

Financial Statements and Independent Auditor's Report
Majan College (University College) SAOG
31 August 2020

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Independent Auditor's Report

To the Shareholders of
Majan College (University College) SAOG
P.O. Box 710, Ruwi
Postal Code 112
Ruwi, Muscat
Sultanate of Oman

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Majan College (University College) SAOG (“the College”), which comprise the statement of financial position as at 31 August 2020, and the statement of profit or loss and other comprehensive income, statement of changes in Shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at 31 August 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the financial Statements section of our report. We are independent of the College in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p>Allowance for impaired receivables</p> <p>The College is required to regularly assess the recoverability of trade receivables, was significant to our audit due to value of amount aged greater than the credit term extended to students.</p> <p>This involve judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.</p> <p>The College's disclosure includes in Note 6 to the financial statements, which outlines the accounting policy for determining the allowance for doubtful debts and details of the period on period movement in gross and net trade receivables.</p> <p>We focused on this area because the allowance for impaired receivables against fee receivables requires the application of judgment and use of subjective assumptions by management as described in critical accounting estimates and judgments in Note 4.16.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and controls implemented by the College over the receivable provisioning process; • Evaluated receipts after year-end to determine any remaining exposure at the date of financial report; • Tested the aging of trade receivables for a sample of customers transactions; • Testing the adequacy of the College's impairment against fee receivables by performing a retrospective review of historical provisioning and evaluating of the age analysis of fee receivables; and • Assessing the appropriateness of the College's disclosures as per relevant IFRSs. <p>Based on our procedures, we were satisfied that management's estimates and assumptions were reasonable. We also found the related disclosures in the financial statements to be adequate.</p>

Other information included in the 2020 Annual report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the College's 2020 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2020 Annual Report after the date of our auditor's report:

- Chairman's report;
- Corporate governance report;
- Board appraisal report; and
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be misstated.

If, based on the work we have performed on the other information obtained prior to the date of the audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the Commercial Companies Law of Sultanate of Oman of 2019, and the disclosure requirements issued by the Capital Market Authority of Sultanate of Oman and for such internal controls as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of the College as of and for the year ended 31 August 2020, in all material respects, have been prepared in accordance with the Commercial Companies Law of Sultanate of Oman of 2019, and the disclosure requirements for the Public Joint Stock companies issued by the Capital Market Authority.

Nasser Al Mugheiry
Licence No. L1024587
ABU TIMAM
(Chartered Certified Accountants)



28 October 2020

Statement of financial position

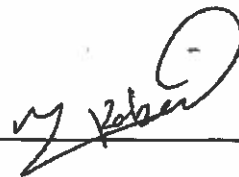
as at 31 August 2020

	Notes	31 August 2020 RO	31 August 2019 RO
ASSETS			
Non-current assets:			
Property and equipment	5	4,084,898	3,999,014
Deferred tax asset	21(c)	84,940	86,818
Total non-current assets		4,169,838	4,085,832
Current assets:			
Fee and other receivables	6	2,262,179	2,173,659
Investments at amortised cost	7	4,249,044	3,499,212
Cash and cash equivalents	8	4,267,509	6,432,583
Total current assets		10,778,732	12,105,454
Total assets		14,948,570	16,191,286
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	9	9,000,000	9,000,000
Legal reserve	10	1,335,492	1,173,688
Retained earnings		527,101	375,869
Proposed cash dividend	11	1,305,000	1,305,000
Total Shareholders' equity		12,167,593	11,854,557
LIABILITIES			
Non-current liabilities:			
Security deposits	12	401,305	390,955
Staff terminal benefits	13	657,966	639,718
Total non-current liabilities		1,059,271	1,030,673
Current liabilities:			
Accounts payable and accruals	14	1,404,002	2,889,894
Withholding tax payable		30,399	-
Provision for tax	22(a)	287,305	416,162
Total current liabilities		1,721,706	3,306,056
Total liabilities		2,780,977	4,336,729
Total Shareholders' equity and liabilities		14,948,570	16,191,286
Net assets per share	15.1	0.14	0.13

The financial statements on pages 5 to 28 were approved by the Board of Directors of the College on 28 October 2020 and were signed on the Board's behalf by:



