AECO Development LLC

FINANCIAL STATEMENTS

31 DECEMBER 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AECO DEVELOPMENT LLC

We have audited the accompanying financial statements of AECO Development LLC ("the company"), which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 company as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AECO DEVELOPMENT LLC (continued)

Emphasis of matter

We draw attention to note 2 to the financial statements which states that the company's financial statements have been prepared on a going concern basis. This is based on the company's ability to obtain continuing support from its shareholders as and when necessary. As of 31 December 2011, the company had an overdue amount of RO 21,963,383 from a customer, excluding retention receivables of RO 5,901,171. Management has assessed that the customer will be able to satisfactorily resolve its current liquidity issues and settle the amounts in due course. Should any of the amounts including retention money be ultimately not settled, the related impairment losses will be absorbed by the shareholders and this will not have any impact on the company's financial statements. Our opininon is not qualified in respect of this matter.

Ernst & Young

7 March 2012
Muscat

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	***2011*** ***RO***	*2010* *RO*
Contract revenue		**4,434,045**	16,530,485
Contract cost		**(4,434,045)**	(16,530,485)
GROSS PROFIT		**-**	-
Other expenses		**(18,160)**	(3,509)
LOSS BEFORE TAX		**(18,160)**	(3,509)
Income tax expense	4	**-**	-
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	5	**(18,160)**	(3,509)

The attached notes 1 to 19 form part of these financial statements.

AECO Development LLC

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RO	2010 RO
ASSETS			
Non-current assets			
Property, plant and equipment	6	**9.299.083**	11 861 612
Contract retention receivable	7	**5.834.229**	5 715 433
		15.133.312	17 577 045
Current assets			
Accounts receivable and prepayments	9	**22.404.993**	19.832 614
Contract retention receivable	7	**66.942**	66 942
Bank balances and cash	10	**195.000**	215 737
		22.666.935	20.115 293
TOTAL ASSETS		**37.800.247**	37 692 338
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**500.000**	500.000
Statutory reserve	12	**166.667**	166 667
Retained earnings		**8.407.516**	8 425 676
Total equity		**9.074.183**	9 092 343
Non-current liability			
Employees' end of service benefits	13	**59.474**	205 439
Current liabilities			
Accounts payable and accruals	14	**28.666.590**	28 084 452
Income tax payable	4	-	310 104
		28.666.590	28 394 556
Total liabilities		**28.726.064**	28 599 995
TOTAL EQUITY AND LIABILITIES		**37.800.247**	37.692.338

The financial statements were authorised for issue in accordance with a resolution of the directors on

07 March 2012

Director

Director

The attached notes 1 to 19 form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	*2011* *RO*	*2010* *RO*
OPERATING ACTIVITIES			
(Loss) profit before tax		**(18,160)**	(3,509)
Adjustments for:			
Depreciation	6	**2,562,529**	3,317,985
Provision for employees' end of service benefits (net)		**(32,137)**	(23,972)
		2,512,232	3,290,504
Working capital changes:			
Inventories		**-**	111,765
Construction work in progress		**-**	440,954
Accounts receivable and prepayments		**(2,691,175)**	(19,297,377)
Accounts payable and accruals		**582,138**	10,939,993
Cash used in operations		**403,195**	(4,514,161)
Income tax paid		**(310,104)**	(465,150)
Employees' end of service benefits paid		**(113,828)**	(579,956)
Net cash used in operating activities		**(20,737)**	(5,559,267)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**-**	(41,831)
Net cash used in investing activities		**-**	(41,831)
DECREASE IN CASH AND CASH EQUIVALENTS		**(20,737)**	(5,601,098)
Cash and cash equivalents at 1 January		**215,737**	5,816,835
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**195,000**	215,737

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital *RO*	*Statutory reserve* *RO*	*Retained earnings* *RO*	*Total* *RO*
Balance at 1 January 2010	500,000	166,667	8,429,185	9,095,852
Total loss and total comprehensive expense for the year	-	-	(3,509)	(3,509)
Balance at 31 December 2010	500,000	166,667	8,425,676	9,092,343
Total loss and total comprehensive expense for the year	-	-	(18,160)	(18,160)
Balance at 31 December 2011	**500,000**	**166,667**	**8,407,516**	**9,074,183**

The attached notes 1 to 19 form part of these financial statements.

