EXAMPLE FZE (GROUP)

P.O Box No.120341, Dubai, U.A.E.

2nd Combined Audited Financial Statements

Year ended December 31, 2010

(Trading, Manufacturing and Construction Business)

CONTENTS

Board of Directors / Director's Report to the Shareholders

The Board of Directors have pleasure in submitting their Report and Combined Financial Statements for the year ended December 31, 2010.

Review of Business

The company is mainly engaged in the business of manufacturing vehicles and in civil contracting works as well as trading of auto parts on wholesale basis.

Comment on the reasons for upward or downward business performance during the year and the prospects in the next year. Any significant plans made / actions taken which may have bearing on the next year's business.

Company is confident to do well in the next financial period/s as the economic and investment factors are more conducive to promote industrialization in the country and the region.

Auditors

A resolution to re-appoint Messrs. Parag Parekh & Co. Chartered Accountants as Auditors and fix their remuneration will be put to the partners at the Annual General Meeting.

On behalf of the Board

Mr. ABC
Director

Independent Auditor's Report to the Shareholders of
EXAMPLE FZE (GROUP)

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of EXAMPLE FZE (Group), Dubai, U.A.E. which comprise the Statement of Financial Position as at December 31, 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Previous year financial statements have been audited by other auditors who have expressed an unqualified opinion as per their report dated 25.3.2010.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standard for Small and Medium Sized Entities, and for such internal control as management determines is necessary to enable the presentation 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 the 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 auditors judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevent to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report continued……

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 Combined Financial Statements give a true and fair view of the financial position of EXAMPLE FZE, Jebel Ali Free Zone, Dubai, U.A.E. as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and comply, where appropriate, with Laws and Implementing Regulations issued by Jebel Ali Free Zone Authority, Government of Dubai, UAE.

Other Legal and Regulatory Requirements

As required by the XXXX regulations, we further confirm that we have obtained all information and explanation necessary for our audit and that proper books of accounts have been kept by the company. We are not aware of any violation of the above mentioned Regulations and the Articles of Association, which may have had a material effect on the business of the company or on its financial position.

Sole proprietorships and Branch in freezones – Commercial Companies Law does not apply

For money exchanges – add UAE Central Bank resolution number 123/7/92.

For LLC - U.A.E. Commercial Companies Law No. 8 of 1984 (as amended by Law No. 13 of 1988).

Parag Parekh and Co
Chartered Accountants
Dubai, United Arab Emirates
Dated (Last day of field work) : March 21, 2011

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Combined Statement of Financial Position

As at December 31, 2010 *All figures are expressed in U.A.E. Dirhams*	Note	As at 31.12.2010	As at 31.12.2009
Non Current Assets			
Property, Plant and Equipment (Net)	sch 1	35,061,600	43,788,300
Intangible Assets (net)	sch 2	3,040,000	1,170,000
Investment Property (net)	6	1,063,800	0
Investment in Subsidiaries at cost	7	5,000,000	0
Investment in Joint Ventures at cost	8	3,000,000	0
Investment in Associates at cost	9	8,000,000	8,000,000
Available-for-Sale Investments (non trading)	10	1,102,500	1,102,500
Sub Total	*a*	56,267,900	54,060,800
Current Assets			
Inventory	11	126,080,680	163,249,624
Trade Debtors	12	145,000,918	80,508,859
Due from Customer	sch 3	2,145,023	0
Cash and Bank Balances	13	145,771,715	53,601,500
Deposits, Advances and Prepayments		7,738,132	861,463
Insurance Claim Receivable	21	10,500,000	0
Due from Related Parties		500,000	500,000
Other Receivables		1,022,543	1,022,543
Sub Total	*b*	438,759,011	299,743,989
Total Assets	*a+b*	**495,026,911**	**353,804,789**
Current Liabilities			
Bank Borrowings	14.1	82,068,517	28,011,851
Trade Creditors		90,157,500	31,272,000
Advance from Customers		17,000,000	0
Accruals		300,600	125,000
Finance Lease Liability		102,000	118,740
Due to Related Parties		300,000	300,000
Other Payables		0	358,945
Sub Total	*c*	189,928,617	60,186,536

Combined Statement of Financial Position continued……

		As at 31.12.2010	As at 31.12.2009
Non-Current Liabilities			
Bank Borrowings	14.2	16,000,000	24,000,000
Employee Terminal Benefits		1,249,032	1,029,200
Finance Lease Liability		112,307	214,307
Sub Total	*d*	17,361,339	25,243,507
Shareholders' Equity			
Share Capital	2.1	3,300,000	3,300,000
Statutory Reserve		1,650,000	51,466
Accumulated Profits		1,763,675	463,200
Shareholders' Current Account	16	121,023,280	104,560,080
Shareholders' Loan Account	17	160,000,000	160,000,000
Non Controlling (Minority) Interest in case of consolidation of holding and subsidiaries)		0	0
Sub Total of Net assets or Equity	e	287,736,955	268,374,746
Total liabilities and Equity	*c to e*	**495,026,911**	**353,804,789**
Net Current Assets (for info only)	*b-c*	*248,830,394*	*239,557,453*

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements were authorised for issue on March 21, 2011 on behalf of the Board by

Mr. ABC
Director

EXAMPLE FZE (GROUP)

Combined Income Statement

Year Ended : December 31, 2010 *All figures are expressed in U.A.E. Dirhams*	Note	31.12.2010	31.12.2009
Sales and Contract Revenue	18	412,981,200	267,000,000
Cost of Sales	19.3	-293,568,057	-184,110,500
Gross Profit		119,413,143	82,889,500
Expenses			
Personnel Costs		2,737,327	2,429,426
Administration Costs		23,187,636	21,431,266
Marketing & Distribution Costs		2,550,000	2,599,396
Rent		2,000,000	1,186,735
Finance Cost		4,699,321	3,034,007
Bad Debts Written Off		1,785,959	3,000,000
Provision for Doubtful Debts		1,249,500	995,000
Provision for Slow Moving Inventory		1,424,041	250,376
Depreciation on PPE		1,097,200	1,075,200
Depreciation on Investment Property		118,200	0
Amortization of Intangible Assets		130,000	130,000
Sub Total		40,979,184	36,131,406
Profit from Operations		78,433,959	46,758,094
Other Income	20	1,928,250	756,572
Profit from Ordinary Activities		80,362,209	47,514,666
Loss Due to Fire - Machinery		-3,500,000	0
Loss Due to Fire - Inventory		-3,500,000	0
Net Profit for the Year		**73,362,209**	**47,514,666**
Managerial Remuneration	24	70,000,000	47,000,000
Net Profit		3,362,209	514,666
Transfer to Statutory Reserve		-1,598,534	-51,466
Balance taken to Accumulated Profits		1,763,675	463,200
Atrributable to:			
- Owners of Parent Company		1,763,675	463,200
- Non Controlling (Minority) Interest		0	0