VICE CHAIRMAN



DEAN

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

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

Statement of profit or loss and other comprehensive income

for the year ended 31 August 2020

	Notes	Year ended 2020 RO	Year ended 2019 RO
Income:			
Fee income	18	5,672,501	6,321,359
Other income	19	162,594	170,569
Investment deposits income		395,430	373,146
Total income		6,230,525	6,865,074
Expenses:			
Salaries and employee related costs	20	(2,478,918)	(2,551,787)
General and administrative expenses	21	(1,577,567)	(1,947,394)
Depreciation expense		(235,824)	(250,388)
Movement in expected credit loss on fee receivables	6.1	(36,946)	(50,087)
Movement in expected credit loss on cash and cash equivalents		2,521	2,350
Foreign exchange gain		3,252	246
Total expenses		(4,323,482)	(4,797,060)
Surplus of income over expenses before tax		1,907,043	2,068,014
Income tax expense	22(a)	(289,007)	(331,131)
Surplus of income over expenses for the year		1,618,036	1,736,883
Other comprehensive income		-	-
Total comprehensive income for the year		1,618,036	1,736,883
Basic earnings per share	16	0.018	0.019

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

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

Statement of changes in Shareholders' equity

for the year ended 31 August 2020

	Share capital RO	Legal reserve RO	Retained earnings RO	Proposed cash dividends RO	Bonus share RO	Total RO
Balance at 1 September 2018	3,000,000	1,000,000	128,763	900,000	6,000,000	11,028,763
Adoption of IFRS 9	-	-	(11,089)	-	-	(11,089)
Adjusted Balance at 1 September 2018	3,000,000	1,000,000	117,674	900,000	6,000,000	11,017,674
Dividends paid (Note 11)	-	-	-	(900,000)	-	(900,000)
Bonus share issued	6,000,000	-	-	-	(6,000,000)	-
Proposed dividend for 2019	-	-	(1,305,000)	1,305,000	-	-
Transactions with Owners	6,000,000	-	(1,305,000)	405,000	(6,000,000)	(900,000)
Surplus income over expenses for the year	-	-	1,736,883	-	-	1,736,883
Transfer to legal reserve	-	173,688	(173,688)	-	-	-
Total comprehensive income for the year	-	173,688	1,563,195	-	-	1,736,883
Balance at 31 August 2019	9,000,000	1,173,688	375,869	1,305,000	-	11,854,557
Balance at 1 September 2019	9,000,000	1,173,688	375,869	1,305,000	-	11,854,557
Dividends paid (Note 11)	-	-	-	(1,305,000)	-	(1,305,000)
Proposed dividend for 2020	-	-	(1,305,000)	1,305,000	-	-
Transactions with Owners	9,000,000	1,173,688	(929,131)	1,305,000	-	10,549,557
Surplus income over expenses for the year	-	-	1,618,036	-	-	1,618,036
Transfer to legal reserve	-	161,804	(161,804)	-	-	-
Total comprehensive income for the year	-	161,804	1,456,232	-	-	1,618,036
Balance at 31 August 2020	9,000,000	1,335,492	527,101	1,305,000	-	12,167,593

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

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

Statement of cash flows

for the year ended 31 August 2020

	Notes	2020 RO	2019 RO
Cash flow from operating activities:			
Cash receipts from fee income		5,092,166	6,272,202
Cash paid towards expenses		(4,749,368)	(3,434,008)
Income tax paid	22 (a)	(385,588)	(232,973)
Net cash (used in)/generated from operating activities		(42,790)	2,605,221
Cash flow from investing activities:			
Purchase of property and equipment	5	(322,011)	(1,090,699)
Proceeds from disposal of property and equipment		7,780	4,127
Investment deposit income		244,318	296,283
Investment at amortised cost		(750,000)	(3,500,000)
Net change in investment deposits		5,195,700	1,774,300
Net cash generated from/(used in) investing activities		4,375,787	(2,515,989)
Cash flow from financing activities:			
Dividend paid	11	(1,305,000)	(900,000)
Net cash used in financing activities		(1,305,000)	(900,000)
Net increase/(decrease) in cash and cash equivalents		3,027,997	(810,768)
Cash and cash equivalents at the beginning of the year		1,244,698	2,055,466
Cash and cash equivalents at the end of the year	8	4,272,695	1,244,698

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

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

Notes

(forming part of the financial statements)

1 Nature of operation

The Majan College (University College) SAOG (the "College") is engaged in the fields of management sciences, scientific research and providing education to students in the Sultanate of Oman. The College is a subsidiary of Human Investment LLC, an Oman based company, whose registered address is PO Box 1814, Postal Code 112, Muscat, Sultanate of Oman.

The College has entered into an Academic Affiliation Agreement with the University of Bedfordshire in the United Kingdom (the UOB Agreement), for validating the College's undergraduate programs leading to the awards of Bachelor degrees in Business, English language and Information Technology disciplines. Additionally, the College has another agreement with the University of Bedfordshire for hosting its masters programs in Business Administration, Computer Sciences & Information Technology, International Human Resources Management and Applied Linguistics. The two agreements were renewed on 1 September 2017 and shall continue until 31 August 2021. In accordance with the UOB Agreements, the College is required to pay an annual affiliation fee per semester that is based on the number of students and certain other criteria.

