

EMIRATES INSURANCE ASSOCIATION ABU DHABI

**Financial Statements
31 December 2018**

Registered office and principal place of business

Zaid Street 1
Abu Dhabi
United Arab Emirates

INDEPENDENT AUDITOR'S REPORT TO BOARD OF DIRECTORS OF EMIRATES INSURANCE ASSOCIATION, ABU DHABI

Opinion

We have audited the accompanying financial statements of Emirates Insurance Association, Abu Dhabi ("the Association") set out on pages 3 to 13, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in funds employed and the statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF DIRECTORS OF EMIRATES INSURANCE ASSOCIATION, ABU DHABI (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Moore Stephens
Chartered Accountants

John Adcock
Registration No.251

Abu Dhabi
___ January 2019

**EMIRATES INSURANCE ASSOCIATION
ABU DHABI**

Financial statements for the year ended 31 December 2018

Statement of financial position

	Note	2018 AED	2017 AED
ASSETS			
Non- current assets			
Equipment	3	14,789	20,649
Staff loan	4	555,000	455,000
Total non-current assets		569,789	475,649
Current assets			
Accounts and other receivables		68,575	5,000
Cash and bank balances	5	5,233,219	5,166,923
Total current assets		5,301,794	5,171,923
Total assets		5,871,583	5,647,572
FUNDS EMPLOYED AND LIABILITIES			
Funds employed			
Membership fees	6	950,000	950,000
Accumulated surplus		4,133,498	3,988,595
Total funds employed		5,083,498	4,938,595
Liabilities			
Non-current liabilities			
Employees' end of service benefits	7	760,085	690,977
Current liabilities			
Accruals and other payables	8	18,000	18,000
Subscription fees received in advance		10,000	--
Total current liabilities		28,000	18,000
Total liabilities		788,085	708,977
Total funds employed and liabilities		5,871,583	5,647,572

The financial statements were authorised for issue by the Board of directors on ___ January 2019 and signed on their behalf by:

Chairman

Treasurer

The attached notes 1 to 13 form part of these financial statements.

EMIRATES INSURANCE ASSOCIATION
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Financial statements for the year ended 31 December 2018

Statement of comprehensive income

	Note	2018 AED	2017 AED
INCOME			
Subscription income	2-2 c)	1,915,000	1,915,000
Other income	9	166,001	162,311
		<u>2,081,001</u>	<u>2,077,311</u>
EXPENSES			
Administration and general	10	1,930,238	1,748,174
Depreciation	3	5,860	2,793
		<u>1,936,098</u>	<u>1,750,967</u>
Surplus and total comprehensive income for the year		144,903	326,344

The Association has no items of other comprehensive income

The attached notes 1 to 13 form part of these financial statements.

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Statement of changes in funds employed

	Membership fees AED	Accumulated surplus AED	Total AED
At 31 December 2016	925,000	3,662,251	4,587,251
Admission during the year	25,000	--	25,000
Surplus and total comprehensive income for the year	-	326,344	326,344
At 31 December 2017	950,000	3,988,595	4,938,595
At 31 December 2017	950,000	3,988,595	4,938,595
Surplus and total comprehensive income for the year	--	144,903	144,903
At 31 December 2018	950,000	4,133,498	5,083,498

The attached notes 1 to 13 form part of these financial statements.

EMIRATES INSURANCE ASSOCIATION
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Statement of cash flows

	2018 AED	2017 AED
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	144,903	326,344
<i>Adjustment for non-cash items:</i>		
End of service benefits	69,108	76,624
Depreciation	5,860	2,793
Operating surplus before working capital changes	219,871	405,761
Increase in staff advance	(100,000)	--
Increase /(Decreased) in accounts and other payables	--	(46,000)
Increase in subscription fees received in advance	10,000	--
Increase in other receivables	(63,575)	--
Net cash used in operating activities	66,296	359,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	--	(23,441)
Net cash used in investing activities	--	(23,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
New membership fees	--	25,000
Net cash generated from financing activities	-	25,000
Net increase in cash and cash equivalents during the year	66,296	361,320
Cash and cash equivalents at the beginning of the year	5,166,923	4,805,603
Cash and cash equivalents at the end of the year	5,233,219	5,166,923

The attached notes 1 to 13 form part of these financial statements.