Financial statements were authorised on March 21, 2011 on behalf of the Board by

Mr. ABC
Director

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Combined Statement of Changes in Equity

Year Ended : December 31, 2009 and 2010
All figures are expressed in U.A.E. Dirhams

	Share Capital	Statutory Reserve
Balance as at 1.1.2010	3,300,000	51,466
Transfer from Income Statement	0	1,598,534
Managerial Remuneration	0	0
Funds Withdrawn (Net)	0	0
Transfer	0	0
Balance as at 31.12.2010	3,300,000	1,650,000
Balance as at 1.1.2009	0	0
Capital Introduced	3,300,000	
Transfer from Income Statement	0	51,466
Managerial Remuneration	0	0
Funds Withdrawn (Net)	0	0
Transfer	0	0
Balance as at 31.12.2009	3,300,000	51,466

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Combined Cash Flow Statement

		YE	YE
	Year Ended : December 31, 2010	31.12.2010	31.12.2009
	All figures are expressed in U.A.E. Dirhams		
I	**Cash Flow from Operating Activities**		
	Net Profit before Managerial Remuneration	73,362,209	47,514,666
	Adjustments:		
	Depreciation on PPE	5,484,700	5,462,700
	Depreciation on Investment Property	118,200	0
	Amortization of Intangible Assets	130,000	130,000
	Loss on Disposal of PPE	57,000	0
	Loss Due to Fire - Machinery (Loss of PPE)	3,500,000	0
	Gain / (Loss) on Fair Valuation of Property	0	0
	Finance Cost	4,699,321	3,034,007
	Interest Income	-500,000	0
	Dividend from Joint Venture	(250,000)	0
	Dividend from Associates	(250,000)	0
			0
	Dividend from Available for Sale Investments	(110,250)	
	Operating Profit Before Changes in Operating Assets and Liabilities	86,241,180	56,141,373
	Inventory	37,168,944	-163,249,624
	Trade Debtors	-64,492,059	-80,508,859
	Due from Customer	-2,145,023	0
	Deposits, Advances and Prepayments	-6,876,669	-861,463
	Claim Receivable from Insurance Company	-10,500,000	0
	Trade Creditors	58,885,500	31,272,000
	Accruals	175,600	125,000
	Advance from Customers	17,000,000	0
	Employee Terminal Benefits	219,832	1,029,200
	Cash Generated from Operations	115,677,305	-156,052,373
	Finance Cost	-4,699,321	-3,034,007
	Net Cash Flow from / (used in) Operating Activities	110,977,984	-159,086,380

Combined Cash Flow Statement Continued….

		YE 31.12.2010	YE 31.12.2009
II	**Cash Flow from Investing Activities**		
	Purchase of PPE	-110,000	-49,251,000
	Capital Work in Progress	-750,000	0
	Proceeds from Sale of PPE	45,000	0
	Proceeds from Sale of PPE (Machinery Lost by Fire)	500,000	
	Payment of Intangible Assets	-2,000,000	-1,300,000
	Investment Property	-1,182,000	
	Investment in Subsidiaries at cost	-5,000,000	0
	Investment in Joint Ventures at cost	-3,000,000	0
	Investment in Associates at cost	0	-8,000,000
	Available-for-Sale Investments (non trading)	0	-1,102,500
	Fixed Deposits	-500,000	-3,000,000
	Interest Income	500,000	
	Margin with Banks	0	-500,000
	Other Receivables	0	-1,022,543
	Due from Related Parties	0	-500,000
	Dividend from Joint Venture	250,000	0
	Dividend from Associates	250,000	0
	Dividend from Available for Sale Investments	110,250	0
	Net Cash Flow from / (used in) Investing Activities	-10,886,750	-64,676,043
III	**Cash Flow from Financing Activities**		
	Trust Receipts	10,988,149	5,011,851
	PDC Discounted	12,880,000	4,000,000
	Export Bills Discounted	23,540,000	6,000,000
	Term Loan	-7,981,483	32,000,000
	Finance Lease Liability	-118,740	333,047
	Other Payables	-358,945	358,945
	Due to Related Parties	0	300,000
	Capital Introduced	0	243,300,000
	Funds Withdrawn (Net)	-54,000,000	-22,439,920
	Net Cash Flow from / (used in) Financing Activities	-15,051,019	268,863,923
	Change in Cash and Cash Equivalents (l+ll+lll)	85,040,215	45,101,500
	Cash and Cash Equivalents at the Beginning	45,101,500	0
	Cash and Cash Equivalents at the End	130,141,715	45,101,500
		0	0

Non-Cash Transactions:

Purchase of Machinery by Issue of Share Capital	0	10,000,000

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Accounting Policies and Explanatory Notes

Year Ended : December 31, 2010
All figures are expressed in U.A.E. Dirhams

Give reasons if the financial statements are for a period of less than or more than a year.

1 Combined Financial Statements

These Financial Statements are a combination of the accounts of the following companies:

i. EXAMPLE FZE, Jebel Ali Free Zone, Dubai, UAE.

ii. EXAMPLE LLC, Dubai, UAE.

Above companies are substantially financed and controlled by the Director Mr. ABC for whose benefits these combined financial statements are prepared.

Separate books of accounts have been maintained for these companies.

The combination is done by line by line addition of assets, liabilities, equity, incomes and expenses. All inter company balances and transactions between these companies are eliminated on combination. Also profits or losses resulting from inter company transactions that are recognised in assets such as inventory and property, plant and equipment are eliminated.
OR

These are also separate financial statements of the parent company. Consolidated financial statements of the parent EXAMPLE FZE are issued separately.

2 Legal Status

2.1 **EXAMPLE FZE** is incorporated as a Free Zone Establishment with Limited Liability Pursuant to Law no. 9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority, Government of Dubai, U.A.E.