2 General information and statement of compliance with IFRSs

The College is a joint stock company (SAOG) incorporated and domiciled on 17 December 1995 in the Sultanate of Oman in accordance with the Commercial Companies Law of Sultanate of Oman 1974. The New Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the Companies should comply with the new law within 1 year from 17 April 2019. The College's registration number is 1506609.

The College's registered office and principal address is P O Box 710, Ruwi, Postal Code 112, Sultanate of Oman. The College's shares are listed on the Muscat Securities Market.

The financial statements of the College have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 September 2019

The College has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16

IFRS 16 replaced IAS 17 and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management has assessed the impact and the College adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 September 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

Notes

(forming part of the financial statements)

3 New or revised standards or interpretations (continued)

3.1 New standards adopted as at 1 September 2019 (continued)

IFRS 16 (continued)

Nature of effect of adoption of IFRS 16:

Before the adoption of IFRS 16, the College classified each of its leases (as lessee) at the inception date as operating lease where applicable.

Upon adoption of IFRS 16, the College applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The College recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Impact on transition:

Based on the impact assessment carried out by management of the College, application of this standard has no material impact on these financial statements, and therefore, the College has not made any adjustments to the statement of financial position.

3.2 Standards, amendments and interpretations to existing standards not yet adopted by the College

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the College.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the College's financial statements.

4 Summary of accounting policies

4.1 Overall considerations

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

4.2 Presentation of financial statements,

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

4.3 Foreign currency translation

Functional and presentation currency

The College's financial statements are presented in the Rial Omani (RO) which is also the functional currency of the College.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.3 Foreign currency translation (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the College, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary statement of financial position items at period/year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income under 'other income' or 'other expenses'.

In the College's financial statements, all items and transactions of the College with a transaction currency other than the Rial Omani (the College's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the College's presentation currency at the average rates over the reporting period.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4 Fee income

The College is in the business of providing higher education programs affiliated with University of Bedfordshire in different disciplines. The College follows a 5-step process:

- 1 Identifying the contract with a customer;
- 2 Identifying the performance obligations;
- 3 Determining the transaction price;
- 4 Allocating the transaction price to the performance obligations; and
- 5 Recognizing revenue when/as performance obligation(s) are satisfied.

The College has various disciplines and programs that comprise from Higher Education Diplomas, Bachelor's degree, Master's degree, CMA and ACCA professional course. All the services of the College are separate promises, therefore are considered distinct and separate performance obligations.

Revenue from contracts with customers is recognized over the time when the service has been consumed by the student. The service is considered to be consumed when the tuition hours are provided. The College's revenue comprises of tuition fee of the course chosen by the student, measured by reference to the fair value of consideration received or receivable by the College for services provided. Revenue earned upon the initiation of the semester courses is realized on accrual basis in the statement of profit or loss and other comprehensive income.

Fee receivables

A receivable represents the College's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 4.8.

Contract liabilities

A contract liability is the obligation to transfer services to a student for which the College has received consideration (or an amount of consideration is due) from the student. If a student pays consideration before the College transfers services to the student, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the College performs under the contract.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.4 Fee income (continued)

Other income

Other income comprises of hostel fee income, accreditation of prior learning income, profit on disposal of property and equipment and other miscellaneous income, recognized in the statement of profit or loss and other comprehensive income on the accrual basis or when the College's right to receive the payment is established.

Advance income

Any fee received in advance is recorded as current liability at the time of student registration for upcoming semesters and subsequently recognized as revenue on accrual basis.

4.5 Operating expenses

Operating expenses are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

4.6 Leases – Policy before 1 September 2019

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

4.7 Leases – Policy after 1 September 2019

The College assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

College as a lessee

The College applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The College recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right of use assets

The College recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the College recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in - substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the College and payments of penalties for terminating a lease, if the lease term reflects the College exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.7 Leases – Policy after 1 September 2019 (continued)

In calculating the present value of lease payments, the College uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The College applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

The College classifies its financial assets at amortised cost.

The College determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The College determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The College's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Contractual cash flow characteristics test

The College assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The College reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.8 Financial instruments (continued)

Classification and initial measurement of financial assets (continued)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The College's financial asset measured at amortised cost are investments at amortised cost, cash at bank and fee receivables.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the College's first identifying a credit loss event. Instead the College considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Fee receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The College makes use of a simplified approach in accounting for fee and other receivables records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the College uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The College assess impairment of fee receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.8 Financial instruments (continued)

Impairment of financial assets (continued)

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12 month expected credit loss basis. The College considers cash and cash equivalents have low to fair credit risk based on external credit rating of the counterparty.

