COMPANION GUIDE

How to fill in a UAE financial statement

The workbook gives you the structure. This explains what each line means, which standard applies to you, what an auditor asks for first, and how long you have to keep the file afterwards.

Every figure in this guide cites the instrument it comes from and the date it was checked: 6 August 2026. Preparation support — not an audit, and not tax advice.

Which standard applies, and why revenue decides it

Before you enter a single figure, settle which framework you are reporting under. It changes what you are expected to produce and how much work the year end becomes.

YOUR REVENUE FOR THE YEAR	WHAT YOU MAY APPLY
Above AED 50,000,000	Full IFRS
AED 50,000,000 or below	IFRS for SMEs, or full IFRS if you prefer
Below AED 3,000,000	The cash basis is additionally permitted

Article 4 of Ministerial Decision No. 114 of 2023 requires a taxable person to apply IFRS, and permits IFRS for SMEs where revenue does not exceed AED 50,000,000. Article 2 permits the cash basis below AED 3,000,000. Checked 6 August 2026.

Whether you also need an audit

A separate question with a separate answer. Ministerial Decision No. 84 of 2025 requires audited financial statements where a taxable person that is not a tax group derives revenue exceeding AED 50,000,000 in the tax period, and for **every Qualifying Free Zone Person whatever its revenue**. It applies to tax periods commencing on or after 1 January 2025.

> Free zones and lenders frequently ask for audited accounts beyond what federal law requires — commonly as a condition of licence renewal or a facility review. Confirm your own position rather than assuming the federal rule is the whole of it.

A caution about the layout itself

The UAE legal requirements in this guide are cited to the instrument and the date checked. The *arrangement* of the statements — which line sits in which section, in what order — follows ordinary presentation convention. It is a sound starting point, not a certification that your finished statements comply with any standard. Your auditor decides that.

Reading the balance sheet, line by line

The balance sheet is a position at a single date, not a record of a period. Everything on it answers one of two questions: what the business controls, and who has a claim on it.

Assets, in order of how quickly they turn into cash

- **Property, plant and equipment** — at cost less accumulated depreciation, not what you think it would sell for.
- **Right-of-use assets** — leases you control. Most UAE SMEs with a premises lease have one, and most templates omit the line entirely.
- **Inventories** — at the lower of cost and net realisable value. Stock you cannot sell is not worth what you paid.
- **Trade and other receivables** — net of any provision for amounts you do not expect to collect. Gross receivables flatter the balance sheet and fool nobody who reads it properly.

The liability UAE templates forget

Provision for employees' end of service benefits. It is a real obligation of a UAE employer under Federal Decree-Law No. 33 of 2021 on the regulation of employment relations, it accrues quietly with every month of service, and it is the first line an auditor asks about. Imported templates almost never carry it because it does not exist in the jurisdictions they were written for.

The check that matters

Total assets must equal total equity and liabilities. The workbook computes the difference and turns it red the moment it stops being nil. When it breaks, the cause is almost always one of three things: a figure entered with the wrong sign, an amount recorded once instead of twice, or a balance typed over a formula.

Revenue and cost of sales, without the guesswork

The profit and loss covers a period. Two decisions determine whether it is meaningful: when you recognise revenue, and what you allow into cost of sales.

Recognise revenue when you have earned it

Not when the invoice is raised, and not when the money arrives. If you have been paid in advance for work not yet performed, that is a liability — deferred revenue — not income. Businesses on retainers, annual licences and maintenance contracts get this wrong most often, and it overstates profit in exactly the year a lender is reading the accounts.

Cost of sales is what you would not have spent without the sale

BELONGS IN COST OF SALES	BELONGS IN OPERATING EXPENSES
Goods purchased for resale	Office rent
Direct labour on a job	Administrative salaries
Subcontractors on a contract	Marketing
Freight inward on stock	Professional fees

The line matters because gross margin is the number a lender, an investor and you yourself use to judge whether the business works. Move rent into cost of sales and the margin becomes meaningless.