The Jebel Ali Free Zone Authority, Dubai, U.A.E has issued the Certificate of Formation number 1340 dated 1.1.2009, Trading Licence number 6963 dated 1.1.2009 and the Industrial Licence number 7676 dated 1.1.2009.

The registered office of the company is located at Plot 203, Jebel Ali Free Zone , Dubai, UAE.

The following is the sole shareholder contributing to the capital and sharing profits and losses in the given ratios:

	Nationality	*Capital*	*Profit / Loss*
Mr. ABC	Indian	100%	100%

The share capital of the company is AED 3,000,000/- divided into 3 shares of AED 1,000,000/-each.

2.2 **EXAMPLE LLC** is registered as Limited Liability Company in accordance with the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended by Law No. 13 of 1988).

The Department of Economic Development, Dubai, U.A.E has issued the Commercial Registration Certificate No.1234 dated January 1, 2009 and the Industrial Licence number 7654 dated January 1, 2009.

The registered office of the company is located at 203, Al Fardan Exchange Building, Khalid Bin Walid Street, Dubai, U.A.E.

The Department of Economic Development, Dubai, U.A.E. has issued branch Trade Licence No. 2345 dated June 20, 2009.

One set of books of accounts is maintained for the company and branch.
The following are the partners contributing to the capital and sharing profits and losses in the given ratios:

	Nationality	*Capital*	*Profit / Loss*
Mr. XYZ	UAE	51%	20%
Mr. ABC	Indian	49%	80%

The share capital of the company is AED 300,000/- divided into 300 shares of AED 1,000/- each.

3 Business Activities

The company is mainly engaged in the business of manufacturing vehicles and in civil contracting works as well as trading of auto parts on wholesale basis.

State the agencies and / or brand names of products company manufactures or trades in.

State whether the company has registered patents for products manufactured and / or trademarks for the products they trade in.

4 Management

As per the Memorandum of Association and the Licence issued , the group is managed by Mr. ABC, Director.

5 Accounting Policies

The company presents its annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities - July 2009 (IFRS for SMEs) issued by the International Accounting Standards Board. Management chooses and applies its accounting policies consistently to similar transactions and events, unless otherwise stated.

5.1 Accounting Basis

These financial Statements are prepared under the accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

5.2 Measurement Basis

These Financial Statements have been prepared on historical cost convention, as modified by revaluation of investment properties, biological assets (harvested) and derivative financial intruments at fair value.

5.3 Functional/ Presentation Currency

Items included in the Financial statement are measured using the currency of the primary economic environment in which the entity operates viz. the UAE Dirhams (AED).

5.4 Property, Plant and Equipment (Section 17 - IFRS for SMEs)

Property, plant and equipment is initially recognised at their purchase cost together with any incidental expenses of acquisition and excluding ANY borrowing costs incurred. Subsequently PPE is measured at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment also includes investment property whose fair value cannot be measured reliably without any undue cost or effort.

Depreciation on property, plant and equipment has been computed from the date of purchase on straight-line method at the annual rates estimated to write off the cost of the assets over its expected useful lives as under :

Building	10 Years
Machinery	10 Years
Furniture	5 Years
Vehicles	5 Years

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

Depreciation begins when assets are available to use. Depreciation does not cease if assets are idle.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

5.5 Intangible Assets

i Patents and Trademarks (Section 18 - IFRS for SMEs)

Acquired trademarks and patents are shown at historical cost and the one's that are acquired through a business combination are shown at its fair value at the time of acquisition. These are carried at cost less accumulated amortisation less accumulated impairment cost if any.

ii Preoperative, Research and Development Costs (Section 18 - IFRS for SMEs)

Preoperative expenses incurred for start up activities, new facility or business, or in the launch of a new product have been written off completely in the year in which they were incurred. Research and development costs are to be written off completely in the year in which it is incurred.

iii Goodwill (Section 19 -IFRS for SMEs)

Goodwill represents the excess of the cost of a business acquistion over the fair value of company's share of identifiable net assets of the investee as on the date of acquisition. Goodwill is accounted at cost less accumulated amortisation less accumulated impairment, if any. Goodwill is amortized under the straight line method over the period of its useful life. Goodwill is tested for impairment at the end of each year and is reduced if there is a indication of impairment. Goodwill is allocated to cash generating units (CGU's) for testing of impairment

iv As per Section 18 and 19 of the IFRS for SMEs where the useful life is not determinable it is assumed to be **ten years** for any intangible asset including goodwill.

v Amortization of intangible assets has been computed on straight-line method at the annual rates estimated to write off the cost of the assets over its expected useful lives as under :

Goodwill	10 Years
Patents and Trade Marks	10 Years

5.6 Investment Property (as per section 16 of IFRS for SMEs)

Investment Property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. Property held for use in the production or supply of goods or services or for administrative purposes are not investment properties and form part of Property, Plant and Equipment. Property held for sale in ordinary course of business is not an Investment Property.

The group owns a freehold land and building held to earn rentals and for long term capital appreciation. The property is not occupied by the entity/group.

Investment Property is initially measured at cost, including transaction costs.

Subsequently, Investment Property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the income statement.

Fair value is the amount at which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Transfers between Investment Property, Trading Property and Property, Plant and Equipment should only be made when there is a change in use.

If the fair value of the building cannot be identified without undue cost or effort due to a lack of reliable resource for comparable market transaction, the investment property can be depreciated over its useful life.

Hence the group has opted to depreciate their Investment Properties due to the above reasons and also as a matter of prudence and due to its wear and tear.

If the mixed use property's separation between investment property and property, plant and equipment cannot be measured reliably, the company has classified this property under PPE.

5.7 Investment in Subsidiaries (equity holding of 51% or more)

Section 9 - IFRS for SMEs - Consolidated and Separate Financial statements

A subsidiary is an entity controlled by the parent company. Control is said to exist when the parent has the power to govern the financial and operating policies of the entity so as to obtain economic benefits.

A parent prepares consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with IFRS for SMEs.

When a parent prepares separate financial statements, they will account the investment in subsidiaries at cost less impairment or at fair value with changes in fair value recognised in the profit or loss, *irrespective of whether the subsidiary is newly incorporated or acquired* .