1 ACTIVITIES

AECO Development LLC is a limited liability company registered and incorporated in the Sultanate of Oman on 22 May 2006. The company is equally owned by AECO Holdings and Far East Development BV. The company has been solely established for the purpose of entering into a contract with Blue City Company SAOC for construction of the Blue City - Phase 1 Project. The contract agreement was signed on 7 November 2006. In 2009, the company was also awarded a contract by M/s. Cyclone LLC.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The company's customers are currently facing certain liquidity issues and as a result the company during 2009 had fully adjusted the advance received from the customer amounting to RO 43,583,059 towards certain progress billings raised by the company. Management, based on its discussions with the customer, has reasonable grounds to believe that the customer will be able to resolve its liquidity issues in due course and will be in a position to settle the company's progress billings. Further, the shareholders of the company have undertaken to provide necessary financial support to enable the company to meet its obligation as they fall due in the foreseeable future. Should any of the amounts due from the customer be not settled, the related impairment losses will be absorbed by the shareholders and will not have any impact on the company's financial position.

Due to uncertainities attached, the company has not recorded any profit on the work performed during the year.

In view of above, these financial statements are prepared on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

The financial statements have been presented in Rial Omani.

Accounting convention

The financial statements are prepared under the historical cost convention.

3.2 Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous financial year except as follows:

The company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

(a) IAS 24 Related Party Transactions (Amendment)
(b) IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
(c) Improvements to IFRSs (May 2010)

The adoption of the amendment did not have any impact on the financial position or performance of the company.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The following standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing of standards and interpretations issued are those that the company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

IAS 12 Income Taxes - Recovery of Underlying Assets

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 13 Fair Value Measurement

3.3 Summary of significant accounting policies

The significant accounting policies adopted by the company are as follows:

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Contract revenue
Contract revenue comprises the value of work executed during the period. Profit is recognised on the percentage of completion basis. In the case of unprofitable contract provision is made for foreseeable losses in full.

Interest revenue
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax
Taxation is provided in accordance with Omani fiscal regulations.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a written down value basis over the estimated useful lives of the assets as follows:

Temporary buildings	6 - 7 years
Plant, machinery and equipment	3 years
Motor vehicles	3 years
Furniture and fixtures	3 - 7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the income statement as the expense is

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Work in progress/excess billings
Work in progress on long term contracts is calculated at cost plus attributable profit less any losses foreseen in bringing contracts to completion less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. For any contracts where receipts plus receivables exceed the book value of work done, the excess is included in accounts payable and accruals.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined on a weighted average basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for impaired debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to the Omani Public Authority for Social Insurance Scheme under Royal Decree 72/91 calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All exchange differences are taken to the

Fair values
The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 INCOME TAX

	2011	*2010*
	RO	*RO*
Statement of comprehensive income:		
Current year	-	-
Current liability:		
Current year	-	310,104

The tax rate applicable to the company is 12% (2010 - 12%). For the purpose of determining the tax expense for the year, the accounting loss has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The company has incurred an accounting loss during the year. Therefore, the applicable tax rate is nil (2010 - Nil). The average effective tax rate can not be determined in view of the accounting loss for the year.

None of the company's assessments have been completed by the tax authorities as yet.

5 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2011	*2010*
	RO	*RO*
Staff costs	**467,819**	2,299,997

