



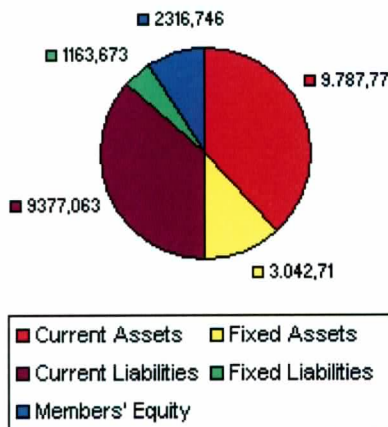
1. Introduction

A balance sheet, in formal bookkeeping and accounting, is a statement of the book value of a business or other organization or person at a particular date, often at the end of its "fiscal year," as distinct from an income statement, also known as a profit and loss account (P+L), which records revenue and expenses over a specified period of time.

A balance sheet is often described as a "snapshot" of the company's financial condition on a given date. Of the four basic financial statements, the balance sheet is the only statement which applies to a single point in time, instead of a period of time. A simple business operating entirely in cash could measure its profits by simply withdrawing the entire bank balance at the end of the period, plus any cash in hand. However real businesses are not paid immediately, they build up inventories of goods to sell and they acquire buildings and equipment. Real businesses also owe money to suppliers and to tax authorities, and the proprietors do not withdraw all their original capital and profits at the end of each period. In other words businesses have liabilities.

Balance Sheet

HealthFood Incorporation:
Balance Sheet 2006



| Assets | Thousands of EUR | | Thousands of USD | |
|---------------------------------|--------------------|--------------------|---------------------|---------------------|
| | Fiscal 2006 | Fiscal 2005 | Fiscal 2006 | Fiscal 2005 |
| Current Assets: | | | | |
| Cash | €3,460 | €5,492 | \$4,220 | \$6,600 |
| Deposits | €1.564,432 | €1.888,851 | \$1.907,844 | \$2.303,400 |
| Notes Receivable | €23,888 | €24,593 | \$29,132 | \$29,800 |
| Marketable Securities | €25,37 | €111,47 | \$30,94 | \$135 |
| Accounts Receivable-Trade | €3.494,198 | €3.072,162 | \$4.261,217 | \$3.746,000 |
| Accounts Receivable-Others | €3.482,521 | €4.183,998 | \$4.246,977 | \$5.102,400 |
| Inventories | €788,167 | €658,401 | \$961,179 | \$802,000 |
| Other Current Assets | €310,482 | €342,053 | \$163,648 | \$28,000 |
| Deferred Tax Assets | €134,191 | €23,024 | \$163,648 | \$28,000 |
| Doubtful Accounts | €-38,971 | €-43,347 | \$-47,526 | \$-52,000 |
| Total Current Assets | €9.787,769 | €10.266,721 | \$11.936,304 | \$12.520,000 |
| Fixed Assets | | | | |
| Tangible Fixed Assets | €2.873,158 | €2.440,632 | \$3.503,851 | \$2.976,000 |
| Less Accumulated Depreciation | (€1.598,453) | (€1.353,252) | (\$1.949,333) | (\$1.650,000) |
| Intangible Fixed Assets | €98,417 | €47,767 | \$120,021 | \$58,000 |
| Investments | €1.019,185 | €858,851 | \$1.242,909 | \$1.047,000 |
| Securities | €355,161 | €257,680 | \$408,733 | \$314,000 |
| Long-term Receivable | €22,779 | €14,353 | \$27,779 | \$17,000 |
| Long-term Prepaid Expenses | €18,124 | €23,692 | \$22,102 | \$28,000 |
| Other Assets | €158,500 | €98,666 | \$193,292 | \$120,000 |
| Long-term Deferred Tax Assets | €277,950 | €266,439 | \$338,963 | \$324,000 |
| Allowance for Doubtful Accounts | €-147,362 | €-115,838 | (\$-179,71) | (\$-141,000) |
| Total Fixed Assets | €3.042,712 | €2.539,005 | \$3.710,625 | \$3.096,000 |
| Total Assets | €12.830,481 | €12.805,726 | \$15.646,929 | \$15.616,000 |

