

SAMPLE HOTEL
Dubai, UAE

9th Audited Financial Statements

Year Ended December 31, 2014

Parag Parekh and Co
Chartered Accountants
Dubai - Mumbai

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Independent Auditor's Report to the Operator of

SAMPLE HOTEL

Dubai, U.A.E.

We have audited the accompanying financial statements of SAMPLE HOTEL as at December 31, 2014, which comprise the statement of financial position, the related statements of income, changes in equity and cash flows 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 the fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 judgment, 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 relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.

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 give a true and fair view of the financial position of SAMPLE HOTEL, Dubai, U.A.E. as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities.

Chartered Accountants
Dubai, United Arab Emirates
Dated : January 31, 2015

SAMPLE HOTEL

Dubai, U.A.E.

Statement of Financial Position

As at December 31, 2014

All figures are expressed in U.A.E. Dirhams	Note	As at 31.12.2013	
Property, Plant and Equipment (Net)	SCH	2,348,128	2,652,208
Current Assets			
Inventories		350,110	286,776
Trade Receivables	4	2,587,498	2,192,052
Cash and Bank Balances	5	815,015	243,729
Deposits and Prepayments		1,035,929	810,551
Due from Related Parties	7	65,196	204,329
	(A)	<u>4,853,748</u>	<u>3,737,437</u>
Current Liabilities			
Municipality taxes payable	8	293,393	278,341
Trade payables		724,975	583,337
Provisions and accruals		452,040	569,963
	(B)	<u>1,470,408</u>	<u>1,431,641</u>
Net current assets		3,383,340	2,305,796
Net Assets		<u>5,731,468</u>	<u>4,958,004</u>
Operator's Equity			
Operator's Capital Account		4,000,000	4,000,000
Operator's Current Account		129,772	129,772
Accumulated profits		1,601,696	828,232
		<u>5,731,468</u>	<u>4,958,004</u>

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 approved on January 31, 2015 by

Director

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SAMPLE HOTEL

Dubai, U.A.E.

Income Statement

Year Ending December 31, 2014

YE
31.12.2013

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

Note

Revenue	14,770,916	12,511,171
Expenses		
Hotel Lease rent	4,200,000	4,200,000
Food and Beverage cost	818,998	664,558
Personnel cost	1,957,824	1,586,932
Selling & distribution expenses	346,881	183,012
Administrative costs	2,319,635	1,898,192
Depreciation	1,326,104	1,095,245
Sub total	10,969,442	9,627,939
Net profit taken to accumulated profits	3,801,474	2,883,232

Director

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SAMPLE HOTEL
Dubai, U.A.E.

Statement of Changes in Equity
Year Ending December 31, 2014

All figures are in U.A.E. Dirhams

	Operator's Capital Account	Operator's Current Account	Accumulated Profits	Total
Balance as at 01.01.2014	4,000,000	129,772	828,232	4,958,004
Transfer from Income Statement	0	0	3,801,474	3,801,474
Withdrawals	0	0	-3,028,011	-3,028,011
Balance as at 31.12.2014	4,000,000	129,772	1,601,696	5,731,468
Balance as at 01.01.2013	4,000,000	129,772	445,000	4,574,772
Withdrawals	0	0	-2,500,000	-2,500,000
Transfer from Income Statement	0	0	2,883,232	2,883,232
Balance as at 31.12.2013	4,000,000	129,772	828,232	4,958,004

SAMPLE HOTEL

Dubai, U.A.E.

Cash Flow Statement

Year Ending December 31, 2014

YE

31.12.2013

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

I	Cash flow from Operating Activities		
	Profit / (loss) for the year	3,801,474	2,883,232
	Adjustments :		
	Add: Depreciation	1,326,104	1,095,245
	Operating Profit before changes in operating assets and liabilities	<u>5,127,578</u>	<u>3,978,477</u>
	Inventories	-63,334	-286,776
	Trade Receivables	-395,446	-1,520,747
	Deposits and Prepayments	-225,378	-810,551
	Taxes Payable	15,052	278,341
	Trade Payables	141,638	583,337
	Provisions and accruals	-117,923	569,963
	Cash generated from / (used in) operations	<u>4,482,188</u>	<u>2,792,044</u>
II	Cash Flow from Investing Activities		
	Purchase of Property, Plant and Equipment	-1,022,024	-197,500
	Due from Related parties	139,133	-204,329
	Net Cash used in Investing Activities	<u>-882,891</u>	<u>-401,829</u>
III	Cash Flow from Financing Activities		
	Withdrawals	-3,028,011	-2,500,000
	Net Cash (used in) / generated	<u>-3,028,011</u>	<u>-2,500,000</u>
	Changes in Cash and Cash Equivalents	I+II+III	571,286
	Cash and Cash Equivalents at 1.1.2014		(109,785)
	Cash and Cash Equivalents at 31.12.2014		<u>243,729</u>
			<u>815,015</u>
			<u>243,729</u>
			(0)
			0
	Supplemental Cash Flow Statement Information		
	Non-Cash Transactions	Nil	Nil

SAMPLE HOTEL

Dubai, U.A.E.