6 PROPERTY, PLANT AND EQUIPMENT

	Temporary buildings RO	*Plant and equipment RO*	*Motor vehicles RO*	*Furnitures and equipment RO*	*Capital work in progress RO*	*Total RO*
Cost:						
At 1 January 2011	8,997,179	12,521,012	1,225,835	2,520,189	32,629	25,296,844
Transfer	(1,279)	-	-	1,359	(80)	-
At 31 December 2011	**8,995,900**	**12,521,012**	**1,225,835**	**2,521,548**	**32,549**	**25,296,844**
Depreciation:						
At 1 January 2011	2,555,362	8,895,322	868,473	1,116,075	-	13,435,232
Charge for the year	966,090	1,206,801	119,550	270,088	-	2,562,529
At 31 December 2011	**3,521,452**	**10,102,123**	**988,023**	**1,386,163**	-	**15,997,761**
Net carrying amount:						
At 31 December 2011	**5,474,448**	**2,418,889**	**237,812**	**1,135,385**	**32,549**	**9,299,083**

	Temporary buildings RO	*Plant and equipment RO*	*Motor vehicles RO*	*Furnitures and equipment RO*	*Capital work in progress RO*	*Total RO*
Cost:						
At 1 January 2010	8,997,179	12,516,015	1,225,835	2,330,550	185,434	25,255,013
Additions	-	4,997	-	36,834	-	41,831
Transfer	-	-	-	152,805	(152,805)	-
At 31 December 2010	8,997,179	12,521,012	1,225,835	2,520,189	32,629	25,296,844
Depreciation:						
At 1 January 2010	1,480,612	7,087,689	687,591	861,355	-	10,117,247
Charge for the year	1,074,750	1,807,633	180,882	254,720	-	3,317,985
At 31 December 2010	2,555,362	8,895,322	868,473	1,116,075	-	13,435,232
Net carrying amount:						
At 31 December 2010	6,441,817	3,625,690	357,362	1,404,114	32,629	11,861,612

7 CONTRACT RETENTION RECEIVABLE

The contract retention amount will be received in accordance with the terms of the contract agreement on completion of certain sections of project.

	2011 RO	*2010 RO*
Current portion	**66,942**	66,942
Non-current portion	**5,834,229**	5,715,433
	5,901,171	5,782,375

8 WORK IN PROGRESS / EXCESS OF BILLINGS

	2011 RO	2010 RO
Work in progress on additional contract received from M/s. Cyclone LLC	**440,954**	440,954
Less: amounts received and receivable	**(440,954)**	(440,954)
	-	-
Excess of billings:		
Work in progress on long term contracts at cost plus attributable profit	**104,774,986**	100,336,285
Less: amounts received and receivable	**(118,758,431)**	(115,905,012)
	(13,983,445)	(15,568,727)

Billings in excess of work in progress are included in accounts payable and accruals (note 14).

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 RO	2010 RO
Contract receivables	**21,963,383**	19,233,416
Advances to suppliers	**276,439**	332,726
Prepayments	**59,023**	110,072
Other receivables	**106,148**	156,400
	22,404,993	19,832,614

As of 31 December 2011 and 2010, none of the company's contract receivables balances were impaired.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total RO	Neither past due nor impaired RO	Upto 3 months RO	3 - 6 months RO	6 - 12 months RO	>12 months RO
2011	**21,963,383**	-	**695,364**	**669,179**	**2,570,205**	**18,028,635**
2010	19,233,416	-	3,179,684	4,931,544	11,122,188	-

10 BANK BALANCES AND CASH

Bank deposits amounting to RO 75,000 (2010 – RO 75,000) are pledged with Oman Arab Bank as collateral to secure the payment guarantee.

11 SHARE CAPITAL

	Authorised, issued and fully paid	
	2011 RO	2010 RO
500,000 shares of RO 1 each	**500,000**	500,000

12 STATUTORY RESERVE

As required by the Commercial Companies Law of Oman, 10% of the profit for the year is required to be transferred to a statutory reserve until such time as the reserve equals one third of the company's paid up capital. The reserve is not available for distribution.

This having been achieved, the company has discontinued further transfers.

13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position are as follows:

	2011	*2010*
	RO	*RO*
Liability as at 1 January	**205,439**	809,367
Accrued during the year	**29,407**	165,249
Provision written back	**(61,544)**	(189,221)
End of service benefits paid	**(113,828)**	(579,956)
Liability as at 31 December	**59,474**	205,439

14 ACCOUNTS PAYABLE AND ACCRUALS

	2011	*2010*
	RO	*RO*
Advance from M/s Cyclone LLC	**27,220**	27,220
Trade accounts payable	**3,870,199**	4,289,198
Due to related parties	**8,151,476**	5,302,896
Excess billing (note 8)	**13,983,445**	15,568,727
Retention payable	**849,705**	748,110
Other payables	**1,784,545**	2,148,301
	28,666,590	28,084,452

Advances which will be adjusted against progress billings submitted with in next twelve months have been disclosed as current liabilities.