Liabilities and Members' Equity

Current Liabilities:

| | Thousands of EUR | | Thousands of USD | |
|----------------------------------|-------------------|-------------------|---------------------|---------------------|
| | Fiscal 2006 | Fiscal 2005 | Fiscal 2006 | Fiscal 2005 |
| Notes Payable | €221,537 | €201,002 | \$270,167 | \$245,124 |
| Short-term Borrowing | €2.281,654 | €2.376,431 | \$2.782,505 | \$3.995,648 |
| Accounts Payable-Trade | €4.141,858 | €3.804,308 | \$5.051,046 | \$4.639,400 |
| Accounts Payable-Others | €70,91 | €209,71 | \$86,47 | \$255,74 |
| Other Current Liabilities | €2.609,243 | €2.306,458 | \$3.182,004 | \$2.812,754 |
| Reserve for Bonus | €51,843 | €39,472 | \$63,223 | \$48,136 |
| Total Current Liabilities | €9.377,063 | €9.837,401 | \$11.435,443 | \$11.996,830 |

Fixed Liabilities:

| | | | | |
|------------------------------------|-------------------|-------------------|--------------------|--------------------|
| Long-term Borrowing | €59,352 | €78,207 | \$72,381 | \$95,374 |
| Long-term Accounts Payable | €27,23 | €24,648 | \$33,21 | \$30,058 |
| Long-term Guarantee Money Received | €2,506 | €2,742 | \$3,056 | \$3,344 |
| Retirement Benefits | €905,965 | €830,608 | \$1.104,835 | \$1.012,937 |
| Other Reservers | €141,601 | €137,538 | \$172,684 | \$167,729 |
| Total Fixed Liabilities | €1.163,673 | €1.073,764 | \$1.386,186 | \$1.309,468 |

Members'Equity

| | | | | |
|-----------------------------|------------------|------------------|--------------------|--------------------|
| Capital | €844,044 | €707,308 | \$1.029,322 | \$862,571 |
| Legal Reserve | €641,329 | €500,248 | \$782,108 | \$610,058 |
| Capital Surplus Reserve | €0 | €18,174 | \$0 | \$22,163 |
| Revaluation Reserve | 279,62€ | €246 | \$341 | \$300 |
| Special Reserve | €654,045 | €437,356 | \$797,616 | \$533,361 |
| Unappropriated Earnings | €108,534 | €193,219 | \$132,359 | \$235,632 |
| Evaluation Adjustment | €68,485 | €37,985 | \$83,518 | \$46,323 |
| Total Members'Equity | €2316,746 | €1894,555 | \$2.825,300 | \$2.310,433 |

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| | | | | |
|--------------------------------------|-------------|------------|--------------|--------------|
| Total Fixed Liabilities | €1.163,673 | €1.073,764 | \$1.386,186 | \$1.309,468 |
| Total Liabilities and Members'Equity | €33.938,954 | €34.628,05 | \$41.290,187 | \$42.229,327 |

2. Items on income statement

Operating section

- **Net Reven-numberue** - Inflows or other enhancements of assets of an entity or settlements of its liabilities during a period from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations. Usually presented as sales minus sales discounts, returns, and allowances.
- **Expenses** - Outflows or other using-up of assets or incurrence of liabilities during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

Non-operating section

- **Other reven-numberues or gains** - reven-numberues and gains from other than primary business activities (e.g. rent, patents). It also includes unusual gains and losses that are either unusual or infrequent, but not both (e.g. sale of securities or fixed assets).
- **Other expenses or losses** - expenses or losses not related to primary business operations.

Irregular items

They are reported separately because this way users can better predict future cash flows - irregular items most likely won't happen next year. These are reported net of taxes.

- **Discontinued operations** is the most common type of irregular items. Shifting business location, stopping production temporarily, or changes due to technological improvement do not qualify as discontinued operations.
- **Extraordinary items** are both unusual (abnormal) and infrequent, for example, unexpected nature disaster, expropriation, prohibitions under new regulations. Note: nature disaster might not qualify depending on location (e.g. frost damage in Canada would not qualify whereas in tropics would).
- **Changes in accounting principle** is, for example, changing method of computing depreciation from straight-line to sum-of-the-years'-digits. However, changes in estimates (e.g. estimated useful life of a fixed asset) do not qualify.