THE SRI LANKAN SCHOOL, MUSCAT

Financial statements

31 August 2014

Registered office and principal place of business:

P.O. Box 2433,
PC 112,
Wadi Kabir,
Sultanate of Oman

THE SRI LANKAN SCHOOL, MUSCAT

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31 August 2014

Contents *Page*

KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE SRI LANKAN SCHOOL, MUSCAT

Report on the financial statements

We have audited the financial statements of The Sri Lankan School, Muscat ("the School") set out on pages 2 to 12, which comprise the statement of financial position as at 31 August 2014, the statements of income and expenditure 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 the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the School as at 31 August 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

20 November 2014

KPMG

C.R. No. 1/30936/6

THE SRI LANKAN SCHOOL, MUSCAT

Statement of income and expenditure

for the year ended 31 August

	Note	2014 RO	2013 RO
Income			
Tuition fees		712,629	658,622
Admission fees		16,885	33,444
Laboratory fees		2,880	3,100
Surplus on sale of books		1,411	750
Miscellaneous income		8,257	15,045
Sponsorships		48,395	29,751
		790,457	740,712
Expenditure			
Staff costs		519,746	479,429
Utilities		11,756	12,150
Printing and stationery		9,754	8,495
Telephone and postage		2,848	3,671
Rent		89,522	84,197
Insurance		3,000	2,400
Repairs and maintenance		11,111	25,308
Transportation cost		14,295	11,430
Depreciation	4	36,895	36,321
Cleaning		14,310	12,849
Miscellaneous expenses		39,762	30,235
Provision for bad debts		-	4,892
		752,999	711,377
Surplus of income over expenditure from operations		37,458	29,335
Interest income		9,169	6,183
Surplus of income over expenditure for the year		46,627	35,518
Accumulated deficit of income over expenditure brought forward		(39,651)	(75,169)
Accumulated surplus / (deficit) of income over expenditure carried forward		6,976	(39,651)

The notes on pages 5 to 12 form an integral part of these financial statements.

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

THE SRI LANKAN SCHOOL, MUSCAT

Statement of financial position

as at 31 August

	Note	2014 RO	2013 RO
Non- current assets			
Property and equipment	4	79,587	73,666
Current assets			
Inventory	5	10,773	9,672
Receivables and prepayments	6	167,783	207,545
Cash at bank and in hand	7	433,456	303,870
Total current assets		612,012	521,087
Total assets		691,599	594,753
Equity			
Special reserve	8	472,820	452,411
Accumulated surplus / (deficit) of income over expenditure		6,976	(39,651)
Total equity		479,796	412,760
Non-current liabilities			
Staff terminal benefits	9	80,372	64,465
Refundable deposits	10	94,292	96,170
Total non-current liabilities		174,664	160,635
Current liabilities			
Payables and accruals	11	37,139	21,358
Total current liabilities		37,139	21,358
Total liabilities		211,803	181,993
Total equity and liabilities		691,599	594,753

The financial statements were approved by the Board of Directors on 20/11/2014 and signed on their behalf by:

Chairman

P.O. Box 2433 Postal Code 112 Ruwi Sultanate of Oman MUSCAT SRI LANKAN SCHOOL

Treasurer

The notes on pages 5 to 12 form an integral part of these financial statements.

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

THE SRI LANKAN SCHOOL, MUSCAT

Statement of cash flows

for the year ended 31 August

	2014 RO	2013 RO
Cash flow from operating activities		
Cash receipts	797,008	739,157
Cash paid to suppliers and employees	(652,306)	(678,446)
Net cash from operating activities	144,702	60,711
Cash flows from investing activities		
Purchase of property and equipment	(42,816)	(27,107)
Interest received	9,169	6,183
Fixed deposits	(84,170)	(96,814)
Net cash used in investing activities	(117,817)	(117,738)
Cash flow from financing activities		
Development fund collections	20,409	60,093
Release of refundable deposits	(1,878)	(6,877)
Net cash flow from financing activities	18,531	53,216
Net change in cash and cash equivalents	45,416	(3,811)
Cash and cash equivalents at the beginning of the year	(7,368)	(3,557)
Cash and cash equivalents at the end of the year	38,048	(7,368)

Cash and cash equivalents at the end of the year comprise:

Cash at bank – current account	35,548	(10,398)
Cash in hand	2,500	3,030
	38,048	(7,368)

The notes on pages 5 to 12 form an integral part of these financial statements.