Enter costs as negatives

The workbook's subtotals add rather than subtract, so a cost typed as a positive silently inflates profit. If gross profit looks better than you expected, check the signs before you celebrate.

Accounting profit is not taxable income

Corporate tax applies at 0% on the portion of taxable income not exceeding AED 375,000 and 9% above it. Taxable income *starts* from accounting profit and then applies the adjustments, exemptions and reliefs in the Corporate Tax Law. The workbook gives you the accounting profit reliably; the adjustments are a separate exercise.

Cabinet Decision No. 116 of 2022 sets the AED 375,000 threshold at 0%, under Article 3 of Federal Decree-Law No. 47 of 2022. Checked 6 August 2026.

Cash flow — direct, indirect, and which to use

A business can be profitable and still fail. The cash flow statement is the one that tells you whether the profit turned into money, and it is the statement owners most often skip.

Two methods, one answer

METHOD	HOW IT STARTS	IN PRACTICE
Indirect	Profit before tax, adjusted back to cash	What almost every UAE SME uses. The workbook follows it.
Direct	Actual receipts and payments	Clearer to read, considerably more work to produce.

The three sections, and what belongs where

- **Operating** — the trading business. Profit, non-cash adjustments such as depreciation and the end-of-service charge, then movements in receivables, inventory and payables.
- **Investing** — buying and selling long-term assets.
- **Financing** — borrowings, repayments, lease payments, owner contributions and drawings.

Where it usually goes wrong

Cash at the end of the year must agree with cash and cash equivalents on the balance sheet. When it does not, the difference is almost always a movement entered with the wrong sign: a reduction in receivables is a source of cash, an increase is a use of it. The instinct to type both as positives is what breaks the statement.

> If operating cash flow is consistently negative while profit is positive, the business is funding its own growth from working capital. That is survivable for a while and fatal if ignored, and it is the single most useful thing this statement will tell you.

What an auditor asks for first

If an audit applies to you, the questions are predictable. Preparing for them while you close the year is far cheaper than reconstructing answers months later.

The five that come up every time

- **Related party transactions.** Balances and dealings with owners, directors and entities under common control. This is the note queried most and left blank most.
- **The end of service provision.** Opening balance, charge for the year, payments made, closing balance — with the calculation behind it.
- **Revenue cut-off.** Evidence that income recorded in the final weeks was actually earned before the year end.
- **Bank confirmations.** Independent confirmation of every balance and facility, direct from the bank.
- **Inventory existence.** If you carry stock, a count near the year end that someone independent observed.

If you are a Qualifying Free Zone Person

Audited statements are required whatever your revenue, so the qualifying and non-qualifying revenue split has to be tracked *as it happens*. It cannot be credibly reconstructed at year end, and an auditor who is asked to accept a reconstruction will say so in writing.

What we do, and what we do not

Velmont Crest Accounting provides accounting and bookkeeping support and prepares audit-ready records. We are not a registered tax agent and not a licensed auditor, and we do not sign an audit opinion. Where a position needs one, we say so and route it to someone who can.

How long to keep it, and where that rule comes from

Three different retention periods apply in the UAE, and they are not interchangeable. Using the shortest one for everything is a common and expensive assumption.

WHAT	HOW LONG	SOURCE
Corporate tax records and documents	7 years after the end of the tax period	Federal Decree-Law No. 47 of 2022, Article 56
VAT records, general	5 years	VAT Executive Regulation, Article 71
Records relating to **real estate**	**15 years**	VAT Executive Regulation, Article 71(2)

Checked 6 August 2026. The fifteen-year real-estate rule is current and is routinely mistaken for the shorter general period.

Keep the workings, not only the statements

The obligation covers the records and documents that support the figures, not the finished statements alone. That means the workbook, the bank statements, the invoices, the contracts and the calculation behind the end-of-service provision. A printed balance sheet with nothing behind it satisfies nobody.

> **If your books are behind.** Reconstructing several years is ordinary work and it is far better done before a deadline than during one. Every engagement starts with a free review of your books, your licence structure and your filing calendar, and you receive a written proposal setting out exactly what is included.

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