Accounting Policies and Explanatory Notes

Year Ending December 31, 2014

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

1a Licensing, Investment and Management

SAMPLE Hotel is registered as a sole proprietor enterprise in the name of Mr. T. A. R, UAE National. The Department of Tourism and Commerce Marketing, Government of Dubai, has issued the Tourism Licence number 1234 dated June 30, 2003.

The investment in the enterprise is made solely by the Operator Mr. SD as per an agreement between Mr. T.A.R and Mr. SD. Mr. SD is entitled to all the profits or losses of the enterprise. Mr. T.A.R is entitled to a fixed annual sponsorship fee.

As per the Tourism Licence, the enterprise is managed by Mr. SD. He holds power of attorney notarized on February 13, 2005 issued by Mr. T.A.R.

1b Hotel Property lease

The hotel property is leased from Mr. KH, UAE National vide agreement notarized on January 1, 2003.

The lease is effective from January 1, 2012 to December 31, 2018. The property is defined to contains 126 rooms, and other facilities i.e. halls, bars, restaurants, kitchens. All the equipments and furnishings are done by SD. The saleable rooms are 168.

The registered office of the enterprise is located at ABC Street, Dubai, U.A.E.

2 Accounting Policies

The following accounting policies have been consistently applied by the management in the preparation of the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium Sized Entities.

a **Accounting Basis**

These financial Statements, except for provision for staff benefits viz., airfare, leave salary and gratuity are prepared under the accrual basis of accounting. Under the accrual basis, 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.

b. **Measurement Basis**

These Financial Statements have been prepared on historical cost basis.

c. **Preparation basis**

The financial statements are prepared in UAE Dirhams, which is considered to be the enterprise's principal operating currency.

d. **Property, Plant and Equipment**

The cost of property, plant and equipment is their purchase cost together with any incidental expenses of acquisition. Depreciation on property, plant and equipment has been computed on straight-line method for the full year irrespective of the date of purchase , at the annual rates estimated to write off the cost of the assets over its expected useful lives as under :

Furniture	20%
Equipments	20%
Vehicles	20%

e **Inventories**

Inventories have been valued at lower of cost and net realisable value. Cost is determined by weighted average method. Cost includes all the expenses incurred in bringing the inventories to their present location.

Net realisable value is the estimate of selling price in the ordinary course of business less selling expenses. Provision is made for slow moving and non-moving items based on the inventory ageing report. Damaged and obsolete items are not considered in inventory .

f **Trade Receivables**

Trade receivables are carried at anticipated realisable value. A provision is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

g **Foreign Currencies**

- i. Transactions in foreign currencies are converted into U.A.E. Dirhams at rates ruling when entered into.
- ii. Foreign currency balances are converted into U.A.E. Dirhams at the rate of exchange ruling at the Balance Sheet date.
- iii. Resultant gain or loss is taken to Income Statement.

i **Revenue Recognition**

Revenue is recognised daily on rendering of services. The related receivables are recognised daily to Guest Ledger Running Account. When the guest checks out, the total bill value is transferred to individual (Debtors) Guest ledger.

j **Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of cash flow statement comprises of cash, bank overdraft, bank current and call accounts, fixed deposits free from lien with a maturity date of 3 months or less from the date of deposit.

l **Municipal Taxes**

As per Dubai Municipality regulations, the enterprise has to pay 10% taxes on all revenue excluding visa income, cash discount and bank interest. The enterprise is also responsible to collect and pay taxes on the income of the leased outlets. The taxes for the month are due for payment by the 15th day of the next month. It is mandatory to disclose the taxes paid in these financial statements.

3 **Trade receivables**

Debtors	2,912,498	2,517,052
Less : Provision for doubtful debts	-325,000	-325,000
	<u>2,587,498</u>	<u>2,192,052</u>

As at January 27, 2015 an amount of AED 2,104,460 was realised.

