

Owners' Association - Name: XXXX

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2008

1 ACTIVITIES

The Owner's Association – XXXX (the 'Association') consists of 1 building with 150 apartments at XXXX Project, developed by XXXX Co. LLC (the 'Master Developer'), a 100% owned subsidiary of XXXX. It represents a notional association formed in accordance with the Purchase and Sale Agreement of each apartment owner. The role of the Association is to manage, administer, maintain and control the common use facilities of the Association through the Managing Agent, XXXX, a 100% owned subsidiary of XXXX.

The Association is not yet registered with the Real Estate Regulatory Agency (RERA) of the Department of Lands and Properties of the Government of Dubai. The Law No. 27 of 2007 on the Ownership of Common Properties in Dubai took effect on 1 April 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared using the accrual method in accordance with the accounting policies set out below.

The financial statements are prepared under the historical cost convention.

Revenue recognition

Service charges are recognized within the financial period / year to which they relate. Service charges represent the amount levied to the members of the Association for their share of expenses incurred in maintaining the common use facilities and the Master Community. Service charges are a recovery of expenses incurred by the Owners' Association in connection with the management, administration, maintenance, service provision and control of the common use facilities and the Master Community.

Accounts receivable

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

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Association 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.

Capital Reserve Fund

The Purchase and Sale Agreement requires the establishment of a Capital Reserve Fund to accumulate funds for the future renewal and replacement of community facilities. Annual contributions to this fund collected from owners are assessed based on the residual life of each facility component and the projected replacement cost. Future capital expenditure will be charged against this reserve.

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3 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008	2007
	AED	AED
Service charges receivable	2,460,412	125,014
Prepaid expenses	16,373	460
Cash in Transit	42,649	-
	<u>2,519,434</u>	<u>125,474</u>

Prepaid expenses represent Insurance prepaid to Insure XXXX a related party.

4 ACCOUNTS PAYABLE AND ACCRUALS

Trade payables	65,872	85,958
Accrued expenses	843,869	75,105
	<u>909,741</u>	<u>161,063</u>

AED 704,707 included in accrued expenses are related parties transactions.

4 RELATED PARTY TRANSACTIONS

Related parties include the master developer XXXX Co. LLC), the Managing Agent (XXXX), and associated companies and entities controlled, jointly controlled or significant influenced by the master developer or the master developer's ultimate parent company.

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

- Service Charges	-	(65,213)
- Management Fees	740,444	87,454
- Insurance	79,170	18,317
- Pest Control	22,313	5,242
- Rubbish Removal	30,150	7,318
- Chilled Water	235,169	10,579

Management fees represent the fee payable to Managing Agent for its services rendered and is calculated at the rate of AED 3.60 per square foot of the total apartment Net saleable area for the financial year ending 31 December 2008. However this rate has been discounted from AED 3.2 to 2.00 per square foot for the month of December 2008.

Due from a related parties included in the balance sheet is as follows:

- XXXX Co. LLC	266,481	280,745
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Due to related parties included in the balance sheet are as follows:

XXXX Corp LLC	300	-
XXXX FZE	198,626	-
XXXX	174,282	10,579
XXXX Master Community	1,146,552	182,763
XXXX LLC	-	87,454
XXXX LLC	39,091	12,560
XXXX (Brokers) LLC	-	20,072
	<u>1,558,851</u>	<u>313,428</u>

5 Prior year comparatives:

Prior year balances have been reclassified to conform to the current year presentation.