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

THE SRI LANKAN SCHOOL, MUSCAT

Notes

(forming part of the financial statements)

1 Legal status and principal activities

The Sri Lankan School, Muscat ("the School") was founded as a non-profit making institution on 1 January 1990 and is governed by the Board of Directors elected by the parents and members nominated by the Embassy of Sri Lanka in the Sultanate of Oman. Prior to 1 January 1990, the School operated under a different commercial arrangement.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

As all recognised gains and losses are reflected in the statement of income and expenditure, no separate statement of recognised gains and losses is presented within these financial statements.

b) Basis of preparation

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Rial Omani, which is the School's functional currency.

d) Use of estimates and judgement

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 accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise receivables, fixed deposits, cash and cash equivalents, refundable deposits, payables and accruals.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and term deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the School's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

THE SRI LANKAN SCHOOL, MUSCAT

Notes
(forming part of the financial statements)

3 **Significant accounting policies** *(continued)*

(a) Financial instruments (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Fee income

Fee income represents the fees received and receivable from students. Fees are recognised as income when it is accrued and considered probable that the fee will be received from the students.

(c) Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) *Subsequent costs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the School and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the statement of income and expenditure as incurred.

(iii) *Depreciation*

Depreciation is recognised in the statement of income and expenditure on a straight-line basis over the estimated useful lives of each item of the property and equipment. Assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Years
Motor vehicles	5
Furniture, fixture and office equipment	4-5
Books and laboratory equipment	3
Leasehold improvement	5

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

THE SRI LANKAN SCHOOL, MUSCAT

Notes
(forming part of the financial statements)

3 Significant accounting policies *(continued)*

(d) Inventories

Inventories comprising books for re-sale and laboratory consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(e) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of income and expenditure.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of income and expenditure.

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in 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.

(f) Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the statement of income and expenditure as incurred.

The School's obligation in respect of non-Omani terminal benefits, under defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate used reflects current market assessment of the time value of money.

THE SRI LANKAN SCHOOL, MUSCAT

Notes
(forming part of the financial statements)

3 Significant accounting policies *(continued)*

(g) Provision

A provision is recognised in the statement of financial position when the School has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

(h) Foreign currencies

Transactions denominated in foreign currencies are translated to Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rials Omani at exchange rates ruling at that date. Realised and unrealised foreign exchange gains and losses are recognised in the statement of income and expenditure.

(i) Taxation

The School is not subject to Omani income tax nor is the School required to file Oman tax returns.

(j) New Standards and interpretations not effective yet

A number of new standards, amendment to the standards and interpretations are not yet effective for the year ended 31 August 2014, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the School, with the exception of:

- IFRS 9: Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

- IFRS 15: Revenue from contracts with customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 construction contracts and IFRIC 13 customer loyalty programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

Management is currently in the process of evaluating the potential effect of these standards on the financial statements of the School as at 31 August 2014.

THE SRI LANKAN SCHOOL, MUSCAT

Notes

(forming part of the financial statements)

4 Property and equipment

	Motor vehicles RO	Furniture, fixture and office equipment RO	Books and laboratory equipment RO	Leasehold improvement RO	Total RO
Cost					
1 September 2013	8,200	236,346	23,932	163,078	431,556
Additions	-	22,792	2,597	17,427	42,816
31 August 2014	**8,200**	**259,138**	**26,529**	**180,505**	**474,372**
Depreciation					
1 September 2013	5,765	193,854	23,348	134,923	357,890
Charge for the year	1,639	18,308	2,262	14,686	36,895
31 August 2014	**7,404**	**212,162**	**25,610**	**149,609**	**394,785**
Carrying amount					
31 August 2014	**796**	**46,976**	**919**	**30,896**	**79,587**
31 August 2013	2,435	42,492	584	28,155	73,666

5 Inventory

	2014 RO	2013 RO
Books for re-sale	**9,498**	6,670
Less: provision for obsolete books	**(1,052)**	(1,052)
Laboratory consumables- Physical Education Kits	**2,327**	4,054
	10,773	9,672

Books for re-sale constitute text and exercise books. Laboratory consumables are not held for re-sale.