If an entity ceases to be a subsidiary but the investor continues to hold an investment in the former subsidiary that investment is accounted for as a financial asset in accordance with Section 11 (basic financial instruments) or Section 12 (other financial instruments) from the date the entity ceases to be a subsidiary, provided that it does not become an associate or a jointly controlled entity. The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Section 19 - IFRS for SMEs - Business Combinations and Goodwill

The purchase method of accounting is used to account for business combinations that result in the *acquisition* of subsidiaries by the parent. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Any difference between the cost and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is recorded as goodwill or so called negative goodwill.

In case of negative goodwill, the acquirer has to reassess the fair value and the cost and recognise immediately in the profit or loss any excess remaining after the reassessment.

5.8 Investment in Joint Ventures (equity holding of 50%)

(Section 15 -IFRS for SMEs)

A joint venture is a contractual arrangement wherein the 2 or more venturers undertake an economic activity subject to joint control. Jointly controlled entity is one of the forms of joint venture in which the strategic, financial and operating decisions are taken with unanimous consent of all the venturers sharing control.

The investor can account for its investments by either the cost, equity or fair value method.

The company has elected to account for investments in joint ventures at cost less any accumulated impairment losses unless published price quotations are available, in which case, the company will measure its investments at fair value with changes in fair value recognised in the income statement.

Under the cost and fair value methods, the company will recognise dividends and other distributions received as income on accrual basis when the right to receive dividends is established.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised to the income statement.

Alternate treatment

Under the equity method, an equity investment is initially recognised at cost (including transaction costs) and subsequently adjusted to reflect the venturer's share of profit or loss of the joint venture reduced by distributions received.

Unrealised profits and losses on transactions with the joint venture need to be eliminated to the extent of the venturer's interest in the joint venture.

When the venturer's share of the losses of an joint venture equals or exceeds the carrying amount of investment in the joint venture, the venturer shall discontinue recognising its share of further losses unless there is a legal obligation or has payments on behalf of the joint venture, in which case, after the investment is reduced to zero, a provision will be created for further losses.

The venturer has to disclose its share of the discontinued operations of the joint venture.

5.9 Investment in Associates (equity holding between 20% to 49%)
(Section 14 - IFRS for SMEs)

Associates are entities over which the investor has significant influence but has no control or joint control. Where the investor holds shareholding between 20% and 49% of the voting rights **significant influence** exists.

The investor can account for its investments by either the cost or equity or fair value method.

The company has elected to account for investments in associates at cost less any accumulated impairment losses unless published price quotations are available, in which case , the company will measure its investments at fair value with changes in fair value recognised in the income statement.

Under the cost and fair value methods, the company will recognise dividends and other distributions received as income on accrual basis when the right to receive dividends is established.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised to the income statement.

Alternate treatment

Under the equity method, an equity investment is initially recognised at cost (including transaction costs) and subsequently adjusted to reflect the investors share of profit or loss of the associate reduced by distributions received.

Unrealised profits and losses on transactions with associate need to be eliminated to the extent of the investor's interest in the associate.

When the investors share of the losses of an associate equals or exceeds the carrying amount of investment in the associate, the investor shall discontinue recognising its share of further losses unless there is a legal obligation or has payments on behalf of the associate, in which case, after the investment is reduced to zero, a provision will be created for further losses.

Only under the equity method, the investor has to disclose its share of the discontinued operations of the associate.

5.10 Financial Instruments (IAS -39 / Section 11 of IFRS for SMEs)

All the financial assets are initially recognised at cost including transaction costs.

Subsequent measurement can be summarized based on the category of the assets as under:

Investments Held for Trading

Investment held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

Subsequently these investments should be measured at **fair value** with increase or decrease in value charged to the **income statement.**

Held-to-Maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables.

Subsequently these investments should be measured at **amortised cost**. Amortised cost is the amount at which the asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortization of the premiums or discounts, minus any reduction for impairment. The amortization calculation should use the effective rate of interest and not the nominal rate of interest.

Available-for-Sale Investments (non trading)

Available-for-sale financial assets are those that are neither held for trading nor held-to-maturity.

Subsequently available-for-sale assets are measured at **fair value**, BUT the fair value changes are directly recognised in **equity** and NOT in the income statement, as a separate component on the statement of changes in equity, except for interest on these assets, impairment loss and foreign currency gain or loss.

When an available-for-sale financial asset is derecognised (sold) or impaired, the cumulative gain or loss that was earlier recognised in equity is *transferred* to the income statement for the period.

Impairment Losses

All impairment losses are charged to income statement irrespective of the category of the financial assets.

5.11 Inventory (Section 13 -IFRS for SMEs)

Inventory have been valued at lower of cost (weighted average) and net realisable value. Cost of Raw material is determined by weighted average, and includes all the expenses incurred in bringing the inventory to their present location and condition.

Cost of inventory of Finished good and work-in-progress includes cost of raw material and cost of conversion. Cost of conversion includes labour costs and other fixed and variable production overheads that are directly attributable. Fixed Production costs are allocated based on the normal capacity of production and variable production costs are allocated based on the units of production.

Net realisable value is the estimate of selling price in the ordinary course of business less selling expenses. At each reporting date, inventory is assessed for impairment due to damage and obsolence. If inventory is impaired, it is measured at its selling price less costs to complete and sell; and to recognise the impairment loss in profit or loss.

Provision is made for slow moving items as per the discretion of the management.

5.12 Trade Debtors (Section 11 - IFRS for SMEs)

Trade Debtors are recognised initially at transaction price and subsequently carried at anticipated realisable value. Provision for impairment is made for doubtful debtors based on a review of the ageing analysis at the balance sheet date. Individual trade debtors balances are written off when there is an objective evidence that the amount due will not be collected.

5.13 Retentions and Progress Billings

Retentions are amounts of progress billings which are not paid until the satisfaction of conditions specified in the contract or until the defects have been rectified.

Progress billings are amounts billed for work performed on a contract. Unpaid amount of progress billings as at Statement of Financial Position date are classified under Trade Debtors.

5.14 Impairment of Tangible Assets (Section 27 - IFRS for SMEs)

At each Statement of Financial Position date, the company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

5.15 Employee Terminal Benefits (Section 28 - IFRS for SMEs)

Provision is done for the estimated liabilities for employee terminal benefits as a result of services rendered by employees up to the Statement of Financial Position date as per the UAE Federal Law no 8 of 1980 regulating employment relationship.

Provision made for employee terminal benefits are disclosed as non-current liabilities.

5.16 Foreign Currency Translation (Section 30 - IFRS for SMEs)

Foreign currency transactions are recorded at the spot exchange rate between the functional currency and the foreign currency on the date of transaction.