Classification and subsequent measurement of financial liabilities

The College's financial liabilities include student security deposits, trade payables and accruals and staff terminal benefits which are measured at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the College designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income under its line items 'finance costs' or 'finance income'.

4.9 Property and equipment

Land is not depreciated as it is deemed to have an infinite life.

Property and other equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the College. Building and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is calculated straight-line to write down the cost less estimated residual value of property and equipment other than freehold land. The estimated useful lives are:

• Building	15 years
• Motor vehicles	5 years
• Furniture and fittings	5 years
• Computer and software	5 years
• Library books	5 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognised within 'other income' or 'other expenses' in the statement of profit or loss and other comprehensive income.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.10 Impairment testing

The assets of the College are subject to impairment testing. For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Management of the College have reviewed the assets of the College and are of the opinion that no impairment has occurred to any of the College's assets.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, the Management estimate the expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at bank, and short term deposits which are subject to an insignificant risk of changes in value.

4.12 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include current and prior period results as disclosed in the statement of changes in Shareholders' equity.

4.13 Post-employment benefits and short-term employee benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the College's employees at the reporting date with regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The College contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The College and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. However, the employees hired earlier than 2002 are entitled to end of service benefits calculated at the rate of 30 days basic salary for each year of continuous service following the date of joining. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.14 Income tax

Income tax expense recognised in statement of profit or loss and other comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the College has a right and intention to set off current tax assets and liabilities from the same tax authority.

4.15 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the College and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or the Management have at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the College's Management. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised.

Probable inflows of economic benefits to the College that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.16 Estimation uncertainty

When preparing the financial statements the Management undertake a number of estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by the Management and will seldom equal the estimated results.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.16 Estimation uncertainty (continued)

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

The Management reviews the useful lives of depreciable assets at each reporting date. At 31 August 2020, the Management assessed that the useful lives represent the expected utility of the assets to the College. The carrying amounts are mentioned in Note 5. Actual results, however, may vary due to technical obsolescence.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The College establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the College. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Provision for expected credit losses on fee receivables

The College uses a provision matrix to calculate ECLs for fee receivables. The provision rates are based on days past due for groupings of various students segments that have similar loss patterns.

The provision matrix is initially based on the College's historical observed default rates. The College calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector in which the customers of the College operate, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The College's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the College's trade receivables is disclosed in Note 6 and 23.2.

Going concern

The College's management has made an assessment of the College's ability to continue as a going concern and is satisfied that the College has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the College's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Covid-19

Due to the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the College's assets and liabilities may arise in the future.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.17 Dividend

The Board of Directors recommends to the shareholders the dividend to be paid out of the College's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman 2019 while recommending the dividend. The dividend is recognised in the year in which it is declared by the Board of Directors and approved by the shareholders.

4.18 Directors' remuneration

The College follows the Commercial Companies Law of the Sultanate of Oman 2019 and other latest relevant directives issued by Capital Market Authority, in regards to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

5 Property and equipment

Details of the College's property and equipment and their carrying amounts are as follows:

	Land RO	Building RO	Motor vehicles RO	Furniture and fittings RO	Computer and software RO	Library books RO	Capital work in progress RO	Total RO
Cost:								
At 1 September 2019	1,153,509	2,340,744	70,100	1,133,048	754,643	344,641	2,052,508	7,849,193
Additions	-	1,860	-	19,769	843	2,527	297,012	322,011
Transfer	-	2,145,556	-	87,771	115,495	-	(2,348,822)	-
Disposals	-	-	(17,800)	-	(6,082)	(31)	-	(23,913)
At 31 August 2020	1,153,509	4,488,160	52,300	1,240,588	864,899	347,137	698	8,147,291
Depreciation:								
At 1 September 2019	-	1,823,018	62,224	1,056,915	575,596	332,426	-	3,850,179
Provided during the year	-	122,136	5,983	34,980	68,069	4,656	-	235,824
Disposals	-	-	(17,800)	-	(5,781)	(29)	-	(23,610)
At 31 August 2020	-	1,945,154	50,407	1,091,895	637,884	337,053	-	4,062,393
Net book value:								
At 31 August 2020	1,153,509	2,543,006	1,893	148,694	227,015	10,084	698	4,084,898

For the comparative period the carrying amounts can be presented as follows:

