

AECO Development LLC

FINANCIAL STATEMENTS

31 DECEMBER 2012

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 2012 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 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**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 2012, the company had an overdue amount of RO 22,421,735 receivable from a customer, excluding retention receivables of RO 5,920,922. 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 by the customer, the related impairment losses will be absorbed by the shareholders and this will not have any impact on the company's financial statements. Our opinion is not qualified in respect of this matter.



25 March 2013

Muscat



AECO Development LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	2012 RO	2011 RO
Contract revenue		2,580,785	4,434,045
Contract cost		(2,580,785)	(4,434,045)
GROSS PROFIT		-	-
Other expenses		(2,057)	(18,160)
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	5	(2,057)	(18,160)

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

AECO Development LLC
 STATEMENT OF FINANCIAL POSITION
 At 31 December 2012

ASSETS	Notes	2012 RO	2011 RO
Non-current assets			
Property, plant and equipment	6	7,368,548	9,299,083
Contract retention receivable	7	5,853,980	5,834,229
		<u>13,222,528</u>	<u>15,133,312</u>
Current assets			
Accounts receivable and prepayments	9	22,959,858	22,404,993
Contract retention receivable	7	66,942	66,942
Bank balances and cash	10	2,090,180	195,000
		<u>25,116,980</u>	<u>22,666,935</u>
TOTAL ASSETS		<u>38,339,508</u>	<u>37,800,247</u>
EQUITY AND LIABILITIES			
Equity			
Share capital			
Statutory reserve	11	500,000	500,000
Retained earnings	12	166,667	166,667
		8,405,459	8,407,516
Total equity		<u>9,072,126</u>	<u>9,074,183</u>
Non-current liability			
Employees' end of service benefits	13	56,385	59,474
Current liabilities			
Accounts payable and accruals	14	29,210,997	28,666,590
Total liabilities		<u>29,267,382</u>	<u>28,726,064</u>
TOTAL EQUITY AND LIABILITIES		<u>38,339,508</u>	<u>37,800,247</u>

The financial statements were authorised for issue in accordance with a resolution of the directors on 25 March 2013


 Director
 Dimitrios Kallitsantis


 Director
 Haluk Gerçek

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

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AECO Development LLC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	<i>Notes</i>	2012 RO	2011 RO
OPERATING ACTIVITIES			
Loss for the year		(2,057)	(18,160)
Adjustments for:			
Depreciation	6	1,912,650	2,562,529
Loss on sale of property, plant and equipment		104	-
Provision for employees' end of service benefits (net)		9,580	(32,137)
		1,920,277	2,512,232
Working capital changes:			
Accounts receivable and prepayments		(574,616)	(2,691,175)
Accounts payable and accruals		565,638	582,138
Cash from operations		1,911,299	403,195
Income tax paid		-	(310,104)
Employees' end of service benefits paid		(12,669)	(113,828)
Net cash from / (used in) operating activities		1,898,630	(20,737)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(3,450)	-
Net cash used in investing activities		(3,450)	-
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,895,180	(20,737)
Cash and cash equivalents at 1 January		195,000	215,737
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	2,090,180	195,000

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

AECO Development LLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	<i>Share capital RO</i>	<i>Statutory reserve RO</i>	<i>Retained earnings RO</i>	<i>Total RO</i>
Balance at 1 January 2011	500,000	166,667	8,425,676	9,092,343
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
Loss and total comprehensive expense for the year	-	-	(2,057)	(2,057)
Balance at 31 December 2012	500,000	166,667	8,405,459	9,072,126

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

1 ACTIVITIES

AECO Development LLC ("the company") 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. In view of above, these financial statements are prepared on a going concern basis.

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

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 adopted are consistent with those of the previous financial year.

The new and amended IFRS and IFRIC interpretations stated below and amendments resulting from improvements to IFRSs effective as of 1 January 2012 did not have any impact on the accounting policies, financial position or performance of the company.

- (a) IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- (b) IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

International Accounting Standards Board (IASB) Standards and Interpretations issued but not adopted

IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by the company are not expected to have a material impact on the company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The stage of completion is determined based on work performed. Profit is not recognised until a contract is substantially complete and where the ultimate realisable profit can be determined reasonably. Provision is made for all losses incurred to the accounting date together with any future losses that are foreseen in bringing contracts to completion.

