

**THE SRI LANKAN SCHOOL, MUSCAT**

**Financial statements**

**31 August 2016**

**Registered office and principal place of business:**

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

# THE SRI LANKAN SCHOOL, MUSCAT

## Financial statements

31 August 2016

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## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF MANAGEMENT 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 14, which comprise the statement of financial position as at 31 August 2016, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

24 May 2017



KPMG

## THE SRI LANKAN SCHOOL, MUSCAT

### Statement of income and expenditure

for the year ended 31 August

	<i>Note</i>	2016 RO	2015 RO
<b>Income</b>			
Tuition fees		813,680	746,528
Admission fees		36,152	23,768
Laboratory fees		8,617	2,496
Surplus on sale of books		3,138	2,075
Miscellaneous income		11,914	12,009
Sponsorships		18,857	44,649
		<u>892,358</u>	<u>831,525</u>
<b>Expenditure</b>			
Salaries and other staff costs		650,151	559,568
Utilities		12,625	12,853
Printing and stationery		10,356	12,695
Telephone and postage		3,510	2,987
Rent		94,116	94,128
Insurance		2,955	3,115
Repairs and maintenance		18,014	16,837
Transportation cost		12,644	13,211
Depreciation	4	39,138	41,052
Cleaning		18,030	14,152
Miscellaneous expenses		13,902	9,982
Provision for bad debts		1,790	7,842
Extra-curricular activities		23,785	39,922
		<u>901,016</u>	<u>828,344</u>
<b>(Deficit)/surplus of income over expenditure from operations</b>		<b>(8,658)</b>	<b>3,181</b>
Interest income		7,494	7,764
<b>(Deficit)/surplus of income over expenditure for the year/period</b>		<b>(1,164)</b>	<b>10,945</b>
Accumulated surplus of income over expenditure			
Brought forward		17,921	6,976
<b>Accumulated Surplus of income over expenditure carried forward</b>		<b><u>16,757</u></b>	<b><u>17,921</u></b>

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

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

## THE SRI LANKAN SCHOOL, MUSCAT


### Statement of financial position

as at 31 August

	<i>Note</i>	2016 RO	2015 RO
<b>Non-current assets</b>			
Property and equipment	4	82,506	114,568
<b>Current assets</b>			
Inventory	5	11,845	15,768
Receivables and prepayments	6	170,095	168,675
Cash at bank and in hand	7	26,075	38,463
Fixed deposits	8	464,482	427,576
<b>Total current assets</b>		<b>672,497</b>	<b>650,482</b>
<b>Total assets</b>		<b>755,003</b>	<b>765,050</b>
<b>Equity</b>			
Special reserve	9	511,599	493,054
Accumulated surplus of income over expenditure		16,757	17,921
<b>Total equity</b>		<b>528,356</b>	<b>510,975</b>
<b>Non-current liabilities</b>			
Staff terminal benefits	10	109,743	94,215
Refundable deposits	11	108,931	105,642
<b>Total non-current liabilities</b>		<b>218,674</b>	<b>199,857</b>
<b>Current liabilities</b>			
Payables and accruals	12	7,973	54,218
<b>Total current liabilities</b>		<b>7,973</b>	<b>54,218</b>
<b>Total liabilities</b>		<b>226,647</b>	<b>254,075</b>
<b>Total equity and liabilities</b>		<b>755,003</b>	<b>765,050</b>

The financial statements were approved by the Board of Management on \_\_\_\_\_ and signed on their behalf by:

 Chairman

 Treasurer

The notes on pages 6 to 14 form an integral part of these financial statements.