	Land RO	Building RO	Motor vehicles RO	Furniture and fittings RO	Computer and software RO	Library books RO	Capital work in progress RO	Total RO
Cost:								
At 1 September 2018	1,153,509	2,340,744	70,100	1,147,935	743,476	372,049	1,059,588	6,887,401
Additions	-	-	-	17,479	73,642	6,658	992,920	1,090,699
Disposals	-	-	-	(32,366)	(62,475)	(34,066)	-	(128,907)
At 31 August 2019	1,153,509	2,340,744	70,100	1,133,048	754,643	344,641	2,052,508	7,849,193
Depreciation:								
At 1 September 2018	-	1,701,110	51,342	1,050,582	564,069	361,595	-	3,728,698
Provided during the year	-	121,908	10,882	38,699	74,002	4,897	-	250,388
Disposals	-	-	-	(32,366)	(62,475)	(34,066)	-	(128,907)
At 31 August 2019	-	1,823,018	62,224	1,056,915	575,596	332,426	-	3,850,179
Net book value:								
At 31 August 2019	1,153,509	517,726	7,876	76,133	179,047	12,215	2,052,508	3,999,014

The land comprises the acquisition cost of student hostel and the value of the land of the college campus which was granted by the Government of the Sultanate of Oman as part of RO 850,000 non-monetary grant of campus land and buildings. The campus land and buildings were valued at the time of grant at RO 650,000 and RO 250,000 respectively. The College cannot take any action related to this grant without prior approval of the Government of the Sultanate of Oman.

Notes

(forming part of the financial statements)

5 Property and equipment (continued)

Capital work in progress represents expenditure incurred on the new extension of the building of the College. At the end of the reporting period an amount transferred to building, furniture and fittings and computer and software amounting to RO 2,145,556, RO 87,771 and 115,495, respectively.

6 Fee and other receivables

	31 August 2020 RO	31 August 2019 RO
Financial assets:		
Fee receivables	2,829,475	2,855,117
Less: Provision for expected credit losses (Note 6.1)	(1,024,564)	(1,002,154)
	1,804,911	1,852,963
Accrued investment deposit income	333,575	182,463
Less: Provision for expected credit losses	(75)	(136)
	333,500	182,327
Non-financial assets:		
Other receivables	65,790	83,241
Prepayments	57,978	55,128
	123,768	138,369
	2,262,179	2,173,659

6.1 Movement in provision for expected credit loss

	31 August 2020 RO	31 August 2019 RO
Opening balance	1,002,154	956,379
Provided during the year	36,946	50,087
Reversed during the year	(14,536)	(4,312)
Closing balance	1,024,564	1,002,154

Fee receivables amounting to RO 1,804,911 (2019: RO 1,852,963) are estimated as collectable based on historical experience.

7 Investment at amortised cost

	31 August 2020 RO	31 August 2019 RO
Investment at amortised cost	4,250,000	3,500,000
Provision for expected credit losses	(956)	(788)
	4,249,044	3,499,212

Investment at amortised cost represents a fixed deposit placed with Jiyad Holding Company, Kuwait maturing within one year and carry expected profit at the rate of 6% per annum. (2019: 6%)

8 Cash and cash equivalents

	31 August 2020 RO	31 August 2019 RO
Maturing within three months:		
Cash at bank	4,269,564	1,237,350
Maturing after three months:		
Short term deposits	-	5,195,700
	4,269,564	6,433,050
Provision for expected credit loss (Note 8.1)	(5,186)	(7,815)
	4,264,378	6,425,235
Cash in hand	3,131	7,348
	4,267,509	6,432,583

Notes

(forming part of the financial statements)

8 Cash and cash equivalents (continued)

8.1 Movement in provision for expected credit loss

	31 August 2020 RO	31 August 2019 RO
Opening balance	7,815	-
Provided during the year	5,186	7,815
Reversed during the year	(7,815)	-
Closing balance	5,186	7,815

Short term deposits represents a deposit placed with a commercial bank in the Sultanate of Oman to earn interest at Nil to per annum (2019: 6% per annum).

9 Share capital

	31 August 2020 RO	31 August 2019 RO
150,000,000 (2019: 60,000,000) authorised share capital of RO 0.1 each	15,000,000	15,000,000
90,000,000 (2019: 30,000,000) fully paid up shares of RO 0.1 each	9,000,000	9,000,000

Significant shareholders

Shareholders of the College who own 10% or more of the College's shares, whether in their name and the number of shares they hold are as follows:

	%	31 August 2020 Shares held	%	31 August 2019 Shares held
Human Investment LLC – Oman	76.4	68,784,230	76.4	68,784,230
Oman Chamber of Commerce and Industry	10.5	9,480,000	10.5	9,480,000

10 Legal reserve

In accordance with the Commercial Companies Law of Oman 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one-third of the value of the College's paid-up share capital. This reserve is not available for distribution for the shareholders. During the year, RO 161,804 has been transferred to the legal reserve (2019: RO 173,688).