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies

Property, plant and equipment (continued)

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 incurred.

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 statement of comprehensive income. 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 statement of comprehensive income;
- (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.

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.

AECO Development LLC
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies

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 statement of comprehensive income.

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

The tax rates applicable to the company is 12% (2011 - 12%). For the purpose of determining the taxable result 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 and taxable loss during the year. Therefore, the applicable tax rate is nil (2011 - nil). The average effective tax rate can not be determined in view of the accounting loss for the year.

The company's tax assessments up to tax year 2008 have been completed by the tax authorities.

5 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2012	2011
	RO	RO
Staff costs	<u>325,969</u>	<u>467,819</u>

AECO Development LLC
 NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2012

6 PROPERTY, PLANT AND EQUIPMENT

	Temporary buildings RO	Plant and equipment RO	Motor vehicles RO	Fumitures and equipment RO	Capital work in progress RO	T
Cost:						
At 1 January 2012	8,995,900	12,521,012	1,225,835	2,521,548	32,549	25,296,8
Additions	-	-	-	3,450	-	3,4
Disposals	-	(1,180)	-	-	(21,231)	(22,4
At 31 December 2012	<u>8,995,900</u>	<u>12,519,832</u>	<u>1,225,835</u>	<u>2,524,998</u>	<u>11,318</u>	<u>25,277,8</u>
Depreciation:						
At 1 January 2012	3,521,452	10,102,123	988,023	1,386,163	-	15,997,7
Charge for the year	835,611	804,915	79,740	192,384	-	1,912,6
Disposals	-	(1,076)	-	-	-	(1,0
At 31 December 2012	<u>4,357,063</u>	<u>10,905,962</u>	<u>1,067,763</u>	<u>1,578,547</u>	<u>-</u>	<u>17,909,3</u>
Net carrying amount:						
At 31 December 2012	<u>4,638,837</u>	<u>1,613,870</u>	<u>158,072</u>	<u>946,451</u>	<u>11,318</u>	<u>7,368,5</u>

	Temporary buildings RO	Plant and equipment RO	Motor vehicles RO	Fumitures and equipment RO	Capital work in progress RO	Tc f
Cost:						
At 1 January 2011	8,997,179	12,521,012	1,225,835	2,520,189	32,629	25,296,8
Transfers	(1,279)	-	-	1,359	(80)	-
At 31 December 2011	<u>8,995,900</u>	<u>12,521,012</u>	<u>1,225,835</u>	<u>2,521,548</u>	<u>32,549</u>	<u>25,296,8</u>
Depreciation:						
At 1 January 2011	2,555,362	8,895,322	868,473	1,116,075	-	13,435,2
Charge for the year	966,090	1,206,801	119,550	270,088	-	2,562,5
At 31 December 2011	<u>3,521,452</u>	<u>10,102,123</u>	<u>988,023</u>	<u>1,386,163</u>	<u>-</u>	<u>15,997,7</u>
Net carrying amount:						
At 31 December 2011	<u>5,474,448</u>	<u>2,418,889</u>	<u>237,812</u>	<u>1,135,385</u>	<u>32,549</u>	<u>9,299,0</u>

7 CONTRACT RETENTION RECEIVABLE

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

	2012 RO	2011 R
Current portion	66,942	66,94
Non-current portion	5,853,980	5,834,22
	<u>5,920,922</u>	<u>5,901,17</u>

AECO Development LLC
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2012

8 WORK IN PROGRESS / EXCESS OF BILLINGS

	2012 RO	2011 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)
	<u>-</u>	<u>-</u>
Excess of billings:		
Work in progress on long term contracts at cost plus attributable profit	107,336,698	104,774,986
Less: amounts received and receivable	(119,485,210)	(118,758,431)
	<u>(12,148,512)</u>	<u>(13,983,445)</u>

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

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 RO	2011 RO
Contract receivables	22,675,076	21,963,383
Advances to suppliers	172,823	276,439
Prepayments	51,844	59,023
Other receivables	60,115	106,148
	<u>22,959,858</u>	<u>22,404,993</u>

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

	Total RO	Neither past due nor impaired RO	Past due but not impaired			
			Upto 3 months RO	3 - 6 months RO	6 - 12 months RO	>12 months RO
2012	22,675,076	-	-	-	711,694	21,963,382
2011	21,963,383	-	695,364	669,179	2,570,205	18,028,635

The company's customers are currently facing certain liquidity issues and as a result progress billing done from 2009 is outstanding. 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.