6 Receivables and prepayments

	2014 RO	2013 RO
Fees receivable	**10,703**	18,665
Advance to staff	**20,433**	20,149
Other receivable and prepayments	**136,647**	168,731
	167,783	207,545

THE SRI LANKAN SCHOOL, MUSCAT

Notes

(forming part of the financial statements)

7 Cash at bank and in hand

	2014 RO	2013 RO
Cash at bank - deposit account	395,408	311,238
- current account	35,548	(10,398)
Cash in hand	2,500	3,030
	433,456	303,870

Deposit account earns interest at the rates between 1% and 3.5% (2013: 1.25% and 3.5%) per annum.

8 Special reserve

1 January	452,411	392,318
Development fund collections	20,409	60,093
31 December	472,820	452,411

Special reserve comprises donations, development fund collections and net surplus on special events. Special reserve will be utilised only for specific purposes to be decided by the Board of Directors.

9 Staff terminal benefits

The movement in employees' end of service benefits during the year is as follows:

Opening balance	64,465	61,161
Provision during the year	22,880	17,385
Paid during the year	(6,973)	(14,081)
Closing balance	80,372	64,465

10 Refundable deposits

Deposits are refundable upon students leaving the School.

11 Payables and accruals

Payables	31,881	16,100
Accrued expenses	5,258	5,258
	37,139	21,358

THE SRI LANKAN SCHOOL, MUSCAT

Notes

(forming part of the financial statements)

12 Financial instruments

Financial instruments carried at the reporting date comprise receivables, fixed deposits, cash and cash equivalents, payables and accruals and refundable deposits.

The School has exposure to the following risks from its use of financial instruments in the normal course of its business:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the School's exposure to each of the above risks, the School's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the School if the students fail to meet their contractual obligations, and arises principally from the fee receivable from students.

Receivables

The School is an educational institute and the receivables are mainly from students. The School establishes an allowance for impairment that represents its estimate of incurred losses in respect of fee receivables.

Exposure to credit risk

The carrying amount of fees receivable represents the maximum credit exposure. The ageing of fee receivables at the reporting date was:

	Gross fee receivable	
	2014	2013
	RO	RO
From 0 - 30 days	**2,981**	6,556
From 31 - 90 days	**2,188**	4,331
Above 90 days	**5,534**	7,778
	10,703	18,665

Liquidity risk

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

THE SRI LANKAN SCHOOL, MUSCAT

Notes
(forming part of the financial statements)

12 Financial instruments *(continued)*

Liquidity risk (continued)

The maturities of the School's undiscounted financial liabilities at reporting date is as below:

	Carrying amount RO	Contractual cash flows RO	Less than one year RO
Non-derivative financial liabilities			
31 August 2014			
Payables and accruals	**37,139**	**(37,139)**	**(37,139)**
Non-derivative financial liabilities			
31 August 2013			
Payables and accruals	21,358	(21,358)	(21,358)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the School'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 optimizing the return on risk.

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. At reporting date, the School is not exposed to currency risk.

Interest rate risk

The School manages its exposure to interest rate risk on bank deposits by ensuring that they are on fixed interest rate. At reporting date, the School is not exposed to interest rate risk due to fluctuations in the market interest rate.

Fair value estimation

The Management considers that the fair values of all financial assets and liabilities are approximately equal to their carrying value.

13 Capital commitments

There is no capital commitments as on 31 August 2014. At 31 August 2013, RO 4,961 was payable towards procurement and installation of Accounting Software "School on line".