Included in due to related parties are loans from shareholders amounting to RO 8,062,966 (2010 - RO 5,067,710). These are unsecured and interest free. Although the shareholders loan are repayble on demand, these will be paid by the company in accordance with the liquidity position.

15 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the company's management.

Transactions with related parties included in the statement of comprehensive income are as follows:

	Contract cost 2011 RO	*Contract cost 2010 RO*
Other related parties	**441,182**	627,980

Balances with related parties included in the statement of financial position are as follows:

	2011 Other payables RO	*2010 Other payables RO*
Major shareholders	**8,062,966**	5,067,710
Others	**88,510**	235,186
	8,151,476	5,302,896

Compensation of key management personnel
The remuneration of directors and other members of key management during the year is as follows:

	2011 RO	*2010 RO*
Short-term benefits	**275,700**	587,742

16 CONTINGENCIES

At 31 December 2011 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to RO 76,372,034 (2010: RO 76,372,034).

17 RISK MANAGEMENT

Interest rate risk
During the year end the company is not having any bank deposits; therefore the company is not exposed to interest rate risk.

Credit risk
The company mainly carries out contract for a customers in Oman. The company seeks to limit its credit risk by evaluating the credit worthiness of the customer and monitoring outstanding receivables. In 2009, the company has fully adjusted its advance received against amounts due from M/s. Blue City Company SAOC. Management expresses that the year end receivable balance of RO 21,963,383 (2010 - RO 19,233,416) will be received in full shortly.

The company limits its credit risk with regard to bank balances by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

Liquidity risk
The company limits its liquidity risk by ensuring shareholders support are available. The company's terms of sales require amounts to be partly paid in advance and the remainder within 28 days of the raising progress billings. Trade payables are normally settled within 30 days of the date of purchase.

The table below summarises the maturities of the company's undiscounted financial liabilities at 31 December 2010, based on contractual payment dates and current market interest rates.

Year ended 31 December 2011	***Less than 3 months RO***	***3 to 12 months RO***	***1 to 5 years RO***	***> 5 years RO***	***Total RO***
Accounts payables and accruals (other than advances)	**3,898,595**	**1,830,267**	**22,910,508**	**-**	**28,639,370**

Year ended 31 December 2010	*Less than 3 months RO*	*3 to 12 months RO*	*1 to 5 years RO*	*> 5 years RO*	*Total RO*
Accounts payables and accruals (other than advances)	4,361,257	2,311,427	21,384,548	-	28,057,232

Currency risk
Trade accounts payables include an amount of RO 3,966,041 (2010 – RO 3,855,534) due in foreign currencies, mainly US Dollars, Euro and GBP. There is no bank deposits during the year end which are due in US Dollars (2010 – nil). As the Rial Omani is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the company's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Rial Omani currency rate against the Euro and GBP, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in Euro/GBP rate to the RO	Effect on profit before tax in RO
2011	**+5%**	**(5,056)**
	-5%	**5,057**
2010	+5%	(12,421)
	-5%	12,425

17 RISK MANAGEMENT (continued)

Capital management

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and 31 December 2010.

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2011 and 2010, the company does not have any financial instrument which is recorded at fair value.

19 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were RO 21,963,383 (2010 - RO 19,233,416). No provision for doubtful debts was made at the reporting date.

Percentage of completion

The company uses the percentage of completion method when accounting for contract revenue. Use of the percentage of completion method requires the company to estimate the costs incurred to date on contracts as a proportion of the total contract costs to be incurred. The accuracy of this estimate has a material impact on the amount of revenue and related profits recognised. Any revision to profit arising from changes in estimates is accounted for in the period when the changes become known.