10 BANK BALANCES AND CASH

Bank deposits amounting to RO 10,000 (2011 – RO 75,000) are pledged with Oman Arab Bank as collateral to secure the payment guarantee.

11 SHARE CAPITAL

	<i>Authorised, issued and fully paid</i>	
	2012 RO	2011 RO
500,000 shares of RO 1 each	500,000	500,000

AECO Development LLC
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2012

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:

	2012 RO	2011 R
Liability as at 1 January		
Accrued during the year	59,474	205,430
Provision written back	9,580	29,400
End of service benefits paid	-	(61,540)
Liability as at 31 December	<u>(12,669)</u>	<u>(113,820)</u>
	<u>56,385</u>	<u>59,470</u>

14 ACCOUNTS PAYABLE AND ACCRUALS

	2012 RO	2011 R
Due to related parties (note 15)		
Excess of billing (note 8)	12,214,304	8,151,470
Trade accounts payable	12,148,512	13,983,440
Other payables	2,851,453	3,870,190
Retention payable	1,297,620	1,784,540
Advance from M/s Cyclone LLC	671,888	849,700
	<u>27,220</u>	<u>27,220</u>
	<u>29,210,997</u>	<u>28,666,590</u>

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

Included in due to related parties are loans from shareholders amounting to RO 12,100,215 (2011 - RO 8,062,966). These are unsecured and interest free. Although the shareholders' loans are repayable on demand, these will be paid by the company in accordance with its liquidity position and only after receiving its overdue balances from customers. The company's shareholders have agreed to this arrangement (see note 2).

AECO Development LLC
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2012

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:

	<i>Contract cost</i>	
	<u>2012</u>	<u>2011</u>
	<u>RO</u>	<u>RO</u>
Other related parties	292,892	441,182

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

	<i>Other payables</i>	
	<u>2012</u>	<u>2011</u>
	<u>RO</u>	<u>RO</u>
Major shareholders	12,100,215	8,062,966
Others	114,089	88,510
	<u>12,214,304</u>	<u>8,151,476</u>

Compensation of key management personnel

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

	<u>2012</u>	<u>2011</u>
	<u>RO</u>	<u>RO</u>
Short-term benefits	109,083	275,700

16 CONTINGENCIES

At 31 December 2012, 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 76,202,034 (2011: RO 76,372,034).

AECO Development LLC
NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

17 RISK MANAGEMENT

Interest rate risk

As of year end, the company does not have any bank deposits or interest bearing borrowings; therefore the company is not exposed to interest rate risk.

Credit risk

The company mainly carries out contract for a customer 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 22,675,076 (2011 - RO 21,963,383) will be received in full shortly. 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.

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 2012, based on contractual payment dates and current market interest rates.

<i>Year ended 31 December 2012</i>	<i>Less than 3 months RO</i>	<i>3 to 12 months RO</i>	<i>1 to 5 years RO</i>	<i>> 5 years RO</i>	<i>Total RO</i>
Accounts payables and accruals (other than advances)	2,854,939	1,464,607	24,864,231	-	29,183,777
<i>Year ended 31 December 2012</i>	<i>Less than 3 months RO</i>	<i>3 to 12 months RO</i>	<i>1 to 5 years RO</i>	<i>> 5 years RO</i>	<i>Total RO</i>
Accounts payables and accruals (other than advances)	3,898,595	1,830,267	22,910,508	-	28,639,370

Currency risk

Trade accounts payables include an amount of RO 2,965,542 (2011 – RO 3,966,041) 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 (2011 – 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
2012	+5%	(2,483)
	-5%	2,311
2011	+5%	(5,056)
	-5%	5,057

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 2012 and 31 December 2011.

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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 2012 and 2011, 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 22,675,076 (2011 - RO 21,963,383). No provision for doubtful debts was made at the reporting date. 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.

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.

Going concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties, except those disclosed in note 2 that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.