	-	271,667	-	-	-	44,057	-	-	(315,724)	-
Disposals	-	-	(374,496)	(19,400)	-	(133,660)	-	-	-	(527,556)
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 30 September 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**

Notes to the consolidated financial statements
for the year ended 30 September 2012

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 2010	-	1,385,601	1,364,326	133,780	169,701	510,267	293,229	138,452	-	3,995,356
Charge for the year	-	227,210	222,725	33,500	28,070	167,927	163,427	59,262	-	902,121
Disposals	-	-	(371,871)	(19,397)	-	(133,633)	-	-	-	(524,901)
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 30 September 2012		**1,918,146**	**1,575,082**	**170,683**	**226,559**	**719,946**	**622,036**	**255,346**	**10,717**	**5,498,515**
Carrying amount										
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**
At 30 September 2011	5,166,340	7,633,346	426,642	58,352	57,300	470,240	462,712	197,680	11,502,603	25,975,215

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, laboratories, main educational halls and the installation of the e-registration software of the university.

Notes to the consolidated financial statements
for the year ended 30 September 2012

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 2010	832,339	600,318	177,565	48,909	3,973	41,243	7,200	105,880	28,541	1,845,968
Additions	-	-	2,637	-	-	16,310	13,192	-	15,516	47,655
Transfers	-	-	-	-	-	44,057	-	-	(44,057)	-
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 30 September 2012	**635,000**	**600,318**	**186,192**	**48,909**	**3,973**	**104,636**	**20,752**	**107,382**	**-**	**1,707,162**

Notes to the consolidated financial statements
for the year ended 30 September 2012

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 2010	-	43,085	84,168	34,195	2,135	11,430	4	19,812	-	194,829
Charge for the year	-	13,753	36,148	5,975	794	14,217	3,620	15,835	-	90,342
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 30 September 2012	**-**	**73,434**	**152,378**	**43,555**	**3,726**	**44,837**	**7,772**	**51,664**	**-**	**377,366**
Carrying amount										
At 30 September 2012	**635,000**	**526,844**	**33,814**	**5,354**	**247**	**59,799**	**12,980**	**55,718**	**-**	**1,329,796**
At 30 September 2011	832,339	543,480	59,886	8,739	1,044	75,963	16,768	70,233	-	1,608,452

The certain permanent buildings were erected on a land hired from Government of Oman.

5. Property and equipment (continued)

An independent valuation of the Group's land was performed during the current 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:

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 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 (%) 2012**	**Carrying value 2012 RO**	**Proportion held (%)** 2011	**Carrying value** 2011 RO
Sohar University LLC	Sultanate of Oman	Education	**99.99**	**5999400**	99.99	5,999,400
Modern Catering Co. LLC	Sultanate of Oman	Catering	**99.93**	**149,900**	99.93	149,900
Sohar Transportation and Shipping Services LLC	Sultanate of Oman	Catering	**99.93**	**149,900**	-	-
				6,299,200		6,149,300

7. Inventories

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Inventories	**172,147**	**4,642**	155,778	14,518
Less: allowance for slow-moving and obsolete inventories	**(49,741)**	**-**	(32,468)	-
	122,406	**4,642**	123,310	14,518

Movements in the provision for slow moving and obsolete inventory:

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
At 1 October	**32,468**	**-**	32,468	-
Charge for the year	**17,273**	**-**	-	-
At 30 September	**49,741**	**-**	32,468	-

8. Trade and other receivables

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Students' receivables	**2,441,058**	**132,093**	2,409,136	85,506
Less: allowance for impaired students' receivables (Note 8.a)	**(1,096,989)**	**(24,991)**	(753,843)	(14,991)
Net students' receivables	**1,344,069**	**107,102**	1,655,293	70,515
Prepaid expenses	**107,280**	**8,496**	117,309	3,803
Due from employees	**42,674**	**10,622**	37,076	19,884
Due from related parties (Note 23)	**-**	**269,579**	-	532,832
Dividend receivable	**-**	**461,552**	-	417,944
Other receivables	**808**	**700**	2,931	2,500
	150,762	**750,949**	157,316	976,963
Advance to suppliers	**51,105**	**-**	76,107	-
Less: allowance for impaired debts (8.b)	**(800)**	**-**	(28,243)	-
	50,305	**-**	47,864	-
	1,545,136	**858,051**	1,860,473	1,047,478