Foreign currency balances are converted into U.A.E. Dirhams at the closing rate of exchange on the last day of the reporting period.

Foreign currency loss or gains arising are accounted to the income statement.

Net investment in a foreign operation

In consolidated financial statements containing foreign subsdiaries, the exchange differences arising on converting the subsidiary's financials in the functional currency of the parent are recognised in other comprehensive income and also reported as a component of equity named as "cumulative translation adjustments".

5.17 Cash and Cash Equivalents (Section 7 - IFRS for SMEs)

Cash and Cash Equivalents for the purpose of cash flow statement comprises of cash in hand, bank overdraft repayable on demand, bank current and call accounts, fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

5.18 Accounting for Operating Leases (Section 20 - IFRS for SMEs)

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating lease.

Where the company is a Lessee:

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Where the company is the Lessor:

The property leased out will form part of the investment property and the income generated from the leased property is recognised in the Statement of Income.

5.19 Accounting for Finance Lease (Section 20 - IFRS for SMEs)

Where the company is a Lessee

Lease of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance lease. Title may or may not eventually be transferred.

Finance lease is capitalised on lease's commencement at lower of fair value of the leased property and estimated present value of the minimum lease payments. Corresponding obligations (including deferred finance charges) are included in Lease Liabilities – current and non current portion. Deferred finance charges are stated under prepayments.

The cost of the property, plant and equipment acquired under the finance lease is depreciated over the useful life of the asset.

The company has acquired vehicles under the finance lease. Interest is charged to the statement of income and the monthly installments payable to the bank are included in the borrowings and reduced as and when the installments are paid.

5.20 Revenue Recognition (Section 23 - IFRS for SMEs)

The group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; the costs incurred in respect of the transaction can be measured reliably and specific criteria have been met for each of the group's activities, as described below:

i Sale of Goods

Sales are recognised when the company has transferred to the buyer significant risks and rewards of ownership of goods and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods.

ii Rendering of Services

Revenue pertaining to rendering of service can be recognised as per the stage of completion of the transaction at the end of the reporting period that can be measured reliably. When the outcome of the transaction cannot be measured reliably then revenue will be recognised only to the extent of costs are recognized and recoverable.

iii Contract Revenue

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

The company enters into fixed price contracts.

Percentage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bears to the estimated total contract cost .

The contract cost incurred to date excludes costs that relate to future activities on the contract. Such costs are recognised as an asset and are classified as due from customer (often classified as work in progress) .

iv Rental Income

Rental income from investment property that is leased to third party under an operating lease is recognised in the statement of income on a straight line basis over the period of lease.

v **Dividend Income**

Dividend income from associates is recognised when the entity's right to receive payment has been established and is shown under other income.

vi **Borrowing Cost (Section 25 - IFRS for SMEs)**

ALL borrowing costs are expensed in the period in which they are incurred. Hence borrowing costs would never be capitalised even if they are incurred during construction period.

5.21 **Statutory Reserve**

As per the Memorandum of Association of the company, 10% of the net profits have to be transferred to statutory reserves till the reserve accumulates upto 50% of the paid up capital of the company.

6 **Investment Property:**

The company has purchased a freehold office in Dubai for the sole purpose of earning rental income.

Opening cost	0	0
Additions / Disposals	1,182,000	0
Closing Cost	1,182,000	0

In the opinion of the management, the fair value of the property remains the same, however the management prefers to depreciate the property as a matter of prudence and due to wear and tear in line with other properties depreciated under Property, Plant and Equipment.

Opening Accumulated Depreciation	0	0
Depreciation for the year at 10%	118,200	0
Closing Accumulated Depreciation	118,200	0
Net value carried to balance sheet	1,063,800	0

The above building is mortgaged to the bank against credit facilities.

7 **Investment in Subsidiaries**

In 90% equity of Acton International LLC, Sharjah, UAE, Acquired on 1.1.2010		
At cost	5,000,000	0
The net assets and results of the subsidiary as per its audited Statement of Financial position is:		
As at balance sheet date		
Net assets	*6,500,000*	
Net Profit for the year	*690,000*	

8 **Investment in Joint Ventures**

In 50% equity of Timer Ltd, Taiwan		
At cost	3,000,000	0
The net assets and results of the joint venture as per its audited Statement of Financial position is:		
As at balance sheet date		
Net assets	*7,558,000*	
Net Profit for the year	*500,000*	

9 **Investment in Associates**

In 25% equity of Wiper Limited, U.K.		
At cost	8,000,000	8,000,000
The net assets and results of the associates as per its audited Statement of Financial position is:		
As at balance sheet date		
Net assets	*36,734,500*	
Net Profit for the year	*1,000,000*	

10 **Available-for-Sale Investments (non trading)**

Investment in DP World Shares at cost		
At cost	**1,102,500**	**1,102,500**
50,000 units@USD 6 per share @ 3.675 AED		
Fair value :		
As at balance sheet date, quoted at USD 9.43 per share on Nasdaq Dubai Exchange.	*1,732,763*	*1,732,763*
Unrealised gains for info only	*630,263*	

11 Inventory

Ageing	Raw Materials	Work-in-progress
0 - 6 months	28,104,643	0
07-12 months	37,472,857	0
12-24 months	0	0
>24 months	0	0
Sub Total	65,577,500	0
Provision for slow moving items	0	0
Net Inventory	65,577,500	0
As at last balance sheet date	90,000,000	0
Provision for slow moving items	0	0
Net Inventory	90,000,000	0
Provision for slow moving items		
Opening	250,376	0
Additions during the year	1,424,041	250,376
Closing	1,674,417	250,376

Give info on decline in net realisable value of inventory.