EMIRATES INSURANCE ASSOCIATION
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Notes to the financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Emirates Insurance Association, Abu Dhabi (“the Association”) was formed by Ministerial Decision No.62 issued by His Excellency, The Minister of Commerce and Economy in Abu Dhabi, on 27 September 1988.

The aims and objects of the Association are set out in the Decision.

The principal place of activities of the Association is located at Zaid Street 1 (Previously Known as Electra), Abu Dhabi.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). The financial statements have been prepared in Arab Emirates Dirhams.

The Association has adopted all applicable new and revised Standards and Interpretations issued by IASB and the IFRIC which were effective for the current accounting period.

Basis of measurement

The financial statements are prepared under the historical cost convention.

2.2 Significant accounting policies

a) Equipment

Equipment are initially recorded at cost together with any incidental expenses of acquisition or construction. Subsequently they are stated at cost less accumulated depreciation and accumulated impairment losses.

b) Depreciation

The cost of equipment is depreciated by equal annual installments over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Furniture and fixtures	4
Library books	4

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Notes to the financial statements

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES
(Continued)

2.2 Significant accounting policies (Continued)

c) Subscription income

Income represents the annual subscription fees of member insurance companies, brokers and agents and is recognised on an accrual basis in the year to which the fees relate.

d) Employees' terminal benefits

Provision is made for amounts payable under the United Arab Emirates Labour Law applicable to employees' accumulated periods of service at the reporting date based on employees' salaries and number of years of service. Applicable benefits are paid to employees on completion of their term of employment. Accordingly the Association has no expectation of settling its employees' terminal benefits obligation in the near future.

e) Accounts and other payables

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

f) Accounts receivable and prepayments

Accounts receivable originated by the Association are measured at cost. An allowance for credit losses of accounts receivable is established when there is objective evidence that the Association will not be able to collect the amounts due. Indicators that the accounts receivable are impaired include consistent default in the payments when due, financial difficulties of the customer and other indicators. When an accounts receivable is considered uncollectible, it is written off against the allowance account for credit losses. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

g) Cash and cash equivalents

Cash and cash equivalents consist of unrestricted cash and bank balances.

h) Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortized cost.

i) Financial instruments

Financial instruments are recognized on the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

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Notes to the financial statements

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES
(Continued)

2.2 Significant accounting policies (Continued)

j) Foreign currencies

Functional and presentation currency

The financial statements are presented in Arab Emirates Dirham (AED), which is the Association's functional and presentation currency.

Transaction and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the reporting date are translated at rates of exchange ruling at the reporting date. Exchange differences arising in these cases are dealt with in the statement of comprehensive income.

k) Impairment

At each reporting date, the Association assesses if there is any objective evidence indicating impairment of financial assets or non-collectability of receivables.

An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognized in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at original effective interest rate. Cash flows relating to short term receivables are not discounted.

l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Association. It can also be a present obligation arising from the past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Association. Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognized.

2.3 Significant accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

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Notes to the financial statements

3 EQUIPMENT

Year 2018	Furniture and fixtures AED	Library Books AED	Total AED
Cost:			
At 31 December 2017 & 2018	188,460	20,974	209,434
Depreciation:			
At 31 December 2017	167,811	20,974	188,785
During the year	5,860	--	5,860
At 31 December 2018	173,671	--	194,645
Net book values:			
at 31 December 2018	14,789	--	14,789
at 31 December 2017	20,649	-	20,649

Year 2018	Furniture and fixtures AED	Library Books AED	Total AED
Cost:			
At 31 December 2016	165,019	20,974	185,993
Addition	23,441	--	23,441
At 31 December 2017	188,460	20,974	209,434
Depreciation:			
At 31 December 2016	165,018	20,974	185,992
During the year	2,793	--	2,793
At 31 December 2017	167,811	20,974	188,785
Net book values:			
at 31 December 2017	20,649	-	20,649
at 31 December 2016	1	-	1

4 STAFF LOAN

Staff loan represents the amount advanced to a staff which is interest free and secured against the end of service benefits due to the staff. The amount shall be repaid upon ending his employment with the Association, which is not expected to be in the near future.