8. Trade and other receivables (continued)

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

	Group 2012 RO	Parent company 2012 RO	Group 2011 RO	Parent company 2011 RO
At 1 October	**753,843**	**14,991**	435,403	-
Charge for the year	**343,000**	**10,000**	318,440	14,991
Adjustment during the year	**146**	**-**	-	-
At 30 September	**1,096,989**	**24,991**	753,843	14,991

b. During the year RO 27,297 were written off from advance to suppliers.

9. Bank balances and cash

	Group 2012 RO	Parent company 2012 RO	Group 2011 RO	Parent company 2011 RO
Cash on hand	**76,213**	**23,362**	7,332	3,092
Bank balances:				
Current accounts	**1,602,253**	**-**	567,605	-
Fixed deposits	**-**	**-**	117,373	-
Cash and bank balances	**1,678,466**	**23,362**	692,310	3,092
Fixed deposits	**-**	**-**	(117,373)	-
Banks overdrafts	**(290,478)**	**(111,022)**	(207,082)	(207,082)
Cash and cash equivalents	**1,387,988**	**(87,660)**	367,855	(203,990)

Fixed deposits carry interest rate of 6.5% per annum (2011: 6.5% per annum), and mature within one year from the reporting date.

Notes to the consolidated financial statements for the year ended 30 September 2012 (continued)

10. Share capital

	Group 2012 RO	Parent company 2012 RO	Group 2010 RO	Parent company 2010 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:

	2012 RO	2012 %	2011 RO	2011 %
Global Financial Investments Co. SAOG	**2,637,666**	**37.68**	2,637,666	37.68
Suleiman bin Ahmed Saeid Al Hoqani	**1,234,881**	**17.64**	1,234,881	17.64
First National LLC	**1,049,536**	**14.99**	1,049,536	14.99
Legal heirs of Said bin Mohammed Rajab Al- Ojaili	**840,890**	**12.01**	840,890	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

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
At 1 October	**11,000,535**	**-**	2,880,629	-
Received during the year	**5,755,421**	**-**	8,453,249	-
Release to income during the year	**(133,606)**	**-**	(333,343)	-
At 30 September	**16,622,350**	**-**	11,000,535	-

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. The grant is recognised in the statement of comprehensive income over the life of the related assets.

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 post dated cheques for each yearly amount appearing 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 year the Group has utilised grant amounting to RO 5,755,421 (2011 - RO 6,860,749) towards construction of University building.

13. Term loan

	2012 RO	2011 RO
Loan 1	**-**	870,785
Loan 2	**2,282,538**	-
	2,282,538	870,785

13. Term loan (continued)

Loan 1

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Term loan	**-**	**-**	1,437,632	-
Deferred government grant	**-**	**-**	(198,347)	-
Current portion	**-**	**-**	(368,500)	-
Long term portion	**-**	**-**	870,785	-

Term loan 1 represents the loan granted by Oman International Bank SAOG at the interest rate of 3% per annum and is repayable in ten equal annual installments of RO 368,500 each commencing from 3 October 2005. The loan is secured by a mortgage over the Group's property and equipment. The term loan has been fully repaid during the year.

In accordance with Capital Market Authority (CMA) Circular 1 of 2002 and IAS 39 the difference between the carrying value and fair value of the loan has to be shown as "deferred government grant income" and is to be released to profit and loss account each year over the loan period as necessary to match them with the related costs, which they are intended to compensate on a systematic basis. The current portion of recognized deferred government income is equivalent to the related interest cost. Hence there is no impact on the net profit of the Group.

Loan 2

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Term loan	**2,282,538**	**-**	**-**	-
Current portion	**(250,000)**	**-**	**-**	-
Long term portion	**2,032,538**	**-**	**-**	-

Term loan 2 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.