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



## THE SRI LANKAN SCHOOL, MUSCAT

### Statement of cash flows

for the year ended 31 August

	2016 RO	2015 RO
<b>Cash flow from operating activities</b>		
Cash receipts	879,731	816,646
Cash paid to suppliers and employees	(867,465)	(747,379)
<b>Net cash generated from operating activities</b>	<u>12,266</u>	<u>69,267</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(17,076)	(76,032)
Interest received	7,494	7,764
Fixed deposits	(36,906)	(32,168)
<b>Net cash used in investing activities</b>	<u>(46,488)</u>	<u>(100,436)</u>
<b>Cash flow from financing activities</b>		
Development fund collections	18,545	20,234
Refundable deposit payments/collections	3,289	11,350
<b>Net cash flow from financing activities</b>	<u>21,834</u>	<u>31,584</u>
<b>Net change in cash and cash equivalents</b>	<u>(12,388)</u>	<u>415</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>38,463</u>	<u>38,048</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>26,075</u></u>	<u><u>38,463</u></u>
<b>Cash and cash equivalents at the end of the year comprise:</b>		
Cash at bank – current account	24,575	36,924
Cash in hand	1,500	1,539
	<u><u>26,075</u></u>	<u><u>38,463</u></u>

The notes on pages 6 to 14 form an integral part of these financial statements.

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

## THE SRI LANKAN SCHOOL, MUSCAT

### Statement of changes in equity

for the year ended 31 August

	Special Reserve RO	Accumulated surplus of income over expenditure RO	Total RO
1 September 2014	472,820	6,976	479,796
Development funds collections	20,234	-	20,234
(Deficit)/surplus of income over expenditure for the period	-	10,945	10,945
	<u>493,054</u>	<u>17,921</u>	<u>510,975</u>
31 August 2015	<u>493,054</u>	<u>17,921</u>	<u>510,975</u>
1 September 2015	<u>493,054</u>	<u>17,921</u>	<u>510,975</u>
Development funds collections	18,545	-	18,545
(Deficit)/surplus of income over expenditure for the period	-	(1,164)	(1,164)
	<u>511,599</u>	<u>16,757</u>	<u>528,356</u>
31 August 2016	<u>511,599</u>	<u>16,757</u>	<u>528,356</u>

The notes on pages 6 to 14 form an integral part of these financial statements.

The report of the 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 management 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 or changes in equity 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:

	<i>Years</i>
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 School's 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 exceeds its recoverable amount. Recoverable amount 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 relevant standards, amendments to standards and interpretations are not yet effective for the year ended 31 July 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the College are set out below.

##### IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The School is currently assessing the impact of this standard and does not plan to adopt early.

##### IFRS 15: Revenue from contracts with customers

IFRS 15 specifies how and when an IFRS reporting entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The School is currently assessing the impact of this standard and does not plan to adopt early.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The School is currently assessing the impact of this standard and does not plan to adopt early.

# 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
<b>2016</b>					
<i>Cost</i>					
1 September 2015	8,200	304,763	29,040	204,772	546,775
Additions	-	15,277	6	1,793	17,076
Disposal	-	(680)	-	(10,000)	(10,680)
<b>31 August 2016</b>	<b>8,200</b>	<b>319,360</b>	<b>29,046</b>	<b>196,565</b>	<b>553,171</b>
<i>Depreciation</i>					
1 September 2015	8,200	227,957	28,404	167,646	432,207
Charge for the period	-	22,392	642	16,104	39,138
Disposal	-	(680)	-	-	(680)
<b>31 August 2016</b>	<b>8,200</b>	<b>249,669</b>	<b>29,046</b>	<b>183,750</b>	<b>470,665</b>
<i>Carrying amount</i>					
<b>31 August 2016</b>	<b>-</b>	<b>69,691</b>	<b>-</b>	<b>12,815</b>	<b>82,506</b>
31 August 2015	-	76,806	636	37,126	114,568
<b>2015</b>					
<i>Cost</i>					
1 September 2014	8,200	259,138	26,529	180,505	474,372
Additions	-	49,254	2,511	24,267	76,032
Disposal	-	(3,630)	-	-	(3,630)
<b>31 August 2015</b>	<b>8,200</b>	<b>304,762</b>	<b>29,040</b>	<b>204,772</b>	<b>546,774</b>
<i>Depreciation</i>					
1 September 2014	7,404	212,162	25,610	149,609	394,785
Charge for the period	796	19,425	2,794	18,037	41,052
Disposal	-	(3,630)	-	-	(3,630)
<b>31 August 2015</b>	<b>8,200</b>	<b>227,957</b>	<b>28,404</b>	<b>167,646</b>	<b>432,207</b>
<i>Carrying amount</i>					
<b>31 August 2015</b>	<b>-</b>	<b>76,805</b>	<b>636</b>	<b>37,126</b>	<b>114,567</b>
31 August 2014	796	46,976	919	30,896	79,587