11 Dividend paid and proposed

A cash dividend of RO 1,305,000 (November 2019: RO 1,305,000), was paid during the year based on the approval of the shareholders meeting held on 24 November 2019. An old dividend balance for the year ended 31 August 2019, of RO 3,431 has not been claimed by the shareholders, hence, the College has transferred the amount to the CMA Investors Fiduciary Fund.

The Board of Directors at their meeting held on 27 October 2020, have proposed a cash dividend of RO 0.0145 per share for the year ended 31 August 2020 (2019: RO 0.0145 per share) aggregating to RO 1,305,000 (2019: RO 1,305,000). The proposed cash dividend is subject to formal approval of the shareholders at their annual general meeting and regulatory authorities.

12 Security deposits

Security deposits amounting to RO 401,305 (2019: 390,955) include refundable deposit collected from students at the time of registration. These have not been carried at amortized cost as the effect of the discounting is not considered material.

Notes

(forming part of the financial statements)

13 Staff terminal benefits

The College's liability on staff terminal benefits and the movement during the year are as follows:

	31 August 2020 RO	31 August 2019 RO
Opening balance	639,718	625,967
Provided during the year (Note 20)	98,631	95,979
Paid during the year	(80,383)	(82,228)
Closing balance	657,966	639,718

14 Accounts payable and accruals

	31 August 2020 RO	31 August 2019 RO
Financial liabilities:		
Trade payables	398,115	1,074,036
Air passage and leave salaries	183,414	217,760
Other accrued expenses	164,512	169,568
Directors' remuneration	24,609	38,270
	770,650	1,499,634
Non-financial liabilities:		
Other advance income	6,446	4,048
Advance tuition fee	626,906	1,386,212
	1,404,002	2,889,894

15 Net assets per share

Net assets per share are calculated by dividing the net assets at the year-end by the weighted average shares outstanding as follows:

	31 August 2020 RO	31 August 2019 RO
Net assets	12,167,593	11,854,557
Number of shares outstanding at the reporting	90,000,000	90,000,000
Net assets value per share (RO/share)	0.135	0.132

16 Earnings per share

Basic earnings per share is calculated by dividing the net earnings for the year attributable to shareholders by weighted average number of shares during the year as follows:

	31 August 2020 RO	31 August 2019 RO
Net surplus for the year	1,618,036	1,736,883
Weighted average number of shares	90,000,000	90,000,000
Basic earnings per share	0.018	0.019

17 Related party transactions

The College's related parties include its key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Key management personnel of the College are the Executive Management.

The nature of significant related party transactions and the amounts involved during the year were as follows:

17.1 Transaction with key management personnel

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Salaries and related costs	271,794	254,119
Directors' remuneration (Note 21)	24,609	33,520
Directors' sitting fees (Note 21)	21,400	32,500

Notes

(forming part of the financial statements)

17 Related party transactions (continued)

17.2 Transactions with other business entities held under common control

There are no transactions with other business entities held under common control.

18 Fee income

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Undergraduate income	4,136,064	4,253,442
Postgraduate income	1,902,617	2,405,517
Less: discounts offered	(366,180)	(337,600)
	5,672,501	6,321,359

19 Other income

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Hostel income	74,160	84,360
Rental income	20,878	30,071
Accreditation of prior learning income	21,445	13,570
Profit on sale of property and equipment	7,477	4,127
Miscellaneous income	38,634	38,441
	162,594	170,569

20 Salaries and employees related costs

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Salaries and allowances	2,146,457	2,226,176
Other benefits	157,415	160,635
Staff terminal benefits	98,631	95,979
Social security insurance	76,415	68,997
	2,478,918	2,551,787

21 General and administrative expenses

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Postgraduate affiliation fees	699,730	933,341
Undergraduate affiliation fees	262,925	335,196
Utility expenses	111,381	103,028
Software license fees	96,194	78,131
Repairs and maintenance	92,540	95,485
Rent expenses	60,835	71,562
Advertisement expenses	53,844	60,965
Legal and professional fees	51,140	71,344
Directors' remuneration	24,609	33,520
Graduation ceremony expenses	24,525	21,247
Directors' sitting fees	21,400	32,500
Bank charges	18,681	28,999
Fuel, travelling and hotel expenses	13,180	22,507
Insurance expenses	9,515	10,261
Board of trustee meeting fees	4,150	2,300
Student activities expenses	3,467	8,642
Printing and stationery	3,391	14,917
Miscellaneous expenses	26,060	23,449
	1,577,567	1,947,394

Notes

(forming part of the financial statements)