13. Term loan (continued)

Maturity of the term loan:

	Group 2012 RO	Parent company 2012 RO	Group 2011 RO	Parent company 2011 RO
Within one year	**250,000**	**-**	368,500	-
Between 1 and 2 years	**625,000**	**-**	737,000	-
Between 2 and 5 years	**1,407,538**	**-**	332,132	-
At 30 September	**2,282,538**	**-**	1,437,632	-

14. Deferred tax liability

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

	Group 2012 RO	Parent company 2012 RO	Group 2011 RO	Parent company 2011 RO
At 1 October	**464,544**	**-**	523,464	-
Tax effect of revaluation decrease during the year	**241,920**	**-**	(58,920)	-
At 30 September	**706,464**	**-**	464,544	-

15. End of service benefits

	Group 2012 RO	Parent company 2012 RO	Group 2011 RO	Parent company 2011 RO
At 1 October	**481,445**	**48,620**	401,193	36,317
Charge during the year	**218,675**	**26,880**	155,854	21,132
Transfer to capital work-in-progress	**-**	**-**	4,212	-
Paid during the year	**(132,064)**	**(13,533)**	(79,814)	(8,829)
At 30 September	**568,056**	**61,967**	481,445	48,620

16. Bank borrowings

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Bank overdraft (a)	**290,477**	**111,022**	207,082	207,082
Other short term loans (b)	**1,250,000**	**-**	-	-
	1,540,477	**111,022**	207,082	207,082

(a) Bank overdraft carries an interest rate of 8% per annum (2011 : 8% per annum) and is payable on demand.

(b) Other short term loans carries an interest rate of 5.5% to 6.25% (2011 : nil). The loans are secured by a mortgage over Group's property and equipment

17. Trade and other payables

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Advance tuition fees	**1,183,374**	**203,578**	1,992,721	137,084
Trade payables	**356,586**	**2,888**	297,900	31,322
Accrued expenses	**333,922**	**30,353**	133,357	17,728
Provision for leave pay and passage	**239,912**	**49,669**	166,333	32,886
Students' deposits	**40,000**	**-**	102,200	-
Research grant (note 17(a))	**28,650**	**-**	84,761	-
Retention payables	**17,811**	**-**	9,365	-
Notes payable	**7,962**	**-**	7,962	-
Due to related parties (note23)	-	**299,094**	6,000	149,570
Other payables	**48,557**	**-**	50,997	1,640
	2,256,774	**585,582**	2,851,596	370,230

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:

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
At 1 October	**84,761**	**-**	61,222	-
Received during the year	**96,399**	**-**	100,669	-
Paid during the year	**(152,510)**	**-**	(77,130)	-
At 30 September	**28,650**	**-**	84,761	-

18. Net assets per share

Net assets per share is calculated by dividing the net assets at the yearend by the number of shares outstanding as follows:

	Group 2012	**Parent company 2012**	Group 2011	Parent company 2011
Net assets (RO)	**13,320,472**	**7,756,480**	11,935,534	8,196,908
Number of ordinary shares	**70,000,000**	**70,000,000**	70,000,000	70,000,000
Net assets per share (RO)	**0.190**	**0.111**	0.171	0.117

19. Other income

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Students' accommodation	**545,959**	**-**	493,344	-
Students' transportation	**433,517**	**108,194**	346,788	87,054
Interest income	**1,883**	**-**	2,196	-
Dividend income	**-**	**461,552**	-	417,944
Gain on disposal of property and equipment	**-**	**-**	6,223	-
Other income	**204,194**	**168,129**	101,023	185,412
	1,185,553	**737,875**	949,574	690,410

20. Salaries and related costs

Salaries and allowances	**5,446,077**	**1,133,833**	4,740,236	952,565
Leave pay	**478,892**	**35,002**	483,210	29,025
End of service benefits (Note15)	**218,676**	**26,880**	155,854	21,132
Air passage	**151,774**	**30,457**	116,437	28,804
Social security	**139,853**	**27,687**	136,487	22,093
Legal cases	**95,090**	**-**	-	-
Other costs	**142,596**	**6,321**	130,531	26,905
	6,672,958	**1,260,180**	5,762,755	1,080,524