## THE SRI LANKAN SCHOOL, MUSCAT

### Notes

(forming part of the financial statements)

<b>5</b>	<b>Inventory</b>		
		2016	2015
		RO	RO
	Books for re-sale	10,176	15,769
	Less: provision for obsolete books	(3,052)	(1,552)
	Laboratory consumables-PE Kits	4,721	1,551
		<u>11,845</u>	<u>15,768</u>
	Books for re-sale constitute text and exercise books. Laboratory consumables are not held for re-sale.		
<b>6</b>	<b>Receivables and prepayments</b>		
	Fees receivable	28,585	31,362
	Provision for impairment of fees receivables	(9,200)	(13,113)
		<u>19,385</u>	<u>18,249</u>
	Advance to staff	31,576	26,960
	Other receivables and prepayments	119,134	123,466
		<u>170,095</u>	<u>168,675</u>
<b>7</b>	<b>Cash at bank and in hand</b>		
	Cash at bank - current account	24,575	36,924
	Cash in hand	1,500	1,539
		<u>26,075</u>	<u>38,463</u>
<b>8</b>	<b>Fixed deposits</b>		
	Cash at bank - deposit account	464,482	427,576
	Deposit account earns interest at the rates between 1.10% and 4.00% (2015: 1.00% and 1.75%) per annum.		
<b>9</b>	<b>Special reserve</b>		
	1 September	493,054	472,820
	Development fund collections	18,545	20,234
	31 August	<u>511,599</u>	<u>493,054</u>

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 Management.

## THE SRI LANKAN SCHOOL, MUSCAT

### Notes

(forming part of the financial statements)

	2016 RO	2015 RO
<b>10. Staff terminal benefits</b>		
The movement in employees' end of service benefits during the year is as follows:		
As at 1 September	94,215	80,372
Provision made during the year	26,875	24,272
Paid during the year	(11,347)	(10,429)
31 August	<u>109,743</u>	<u>94,215</u>
<b>11. Refundable deposits</b>		
Deposits are refundable upon students leaving the School.		
As at 1 September	105,642	94,292
Collected during the year	17,570	28,611
Refunded during the year	(14,281)	(17,261)
31 August	<u>108,931</u>	<u>105,642</u>
<b>12. Payables and accruals</b>		
Payables	5,327	52,568
Accrued expenses	2,646	1,650
	<u>7,973</u>	<u>54,218</u>

### 13. 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 School's receivable from students.

#### *Receivables*

The School is in education business 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.

# THE SRI LANKAN SCHOOL, MUSCAT

## Notes

(forming part of the financial statements)

### 13 Financial instruments (continued)

#### 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 2016 RO	Impairment 2016 RO	Gross 2015 RO	Impairment 2015 RO
From 0- 30 days	9,565	-	6,326	-
From 31- 90 days	9,820	-	12,038	115
Above 90 days	9,200	9,200	12,998	12,998
	<u>28,585</u>	<u>9,200</u>	<u>31,362</u>	<u>13,113</u>

#### Liquidity risk

Liquidity risk is the risk that the School will not be able to meet its financial obligations as they fall due. 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 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
<i>Non-derivative financial liabilities</i>			
31 August 2016			
Payables and accruals	<u>(7,973)</u>	<u>(7,973)</u>	<u>(7,973)</u>
<i>Non-derivative financial liabilities</i>			
31 August 2015			
Payables and accruals	<u>(54,218)</u>	<u>(54,218)</u>	<u>(54,218)</u>

**THE SRI LANKAN SCHOOL, MUSCAT****Notes**

*(forming part of the financial statements)*

**13 Financial instruments (continued)***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 31 August 2016, 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. The School is not exposed to interest rate risk due to fluctuations in the market interest rate.

*Fair value estimation*

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

**14 Comparative information**

Certain comparative information has been reclassified to conform with the current period presentation adopted in the financial statements.