4 **Cash and Bank Balances**

Cash in hand	45,925	15,652
Balances with Banks in :		
Current account	769,090	228,077
	<u>815,015</u>	<u>243,729</u>

5 **Municipal Taxes Payable**

For December 2014	<u>293,393</u>	<u>278,341</u>
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For information only :

Taxable Revenue of hotel declared	11,475,134	9,770,476
Revenue of outlets declared	2,038,329	1,692,463
Total	<u>13,513,463</u>	<u>11,462,939</u>
10% tax collected	1,351,346	1,146,294
Taxes Paid	-1,057,953	-867,953
Balance payable for December 2014 (Paid on 14.1.2015)	<u>293,393</u>	<u>278,341</u>

6 Sales

Room Rent (taxable)	9,530,937	8,130,223
Food & Beverage (taxable)	1,505,563	1,270,253
Other services (taxable)	438,634	370,000
Lease rent from Outlets	2,038,329	1,692,463
Service Charges	1,147,513	977,048
Other services	109,940	71,184
	<u>14,770,916</u>	<u>12,511,171</u>

7 Personnel costs include

Salaries paid to Director	<u>300,000</u>	<u>300,000</u>
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8 Lease Commitments

Hotel property is leased from January 1, 2012 to December 31, 2018 (7 years) at a rent of AED 4,200,000/- per annum. The unexpired portion of the lease commitment as at December 31, 2014 is AED 16,800,000/-.

9 Related Party Transactions

The enterprise in the normal course of business enters into transactions with other business enterprises that fall within the definition of Related Party. The enterprise enters into transactions with related parties at arms length.

Transactions :

Lease rent income from outlets	600,000	600,000
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Balances :

Inn Hotel, Dubai.	0	9,314
Daddy's Restaurant, Mer Hotel, Dubai.	0	63,608
XY Facilities Management Services LLC, Dubai.	65,196	131,407
	<u>65,196</u>	<u>204,329</u>

10 Financial Instruments

Financial Instruments means financial assets, financial liabilities and equity instruments. Financial assets include Investments, cash, trade receivables, bank balances, deposits, advances and other receivables. Financial liabilities include bank borrowings, trade payables, 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 enterprise to credit risk, comprise mainly of trade receivables. As at December 31, 2014 top 4 parties represent 39 % of the outstanding trade debtors.

Country-wise breakup of Trade Debtors :

U.A.E.	2,584,808	2,282,531
India	327,690	234,521
Total	<u>2,912,498</u>	<u>2,517,052</u>

ii 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.

11 Significant Events occurring after the Balance Sheet date

There were no significant events occurring after the balance sheet date which require disclosure in the financial statements.

12 **Number of Personnel** 86 66

13 Previous Year's Figures

Previous year's figures are re-grouped or re-arranged wherever necessary so as to conform to the current year's presentation.

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

SAMPLE HOTEL
Dubai, U.A.E.

Property, Plant and Equipment Schedule
Rate of Depreciation (SLM)

Cost	Furniture 20%	Equipment 20%	Vehicles 20%	Total
As at 1.1.2014	4,719,384	1,225,136	686,000	6,630,520
Additions	130,461	110,063	781,500	1,022,024
As at 31.12.2014	4,849,845	1,335,199	1,467,500	7,652,544
Depreciation				
As at 1.1.2014	2,831,630	735,082	411,600	3,978,312
For the year	943,877	245,027	137,200	1,326,104
As at 31.12.2014	3,775,507	980,109	548,800	5,304,416
Net Value				
As at 31.12.2014	1,074,338	355,090	918,700	2,348,128
As at 31.12.2013	1,887,754	490,054	274,400	2,652,208

SAMPLE HOTEL

Dubai, U.A.E.

“OTHER INFORMATION”

Year ended December 31, 2014

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

			YE	
1	Significant Ratios		31.12.2013	
	Net Profit	%	25.74%	23.05%
	Return on Investment	%	17.78%	15.12%
	Current Ratio	Times	3.30	2.61
	Debt/ Equity Ratio	Times	0.26	0.29
	Debtors credit period	days	64	64

2 Business Risks And Coverage

Insurance - Property All Risks policy	Book Value	Policy value
Hotel Building	NA	85 million
Furnitures and Equipments	6,185,044	6,500,000

3 Accounting Software

The hotel is using "XYZSeries" software which integrates accounting inventory and front office

4 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 reviews financial position and operating results on a monthly basis for effective decision making.