21. Administrative and other operating expenses

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Students' transportation	**661,354**	**156,552**	439,296	120,294
Repairs and maintenance	**292,751**	**10,021**	182,929	3,061
Scholarship	**200,241**	**-**	95,645	-
Utilities	**261,847**	**8,453**	211,219	6,523
Rent	**253,449**	**1,451**	319,527	1,218
Allowance for impaired debts (Note 8(a))	**343,000**	**10,000**	346,683	14,991
Contractor settlement	**200,000**	**-**	-	-
Teaching material	**198,568**	**34,647**	128,367	22,524
Cleaning expenses	**185,223**	**12,773**	174,356	12,055
Advertising and marketing	**117,981**	**5,114**	133,775	6,310
Legal, consultancies and professional fees	**102,059**	**3,500**	57,691	-
Communication	**87,322**	**6,305**	84,942	6,100
Graduation expenses	**54,920**	**-**	64,126	-
Security and safety	**54,857**	**-**	99,591	-
Printing and stationery	**54,093**	**20,811**	33,996	4,055
Vehicle expenses and conveyance	**51,735**	**24,423**	26,278	3,423
Collaboration fees	**42,721**	**14,218**	152,405	19,020
Entertainment	**42,292**	**7,440**	27,767	148
Board of director's and committees' sitting fee	**41,700**	**41,700**	50,000	50,000
Travel allowances	**37,681**	**7,680**	56,374	12,451
Summer school expenses	**36,113**	**-**	56,652	-
Insurance	**33,748**	**22,830**	11,435	-
Board of governance and committees' sitting fees	**31,975**	**-**	26,550	-
Continue education center expenses	**27,230**	**-**	42,164	-
Allowance for slow moving and obsolete inventories (Note 7)	**17,273**	**-**	-	-
In-house conferences	**15,004**	**-**	22,686	-
MSM membership	**7,087**	**7,087**	6,966	6,966
Miscellaneous expenses	**89,962**	**16,039**	101,080	32,411
	3,542,186	**411,044**	2,952,500	321,550

22. Earnings per share

	Group 2012	Parent company 2012	Group 2011	Parent company 2011
(Loss)/ profit for the year (RO)	**(179,142)**	**(230,428)**	284,748	59,309
Weighted average number of shares on issue	**70,000,000**	**70,000,000**	70,000,000	70,000,000
(Losses) / earnings per share – (RO)	**(0.003)**	**(0.003)**	0.004	0.001

The par value of each share is RO 0.100 (2011 : RO 0.100). The earning per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the 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 year transactions with the related parties are as follows:

	2012		2011	
	Major shareholders	**Other related parties**	Major shareholders	Other related parties
Rent	**23,564**	**-**	18,735	-
Legal fee	**-**	**5,000**	-	3,000
Consultancy fee	**-**	**-**	12,000	-
Insurance cost	**11,929**	**-**	-	11,435
	35,493	**5,000**	30,735	14,435

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

Outstanding balances at the year-end arise in the normal course of business. For the year ended 30 September 2012, 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.

	2012 RO	2011 RO
Salaries and allowances of key management personnel	**265,427**	228,252
Sitting fee – Board of directors and audit committee	**41,700**	50,000
Sitting fee – Board of governors and committee	**31,975**	26,300

24. Commitments

	2012 RO	2011 RO
Capital commitments for acquisition of property and equipment	**631,890**	275,990

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 is currently working on obtaining 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.