22 Income tax

In accordance with Ministerial Decision No. 74/2005 received from the Ministry of Finance and issued on 30 November 2005, the College was exempted from income tax on income earned from its activities in the field of education for an unlimited period from 30 May 2005. Under Article 118 of the new Income Tax Law, the College shall continue to be exempt from tax for a period of additional five years till the date specified in the decision, which is 29 May 2015. The tax exemption on educational activities expired on the 29 May 2015 and hence the College is subject to income tax from 1 June 2015 onwards on all of its income.

a) Recognised in the statement of comprehensive income and presented in the statement of financial position

The College is subject to income tax at the rate of 15% of the taxable income in accordance with the Income Tax Law of the Sultanate of Oman (2019: 15%).

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Recognised in the statement of profit or loss and other comprehensive income:		
Current tax expense	287,305	323,923
Deferred tax asset	1,878	(6,418)
Prior years' tax expense	(176)	13,626
	289,007	331,131

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Recognised in the statement of financial position:		
Balance at beginning of the year	416,162	311,586
Income tax expense during the year	287,305	323,923
Prior year adjustment during the year	(175)	13,626
Income tax paid during the year	(385,588)	(232,973)
	317,704	416,162

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 15% (2019:15%) and the reported tax expense in the profit or loss can be reconciled as follows:

	Year ended 31 August 2020 RO	Year ended 31 August 2019 RO
Surplus before tax	1,907,043	2,068,014
Add:		
Accounting depreciation	235,824	250,388
Provision for doubtful debts	34,425	47,737
Tax consultancy fees	950	950
	2,178,242	2,367,089
Deduct:		
Tax depreciation	(240,860)	(203,476)
Credit losses of previous years	(14,536)	-
Profit on disposals of property and equipment	(7,477)	(4,127)
Taxable income	1,915,369	2,159,486
Tax rate	15%	15%
Income tax	287,305	323,923

Notes

(forming part of the financial statements)

22 Income tax (continued)

c) Deferred tax assets

	31 August 2020 RO	31 August 2019 RO
Opening balance	86,818	80,400
Movement during the year	(1,878)	6,418
Closing balance	84,940	86,818

d) Current status of tax assessments

The College's taxation assessments has been finalised with the Secretariat General for Taxation for all years till 2015. At the end of the reporting period, the management consider that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the College's financial position.

23 Financial instruments risks

Risk management objectives and policies

The College does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the College is exposed to are described below.

23.1 Market risk analysis

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The College is not significantly exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which results from its operating activities.

Foreign currency sensitivity

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the College's transactions are carried out in the Rial Omani. Exposure to currency exchange rates arise from the College's overseas transactions, which are primarily denominated in the US Dollar (USD), KWD and GBP.

To mitigate the College's exposure to foreign currency risk, non-Rial Omani cash flows are monitored.

Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The College's policy is to minimise interest rate cash flow risk exposures on long term financing.

The College has term deposits and investment at amortized cost that yield interest. However, they are not subject to variations and are fixed.

23.2 Credit risk analysis

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the College's receivables from customers and cash at bank.

Notes

(forming part of the financial statements)

23 Financial instruments risk (continued)

Risk management objectives and policies (continued)

23.2 Credit risk analysis (continued)

Credit risk management

The credit risk is managed on a group basis based on the College's credit risk management policies and procedures. The credit risk in respect of cash balances held with banks are managed via balances held with major reputable financial institutions.

The credit terms range up to 7 months for fee receivable, the period of one semester offered at College. The credit terms for students are negotiated subject instalment payments within the semester period. The ongoing credit risk is managed through receipt of advance payments confirmation from Ministry of Higher Education for scholarship students and Private or Public sponsors for sponsorship students. The customers on credit basis are regularly reviewed for ageing analysis, together with credit limits per customer.

Expected credit loss on cash at bank and investment at amortised cost

The cash at bank is considered to be a low risk item and the College applies, IFRS 9, 12 months Expected Credit Loss (ECL) method. The expected credit loss on cash at bank is calculated based on the credit ratings given by the external credit rating agency. The Probability of Default (PD) is considered based on the historical data of the credit ratings. Should a case of default occurs the College is exposed to 100% amount held with the bank. Therefore the Loss Given Default (LGD) reflects the same assumption.