12 Trade Debtors

Debtors	129,250,418	74,003,859
Retention on Closed Jobs	7,500,000	7,500,000
Retention on Open Jobs	9,500,000	0
Sub Total	146,250,418	81,503,859
Provision for Doubtful Debts	-1,249,500	-995,000
	145,000,918	80,508,859
Provision for Doubtful Debts		
As at the beginning of the year	995,000	0
Additions	1,249,500	995,000
Written back on debt recovery	0	0
Written off during the year	-995,000	0
As at the end of the year	1,249,500	995,000

Debtors Ageing	
0 - 6 Months	109,000,918
7 - 12 Months	1,249,500
>12 Months	19,000,000
Sub Total	129,250,418

Subsequent Recovery till 15.3.2011 *48,066,139*

Retention on Closed Jobs Ageing

0 - 6 Months	0
7 - 12 Months	0
>12 Months	7,500,000
Sub Total	7,500,000
Subsequent Recovery till 15.3.2011	7,500,000

13 Cash and Bank Balances

Cash in Hand	746,500	351,500
Balances with Banks in :		
Current Accounts	141,025,215	49,750,000
Fixed Deposits under Lien	3,500,000	3,000,000
Margin Account under Lien	500,000	500,000
	145,771,715	53,601,500

Fixed Deposits and Margins are under lien against credit facilities given by banks.

Cash and cash equivalents

Cash in hand	746,500	351,500
Balance with Banks in :		
Current Accounts	141,025,215	49,750,000
Overdraft	-11,630,000	-5,000,000
	130,141,715	45,101,500

14.1 Bank Borrowings

Bank Overdraft	11,630,000	5,000,000
Trust Receipt	16,000,000	5,011,851
PDC discounted	16,880,000	4,000,000
Export Bills Discounted	29,540,000	6,000,000
Term loans – current portion (repayable within a year)	8,000,000	8,000,000
Interest accrued but not due on term loans	18,517	0
	82,068,517	28,011,851

14.2 Bank Borrowings

Term loans – non current portion (repayable after a year)	16,000,000	24,000,000

Notes :

a The company has taken AED 40,000,000/- as a term loan repayable in half yearly instalments over 5 years bearing interest @ 8% per annum on reducing balance basis.

b The funded and non funded credit facilities from banks have been secured by :

i Lien over fixed deposits of AED. 3,500,000/- and margins.

ii Registered mortgage of factory building.

iii Hypothecation of Machinery and inventory.

iv Assignment of Fire Insurance Policy covering inventory and machinery.

v Subordination of Shareholder's Loan Account.

vi Personal guarantee of Mr. ABC

vii Cross Corporate guarantees issued by the companies

viii Disclose any overdue borrowings as at the balance sheet date.

15 Finance Lease Liability

Current Portion (repayable within a year)	102,000	118,740
Non-Current Portion (repayable after a year)	112,307	214,307
	214,307	333,047

(i) The lease liability is effectively secured as the right to the leased assets revert to the lessor in the event of default.

(ii) The company has obtained the lease financing at flat interest rates of 3.75% to 4% pa.

16 Shareholder's Current Account

Mr. ABC	121,023,280	104,560,080

17 Shareholders' Loan Account

Mr. ABC	160,000,000	160,000,000

The above loan is unsecured, interest free and its repayment terms are not stipulated. The loan is subordinated to banks against credit facilties.

18 Sales

Manufactured Goods	212,170,000	182,000,000
Trading Goods	105,811,200	85,000,000
Contract Revenue	95,000,000	0
	412,981,200	267,000,000

Eliminate interbranch, headoffice and inter company sales and purchases.

19.1 Cost of Sales – Manufactured Goods

a)	Material Consumed		
	Opening Inventory of Raw Materials	90,000,000	69,000,000
	Purchases	67,127,500	97,000,000
	Direct Expenses	6,100,000	3,250,000
	Closing Inventory of Raw Materials	-65,577,500	-90,000,000
		97,650,000	79,250,000
b)	Technicians and Labour Cost	11,725,000	9,923,000
c)	Factory Overheads		
	Electricity and Water Charges	2,526,304	1,975,000
	Factory Insurance	1,500,000	1,400,000
	Consumable Stores	700,000	550,000
	Diesel Consumed	13,456,850	12,425,000
	Repairs and Maintenance	1,800,000	1,700,000
	Depreciation on Machinery	3,510,500	3,510,500
	Depreciation on Factory Building	877,000	877,000
		24,370,654	22,437,500
	Sub Total (a + b + c)	133,745,654	111,610,500
	Opening Work in Progress	0	0
	Closing Work in Progress	0	0
	Cost of Production	133,745,654	111,610,500
	Opening Inventory of Finished Goods	67,500,000	69,000,000
	Closing Inventory of Finished Goods	-49,777,597	-67,500,000
	Sub Total of Cost of sales - Manufactured Goods	151,468,057	113,110,500

19.2 Cost of Sales - Trading Goods

Opening Inventory	6,000,000	4,000,000
Purchases	82,000,000	73,000,000
Direct Expenses	0	0
Closing Inventory	-12,400,000	-6,000,000
Sub Total of Cost of Sales - Trading Goods	75,600,000	71,000,000

19.3 Contract Cost

Materials Consumed	54,000,000	0
Technicians and Labour Cost	8,862,500	0
Electricity and Water	282,523	0
Machinery Hire	5,500,000	0
Closing Work in Progress	-2,145,023	
Sub Total of Contract Costs	66,500,000	0
Grand Total	293,568,057	184,110,500

20 Other Income

Interest on Fixed Deposits	500,000	0
Rental Income	150,000	0
Sale of Scrap	485,000	232,000
Profit or Loss on Sale of PPE	(57,000)	0
Sundry Balances Written Back	240,000	0
Dividend from Joint Ventures	250,000	0
Dividend from Associates	250,000	0
Dividend from Available for Sale Investments	110,250	0
	1,928,250	232,000

21 Loss Due to Fire

Due to fire during the year, inventory and machinery are partially destroyed. The amount due from the Insurance company is stated under current assets as "Insurance claim receivable" and the uncovered portion has been taken to the income statement as "Loss due to fire".

Machinery		
Book Value of Asset Destroyed	4,000,000	0
Insurance Claim Receivable	500,000	0
Loss Incurred Due to Fire	3,500,000	0
Inventory		
Book Value of Asset Destroyed	13,500,000	0
Insurance Claim Receivable	10,000,000	0
Loss Incurred Due to Fire	3,500,000	0

22 **Operating Lease - Company is a Lessee**

The company has entered into a lease agreement for lease of land situated at Plot No. 256, Jebel Ali Free Zone, Dubai from 1.1.2009 to 31.12.2015 (7 years) at the rate of AED. 400,000/- per annum. The unexpired portion of the lease commitment as at December 31, 2010 is AED. 2,000,000/-. (December 31, 2009 - AED.2,400,000 /-).