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Notes to the financial statements

5 CASH AND BANK BALANCES	2018 AED	2017 AED
Cash in hand	17,807	17,807
Current accounts	2,215,412	2,136,933
Fixed deposits	3,000,000	3,012,183
	<u>5,233,219</u>	<u>5,166,923</u>

Fixed deposits attracted interest at approximately (0/65% to 3%) per annum (2017 – 1.933% to 0/65%).

6 MEMBERSHIP FEES	2018 AED	2017 AED
Balance at beginning of the year	950,000	925,000
New members admission fees during the year	--	25,000
Balance at end of the year	<u>950,000</u>	<u>950,000</u>

Membership fees are paid when a new member joins and are not refundable.

7 EMPLOYEES' TERMINAL BENEFITS

The provision for end of service benefits for employees is made in accordance with the requirements of the UAE Labour Law. This is an unfunded defined benefits retirement plan. Employees are entitled to benefits based on length of service and final remuneration. Accrued employees' terminal benefits are payable on termination of employment. The cost of providing these benefits is charged as an expense on an annual basis and the charge for the year ended 31 December 2018 amounted to AED 69,108 (2017 - AED 76,623).

8 ACCOUNTS AND OTHER PAYABLES

Accounts and other payables represent the amount of membership fees received in advance and expenditure incurred during the year and is not paid as on the reporting date.

9 OTHER INCOME	2018 AED	2017 AED
Bank interest	70,894	33,947
Net surplus from organizing seminars(net of expenses)	95,107	128,364
	<u>166,001</u>	<u>162,311</u>

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10 ADMINISTRATION AND GENERAL	2018 AED	2017 AED
Staff Salaries and wages and related costs	1,275,624	1,141,700
Staff bonus	180,598	173,581
Rent	110,000	118,195
Employees' end of service benefits	69,108	76,623
Travelling	60,484	60,416
Communications	50,529	43,514
Medical insurance	38,627	19,230
Printing and stationery	21,608	20,292
Professional fees	18,000	18,000
Insurance magazine	14,128	7,000
Committee meetings	13,830	21,703
Donations and sponsorships	13,650	--
Subscriptions	13,391	12,265
Value added tax	9,635	--
General assembly	5,845	4,213
Recruitment exhibitions expense	5,464	4,782
Transportation	4,200	2,600
Electricity and water	3,654	2,876
Hospitality and cleaning expenses	2,921	2,620
Bank charges expenses	1,018	1,744
Repairs and maintenance	1,000	5,583
Website expenses and network development	--	2,000
Sundry expenses	16,924	9,237
	1,930,238	1,748,174

11 FINANCIAL RISK AND FUND MANAGEMENT

11.1 Financial risk factors

Financial assets of the Association include staff loan and cash and bank balances. Financial liabilities include employees' terminal benefits and other payables.

The fair value of the long term staff loan cannot be fair valued, as the date of the repayment is not know. Otherwise, the management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts.

The Association's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Association's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. The identified key risks are:

a) Currency risk

The Association operates mainly in the Middle East region. The currencies of most of the countries in the Middle East region in which the Association operates is fixed to the United States Dollar/ United Arab Emirates Dirham and therefore the exposure to foreign exchange risk arising from transactions in those currencies is not material.

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11 FINANCIAL RISK AND FUND MANAGEMENT (Continued)

11.1 Financial risk factors (Continued)

b) Liquidity risk

The Association manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Association maintains good working relations with its banks.

11.2 Fund management

The Association's objectives when managing funds are to safeguard the entity's ability to continue as a going concern.

The Association manages the funds employed and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

12 COMMITMENTS AND CONTINGENCIES

There are no material contingent liabilities and commitments at the reporting date

13 COMPARATIVE FIGURES

The previous year's figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current year.