31 August 2020 Credit rating	Exposure at year end RO	PD %	LGD %	ECL RO
Low risk AAA to BBB- Cash and cash equivalent	4,269,564	0.27	45	5,186
Low risk AA- Investment at amortised cost	4,250,000	0.05	45	956
Accrued interest on investment at amortised cost	333,575	0.05	45	75
	8,853,139			6,217

31 August 2019 Credit rating	Exposure at year end RO	PD %	LGD %	ECL RO
Low risk AAA to BBB- Cash and cash equivalent	6,433,050	0.27	45	7,815
Accrued interest on short term deposit	95,587	0.27	45	116
Low risk AA- Investment at amortised cost	3,500,000	0.05	45	788
Accrued interest on investment at amortised cost	86,877	0.05	45	20
	10,115,514			8,739

Expected credit loss on fee receivables

The College applies the IFRS 9 simplified model of recognising lifetime expected credit losses for fee receivables (except from contractual balances due from Ministry of Higher Education); as these items do not have a significant financing component.

In measuring the expected credit losses, the fee receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Notes

(forming part of the financial statements)

23 Financial instruments risk (continued)

Risk management objectives and policies (continued)

23.2 Credit risk analysis (continued)

Expected credit loss on fee receivables (continued)

Loss rates are calculated using a 'roll rates' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past two years. These are then adjusted for the current economic outlook of the geographical region to which the receivables belong.

	Expected credit loss rate	Gross carrying amount	Loss allowance
	%	RO	RO
31 August 2020			
Not past due	0.50	1,160,493	2,991
210-365 days past due	21.00	574,823	21,554
365-730 days past due	53.00	93,239	48,886
731-1,095 days past due	66.00	77,564	50,862
1,096-1,460 days due	80.00	52,680	40,744
More than 1,460 days	100.00	870,676	859,527
		2,829,475	1,024,564

	Expected credit loss rate	Gross carrying amount	Loss allowance
	%	RO	RO
31 August 2019			
Not past due	0.50	808,911	4,045
210-365 days past due	21.00	59,784	12,555
365-730 days past due	53.00	87,803	46,536
731-1,095 days past due	66.00	58,016	38,290
1,096-1,460 days due	80.00	40,407	32,325
More than 1,460 days	100.00	868,403	868,403
		1,923,324	1,002,154

23.3 Liquidity risk analysis

Liquidity risk also referred to as funding risk is the risk that the College will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The College's maximum exposure to liquidity risks is limited to the carrying amount of financial liabilities recognised at the reporting date, as summarised below:

	31 August 2020	31 August 2019
	RO	RO
Non-interest bearing:		
Accounts payable and accruals (Note 14)	770,650	1,499,634
Student security deposits (Note 12)	401,305	390,955
	1,171,955	1,890,589

Notes

(forming part of the financial statements)

23 Financial instruments risk (continued)

Risk management objectives and policies (continued)

23.3 Liquidity risk analysis (continued)

The table below summarises the maturities of the College's undiscounted financial liabilities at 31 August 2020, based on contractual maturity as summaries below:

	Upto 6 months RO	7 to 12 months RO	Above 1 year RO	Total RO
Non-interest bearing:				
Trade payable	398,115	-	-	398,115
Student security deposits	-	-	401,305	401,305
Air passage and leave salaries	183,414	-	-	183,414
Other accrued expenses	164,512	-	-	164,512
Director's remuneration	24,609	-	-	24,609
	770,650	-	401,305	1,171,955

This compares to the maturity of the College's financial liabilities in the previous reporting year as follows:

	Upto 6 months RO	7 to 12 months RO	Above 1 year RO	Total RO
Non-interest bearing:				
Trade payable	1,074,036	-	-	1,074,036
Student security deposits	-	-	390,955	390,955
Air passage and leave salaries	217,760	-	-	217,760
Other accrued expenses	169,568	-	-	169,568
Director's remuneration	38,270	-	-	38,270
	1,499,634	-	390,955	1,890,589

Management believes that the College would be able to generate sufficient funds for the foreseeable future to meet the College liquidity requirements and meet the financial obligations as they fall due.

24 Capital management policies and procedures

The College's capital management objectives are:

- to ensure the College's ability to continue as a going concern; and
- to provide an adequate return to the Shareholders by services commensurately with the level of risk.

The College manages its capital structure in a way it is able to continue as a going concern and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the year ended.

25 Commitments and contingent liabilities

25.1 Contingent liabilities

The College has no contingent liabilities as at 31 August 2020 (2019: RO Nil).

26 Impact of COVID-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020. World Health Organisation characterised Covid-19 as a pandemic on 11 March 2020, thus negatively impacting global markets, disrupting supply chains, and changing social behaviours. Currently it is uncertain if Covid-19 will continue to disrupt global markets and what impact it will have on the College's operation. As the situation is fluid and rapidly evolving, the management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the College and the management does not consider it to have a material impact as at 31 March 2020. However, the College's management is in the process of preparing a detailed assessment of its impact on the College's future operations and the budgets, which will be taken into account.