23 **Operating Lease - Company is a Lessor**

The company has leased out an office building under a long term lease for a period of 15 years starting from January 1, 2009 at the rate of AED 150,000/- per annum. The rent is subject to an increase after every five years considering the economic scenario. The lease can be cancelled with a prior notice of 6 months.

24 **Related Parties (Section 33 - IFRS for SMEs)**

The company in the normal course of business enters into transactions with other business enterprises that fall within the definition of Related Party. The company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Year End Balances		
Trade Debtors		
Acton International LLC, Sharjah, UAE	810,000	0
Due from Related Parties		
Acton International LLC, Sharjah, UAE	0	0
Wiper Ltd, London, UK	500,000	500,000
	500,000	500,000
Due to Related Parties		
PRT LLC, Dubai, UAE	300,000	300,000
Transactions with Related Parties		
Purchases	0	0
Sales	810,000	0
Loans Taken and Repaid	0	0
Remuneration to Key Management (KMP)		
Salaries and Benefits	1,200,000	1,200,000
Management Fees	70,000,000	18,300,000
	71,200,000	19,500,000

As per the Shareholders Resolution dated 1.1.2009, Mr. ABC is entitled to Management Fee upto 20% of the turnover of the company. However, due to inadequacy of the profits, the Director has been paid 17% of the turnover as his management fees. (Previous year – 18%.)

25 Financial Instruments (Section 11, 12 - IFRS for SMEs)

Financial Instruments means financial assets, financial liabilities and equity instruments.

Financial assets include Investments, cash, trade debtors, bank balances, deposits, advances and other receivables. Financial liabilities include bank borrowings, trade creditors, provisions and accruals, advances from customers, finance lease liabilities, other payables and employee terminal benefits.

A Fair Values

The fair values of the concern's financial assets and financial liabilities approximate to their carrying values.

B Credit Risk, Interest Rate Risk and Exchange Rate Risk Exposure.

i Credit Risk

Financial assets, which potentially expose the company to credit risk, comprise mainly of bank current accounts and trade debtors.

The investee companies financial results and position are disclosed.The management does not foresee any significant risks in these investments.

The company's bank accounts are placed with high credit quality financial institutions.

Customer Risks

During the year, 71% of sales are generated by 3 customers (Previous year - 64% by two customers).

Credit Risks

As at balance sheet date, top 3 parties represent 74 % of the outstanding trade debtors. (previous – 51%)

Country-wise breakup of Trade Debtors in %:

UAE	99%	100%
India	1%	0
	100%	100%

C **Suppliers' Concentration Risk**

During the year the company purchased 88% of its goods from 2 suppliers (Previous year - 64% from 2 suppliers). Management believes that there are adequate alternative suppliers available and the loss of this supplier would not materially interrupt business operations.

ii **Interest Rate Risk**

Interest on finance lease are at fixed rates prevailing in U.A.E. Interest on bank borrowings are at prevailing fixed and floating market rates.

iii **Exchange Rate Risk**

There is no significant exchange rate risk as substantially most of the transactions are denominated in U.A.E. Dirhams or U.S. Dollars to which the U.A.E. Dirham is fixed except as disclosed below.

	AED	AED
Bank balances in Euro	330,000	38,500,000
Trade Creditors in Euro	28,957,500	0

OR There are transactions in other foreign currencies but its balances as at the Statement of Financial Position date are not significant.

26 **Warranty Liabilities**

There may be liability on the part of the company for making good all defects that may arise from sale of the product under warranty which are backed by suppliers under manufacturers warranty terms and therefore are not the material responsibility of client company. These liabilities if any, cannot be estimated and are not recognised in the Financial Statements.

27 **Significant Capital Commitments**

For Machinery	3,750,000	0
Advances Paid	750,000	0
Net Commitment	3,000,000	0

28 **Significant Events occurring after the Statement of Financial Position date**

There were no significant events occurring after the Statement of Financial Position date which require disclosure in the financial statements.

29 **Personnel**

Director	1	1
Sales	5	4
Marketing	3	3
Purchase / Logistics	2	2
Projects	2	2
Stores	3	3
Production	4	4
Quality Control	1	1
Accounts & Finance	3	2
HR	1	1
Administration	1	1
Labour	116	114
Total	142	138

30 **Suits Filed**

	No of suits	Claimed
By the company	1	1,249,500
On the company	0	0

31 **Previous Year's Figures**

Previous year's figures are re-grouped or re-arranged wherever necessary so as to confirm to the current year's presentation. Previous year figures are audited by other auditors.

32 In the opinion of the management all the assets as shown in the financial statements are existing and realisable at the amount shown against them, and there are no liabilities against the concern, contingent or otherwise, not included in the above financial statements.

EXAMPLE FZE (GROUP)

P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Property, Plant and Equipment Schedule 1

Year Ended : December 31, 2010

All figures are expressed in U.A.E. Dirhams

		Building	Machinery
Rate of Depreciation	SLM	10%	10%
Cost			
At the Beginning		8,770,000	35,105,000
Additions		0	0
Disposals		0	-5,000,000
At the End		8,770,000	30,105,000
Depreciation and Impairment			
At the Beginning		877,000	3,510,500
For the year		877,000	3,510,500
Disposals		0	-1,000,000
At the End		1,754,000	6,021,000
Net Value			
At the End		7,016,000	24,084,000
At the Beginning		7,893,000	31,594,500
Capital Work in Progress			
Advance for Machinery			

Notes:

i	Building is constructed on lease hold land.	
ii	Buidling and machinery are mortgaged / hypothecated to banks.	
iii	Vehicles are hypothecated against finance lease liabilities.	371,000
iv	Vehicles in the name of Director (at cost)	151,000
v	Depreciation on Building and Machinery has been stated under Cost of sales and Contract Cost	

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Intangible Assets Schedule 2
Year Ended December 31,2010
All figures are expressed in U.A.E. Dirhams

		Goodwill	Trademarks and patents
Rate of Amortisation	SLM	10%	10%
Cost			
At the Beginning		1,000,000	300,000
Disposals		0	0
On Acquisition of Subsidiary		2,000,000	0
At the End		3,000,000	300,000
Amortisation & Impairment			
At the Beginning		100,000	30,000
For the Year		100,000	30,000
At the End		200,000	60,000
Net Value			
At the End		2,800,000	240,000
		900,000	270,000

i Goodwill is paid for obtaining land on lease.
ii Patents are registered in Middle East for the manufacturing process.
iii Trade marks are registered in Middle East for the vehicles manufactured .

