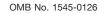
SCHEDULES M-1 and M-2 (Form 1120-F)

Department of the Treasury Internal Revenue Service Name of corporation

Reconciliation of Income (Loss) and Analysis of Unappropriated Retained Earnings per Books

Attach to Form 1120-F.



2007

Employer identification number

Reconciliation of Income (Loss) per Books With Income per Return Schedule M-1 Note: Schedule M-3 may be required instead of Schedule M-1—see instructions. 1 Net income (loss) per books 7 Income recorded on books this year not 2 Federal income tax per books . . . included on this return (itemize): a Tax-exempt interest \$ 3 Excess of capital losses over capital gains 4 Income subject to tax not recorded on **b** Other (itemize): books this year (itemize): _____ 8 Deductions on this return not charged against book income this year (itemize): 5 Expenses recorded on books this year not deducted on this return (itemize): a Depreciation \$ a Depreciation . . . \$ **b** Charitable contributions \$ **b** Charitable contributions \$ c Other (itemize): c Travel and entertainment \$ _____ d Other (itemize): Add lines 7 and 8 _____ 9 **10** Income—line 6 less line 9 6 Add lines 1 through 5

Schedule M-2 Anal

2 Analysis of Unappropriated Retained Earnings per Books per Return

1	Balance at beginning of year	5	Distributions: a Cash	
2	Net income (loss) per books		b Stock	
3	Other increases (itemize):		c Property	
		6		
		O	Other decreases (itemize):	
		7	Add lines 5 and 6	
		 1		
4	Add lines 1, 2, and 3	8	Balance at end of year (line 4 less line 7).	

Who Must File

Generally, any foreign corporation that is required to complete Form 1120-F, Section II must complete Schedules M-1 and M-2. However, under some circumstances, a foreign corporation is required to complete (or may voluntarily complete) Schedule M-3 in lieu of Schedule M-1 (see next paragraph). Also, do not complete Schedules M-1, M-2, and M-3 if total assets at the end of the tax year (line 17, column (d), Schedule L) are less than \$25,000.

Complete Schedule M-3 in lieu of Schedule M-1 if total assets at the end of the tax year that are reportable on Schedule L are \$10 million or more. A corporation filing Form 1120-F that is not required to file Schedule M-3 (Form 1120-F) may voluntarily file Schedule M-3 instead of Schedule M-1. See the instructions for Schedule M-3 (Form 1120-F) for more information.

Specific Instructions

Line 1. Net income (loss) per books. The foreign corporation must report on line 1 of Schedule M-1 the net income (loss) per the set or sets of books taken into account on Schedule L. The foreign corporation must report on line 1 of Schedule M-2 the balance of unappropriated retained earnings per the set or sets of books taken into account on Schedule L.

Line 5c. Travel and entertainment

expenses. Include any of the following:

• Meal and entertainment expenses not deductible under section 274(n).

- Expenses for the use of an entertainment facility.
- The part of business gifts over \$25.
- Expenses of an individual over \$2,000 that are allocable to conventions on cruise ships.
- Employee achievement awards over \$400.

• The cost of entertainment tickets over face value (also subject to the 50% limit under section 274(n)).

- The cost of skyboxes over the face value of nonluxury box seat tickets.
- The part of luxury water travel expenses not deductible under section 274(m).
- Expenses for travel as a form of education.
- Other nondeductible travel and entertainment expenses.

For more information, see Pub. 542.

Line 7a. Tax-exempt interest. Report any tax-exempt interest received or accrued, including any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company. Also report this same amount in item P at the top of page 2 of Form 1120-F.

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 1120-F.