26. Financial risk management (continued)

Overview (continued)

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:

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Students' receivables	**2,441,058**	**132,093**	2,409,136	85,506
Other receivables	**94,587**	**752,453**	116,114	973,160
Bank balances	**1,602,253**	**-**	684,978	-
	4,137,898	**874,546**	3,210,228	1,058,666

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

	Group 2012 RO	**Parent company 2012 RO**	Group 2011 RO	Parent company 2011 RO
Ministry of Higher Education	**947,320**	**-**	732,355	-
Others	**1,493,738**	**132,093**	1,676,781	85,506
	2,441,058	**132,093**	2,409,136	85,506

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

Group

	2012		2011	
	Gross RO	**Impairment RO**	Gross RO	Impairment RO
Past due from 1st academic semester	**29,308**	**7,970**	318,846	-
Past due from 2nd academic semester	**1,139,635**	**98,263**	769,936	-
Past due for summer academic semester	**180,998**	**-**	-	-
Past due more than 365 days	**1,091,117**	**990,756**	1,320,354	753,843
	2,441,058	**1,096,989**	2,409,136	753,843

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

	2012		2011	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Past due from 1st academic semester	**29,308**	**7,970**	45,794	-
Past due from 2nd academic semester	**85,764**	**-**	24,721	-
Past due more than 365 days	**17,021**	**17,021**	14,991	14,991
	132,093	**24,991**	85,506	14,991

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

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**
Advance tuition fees	**1,183,374**	**591,687**	**591,687**	**-**	**-**
Due to related parties	**6,000**	**6,000**	**-**	**-**	**-**
Trade payables	**356,856**	**356,856**	**-**	**-**	**-**
Students' deposits	**176,305**	**40,000**	**-**	**40,000**	**96,305**
Notes payable	**31,850**	**7,962**	**-**	**7,962**	**15,926**
Bank borrowings	**1,540,477**	**1,540,477**	**-**	**-**	**-**
Provision for leave pay and air passage	**239,912**	**239,912**	**-**	**-**	**-**
Accrued expenses	**333,922**	**333,922**	**-**	**-**	**-**
Research grant	**28,650**	**28,650**	**-**	**-**	**-**
Retention payable	**17,811**	**17,811**	**-**	**-**	**-**
Other payables	**48,557**	**48,557**	-	-	-
	6,246,252	**3,211,834**	**841,687**	**672,962**	**1,519,769**

30 September 2011

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Term loan	1,437,632	368,500	-	368,500	700,632
Advance tuition fees	1,992,721	996,360	996,361	-	-
Due to related parties	6,000	6,000	-	-	-
Trade payables	297,900	297,900	-	-	
Students' deposits	343,290	102,200	-	102,200	138,890
Notes payable	39,812	7,962	-	7,962	23,888
Bank overdraft	207,082	207,082	-	-	-
Provision for leave pay and air passage	166,333	166,333	-	-	-
Accrued expenses	133,357	133,357	-	-	-
Research grant	84,761	84,761	-	-	-
Retention payable	9,365	9,365	-	-	-
Other payables	50,997	50,997	-	-	-
	4,769,250	2,430,817	996,361	478,662	863,410

26. Financial risk management (continued)

Liquidity risk (continued)

Parent company

30 September 2012

	Carrying amount RO	6 months or less RO	6 - 12 months RO
Bank borrowings	**111,022**	**111,022**	**-**
Advance tuition fees	**203,578**	**101,789**	**101,789**
Due to related parties	**299,094**	**299,094**	**-**
Trade payables	**2,888**	**2,888**	**-**
Provision for leave pay and air passage	**49,669**	**49,669**	**-**
Accrued expenses	**30,353**	**30,353**	**-**
	696,604	**594,815**	**101,789**

30 September 2011

	Carrying amount RO	6 months or less RO	6 - 12 months RO
Bank borrowings	207,082	207,082	-
Advance tuition fees	137,084	68,542	68,542
Due to related parties	149,570	149,570	-
Trade payables	31,322	31,322	-
Provision for leave pay and air passage	32,886	32,886	-
Accrued expenses	17,728	17,728	-
Other payables	1,640	1,640	-
	577,312	508,770	68,542

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.

26. Financial risk management (continued)

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.

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 one business segment by providing educational services within the Sultanate of Oman. The catering and transportation subsidiary companies have not yet started their business.

29. Proposed distribution

The Board of Directors has proposed XX% cash dividend (2011 – 3%). This dividend is subject to the shareholders' approval at the Annual general Meeting.

30. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on XX November 2012.