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

Disclosure for Contracts in Progress - Schedule 3

As at December 31, 2010
All figures are expressed in U.A.E. Dirhams

Table 1

	31.12.2010	31.12.2009
Value of Contracts in Progress	100,000,000	0
Contract Revenue	95,000,000	0
Contract Expenses	(66,500,000)	0
Recognized Profit - Value	28,500,000	0
Recognized Profit - %	30	

Table 2

	31.12.2010	31.12.2009
Contract costs incurred in a year	68,645,023	0
Costs recognized as contract expense in the year	(66,500,000)	0
Contract Cost related to future activity recognised as an asset	2,145,023	0

Table 3

	31.12.2010	31.12.2009
Contract Revenue	95,000,000	0
Progress Billings	(95,000,000)	0
Unbilled Contract Revenue	0	0
Advances from customers for contracts in progress	1,000,000	0

Table 4

	31.12.2010	31.12.2009
Contract Costs Incurred to Date	68,645,023	0
Recognized Profits	28,500,000	0
Total	97,145,023	0
Progress Billings	(95,000,000)	
Due from Customer	2,145,023	0

EXAMPLE FZE (GROUP)
P.O. Box 123, Jebel Ali Free Zone, Dubai, United Arab Emirates

OTHER INFORMATION

As at December 31, 2010
All figures are expressed in U.A.E. Dirhams

		Cash Sales	Credit Sales	Local
1	**Sales Matrix for the Current Year**			
	Manufacturing sales	0	212,170,000	212,170,000
	Trading sales	0	105,811,200	104,561,700
	Contract revenue	0	95,000,000	95,000,000
		0	412,981,200	411,731,700
			412,981,200	

		Ideal	31.12.2010	31.12.2009
2	**Ratios**			
	Security cover (Security / Loan)	> 1.25 times	1.64	3.51
	Total Debt / EBIDTA	< 2.5 : 1	2.47	1.52
	Total Debt / Tangible Networth	< 1.25 : 1	0.73	0.32
	Gross Profit			
	On manufacturing sales (%)		28.61%	37.85%
	On trading sales (%)		28.55%	16.47%
	On Contract revenue (%)		30.00%	0
	Total Gross Profit (%)		28.91%	31.04%
	Net Profit before managerial remuneration (%)		17.76%	17.80%
	Average Return on Investment (%)		17.29%	35.41%
	Quick Ratio (CA-Inv / CL)	1	1.61	2.25
	Current Ratio (Times)	2	2.31	4.98
	Gearing ratio (bank borrowing + finance lease		0.47	0.61
	Inventory turnover (days) - manufacturing		86	135
	Debtors turnover (days)	120	128	110
	Creditors turnover (days)	90	112	62

3 **Bank Credit Facilities *****

Type	Sanctioned Limits	Sublimits	Balances
Letter of Guarantee - Performance Bond	45,000,000		10,000,000
Letter of Guarantee - Advance Payment	35,000,000		16,000,000
Letter of Credit	100,000,000		65,000,000
Sub Total	180,000,000		91,000,000
Trust Receipts	0	65,000,000	16,000,000
Overdraft	15,000,000		11,630,000
Post Dated Cheques Discounted	35,000,000		16,880,000
Export Bills Discounted	6,000,000		29,540,000
Term Loans	40,000,000		24,000,000
Sub Total	96,000,000	65,000,000	98,050,000
TOTAL	276,000,000		189,050,000

Subsequent to year-end, guarantee facilities were increased by AED. 20,000,000/-.

4 **Banks in Dubai, UAE*****

ADCB
Bank of Baroda
Commercial Bank of Dubai
Doha Bank
EmiratesNBD
First Gulf Bank
Habib Bank AGZurich
HSBC
Investbank
Mashreq
NBAD
NBF
Rak Bank
Standard Chartered Bank
Union National Bank
United Arab Bank

5 **Business Risks And Coverage**

All risks (eg., fire) Insurance Policy value vis a vis gross asset value

Insured Assets	*Book Value*	*Policy value*
Building	7,016,000	9,000,000
Machinery	24,084,000	27,000,000
Inventory	127,755,097	150,000,000

6 **Accounting Software**

The company uses Unizon ERP Accounting Software. The financial accounts are integrated with manufacturing, job costing and inventory and HR module.

"OTHER INFORMATION" – Comprehensive List of Disclosures

{ Presented to Help Decision-Makers }

Last 5 Yrs Data

Significant Ratios

Statement of Financial Position items

Countrywise bad debts provision % as at financial statement date.

Normal range of credit terms given to customers and suppliers

Sanctioned and utilized funded and non-funded credit facilities as at Statement of Financial Position date.

Income Statement items

Installed and utilized capacity, breakeven sales and quantitative reconciliation

Sales as at the last day of field work - unaudited.

Contracts/orders in hand as at the last day of the field work.

Sales , Cost of sales and Gross profit breakup for each major segment of earnings

Explanations for major fluctuations in incomes and expenses.

Interest rates - range for loans given and borrowings.

BUSINESS RISKS AND COVERAGE

Current Risk factors, if any and plans to mitigate them

Insurance Policy value vis a vis asset value at Statement of Financial Position date

HUMAN RESOURCES

Policy of giving increments to employees – management, staff and labour.
Training and education to management and employees during the year.
State salary outstanding for number of months as at the Statement of Financial Position date

ACCOUNTING SOFTWARE

Brand name and language of Accounting / ERP software used, purchased or developed in-house, integrated or non integrated with manufacturing, inventory , job costing, HR, bar coding etc.

RESEARCH AND DEVELOPMENT

Work done / exploring any other avenues of revenue or markets or products during the year.

INTERNAL CONTROLS

Management has designed and implemented internal controls to - promote operating efficiency, reliability and timeliness in financial reporting, safeguard assets and comply with the governmental laws. In the opinion of the management the internal controls are operating reasonably effectively. The management strives to strengthen the internal controls when weaknesses are pointed out by auditors.

Management uses budgetary controls and reviews financial position and operating results on a monthly basis for effective decision making.

GENERAL INFORMATION

Names of top management and their profile in 1 line - crucial persons on whom company operates including stores controller, internal auditor in charge, audit committee etc.,

Name of internal auditor (professional firm)

Names of bankers

Name of lawyers

Number of warehouses where inventory is located as at financial statements date and number of retail outlets /offices.