

EMIRATES INSURANCE ASSOCIATION ABU DHABI

**Financial Statements
31 December 2019**

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 2019, 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 2019 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 2020

EMIRATES INSURANCE ASSOCIATION
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Statement of financial position

	Note	2019 AED	2018 AED
ASSETS			
Non- current assets			
Equipment	3	8,929	14,789
Staff loan	4	705,000	555,000
Total non-current assets		713,929	569,789
Current assets			
Accounts and other receivables	5	55,588	68,575
Cash and bank balances	6	5,173,647	5,233,219
Total current assets		5,229,235	5,301,794
Total assets		5,943,164	5,871,583
FUNDS EMPLOYED AND LIABILITIES			
Funds employed			
Membership fees	7	950,000	950,000
Accumulated surplus		4,022,700	4,133,498
Total funds employed		4,972,700	5,083,498
Liabilities			
Non-current liabilities			
Employees' end of service benefits	8	864,952	760,085
Current liabilities			
Accruals and other payables	9	94,512	18,000
Subscription fees received in advance		11,000	10,000
Total current liabilities		105,512	28,000
Total liabilities		970,464	788,085
Total funds employed and liabilities		5,943,164	5,871,583

The financial statements were authorised for issue by the Board of directors on __ January 2020 and signed on their behalf by:



Chairman



Treasurer

The attached notes 1 to 14 form part of these financial statements.

EMIRATES INSURANCE ASSOCIATION
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Financial statements for the year ended 31 December 2019

Statement of comprehensive income

	Note	2019 AED	2018 AED
INCOME			
Subscription income	2-2 c)	2,015,000	1,915,000
Other income	10	141,981	166,001
		<u>2,156,981</u>	<u>2,081,001</u>
EXPENSES			
Administration and general	11	2,261,919	1,930,238
Depreciation	3	5,860	5,860
		<u>2,267,779</u>	<u>1,936,098</u>
(Deficit)/Surplus and total comprehensive income for the year		(110,798)	144,903

The Association has no items of other comprehensive income

The attached notes 1 to 14 form part of these financial statements.

EMIRATES INSURANCE ASSOCIATION
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Statement of changes in funds employed

	Membership fees AED	Accumulated surplus AED	Total AED
At 31 December 2017	950,000	3,988,595	4,938,595
Surplus and total comprehensive income for the year	--	144,903	144,903
<u>At 31 December 2018</u>	<u>950,000</u>	<u>4,133,498</u>	<u>5,083,498</u>
At 31 December 2018	950,000	4,133,498	5,083,498
Deficit and total comprehensive income for the year	--	(110,798)	(110,798)
<u>At 31 December 2019</u>	<u>950,000</u>	<u>4,022,700</u>	<u>4,972,700</u>

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

EMIRATES INSURANCE ASSOCIATION
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Statement of cash flows

	2019 AED	2018 AED
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit) / surplus for the year	(110,798)	144,903
<i>Adjustment for non-cash items:</i>		
End of service benefits	104,867	69,108
Depreciation	5,860	5,860
<hr/>		
Operating surplus before working capital changes	(71)	219,871
Increase in staff advance	(150,000)	(100,000)
Increase in subscription fees received in advance	77,512	10,000
Increase in other receivables	12,987	(63,575)
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Net cash used in operating activities	(59,572)	66,296
Net increase in cash and cash equivalents during the year	(59,572)	66,296
Cash and cash equivalents at the beginning of the year	5,233,219	5,166,923
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Cash and cash equivalents at the end of the year	5,173,647	5,233,219

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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3 EQUIPMENT

Year 2019	Furniture and fixtures AED	Library Books AED	Total AED
Cost:			
At 31 December 2018 & 2019	188,460	20,974	209,434
Depreciation:			
At 31 December 2018	173,671	--	194,645
During the year	5,860	--	5,860
At 31 December 2019	179,531	--	200,505
Net book values:			
at 31 December 2019	8,929	--	8,929
at 31 December 2018	14,789	--	14,789

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

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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5	ACCOUNTS AND OTHER RECEIVABLES	2019 AED	2018 AED
	Immigration deposits	5,000	5,000
	Bank interest receivable	50,588	63,575
		<u>55,588</u>	<u>68,575</u>

6	CASH AND BANK BALANCES	2019 AED	2018 AED
	Cash in hand	18,252	17,807
	Current accounts	2,155,395	2,215,412
	Fixed deposits	3,000,000	3,000,000
		<u>5,173,647</u>	<u>5,233,219</u>

Fixed deposits attracted interest at approximately (3.25% to 2.54%) per annum (2018 – 0/65% to 3%).

7	MEMBERSHIP FEES	2019 AED	2018 AED
	Balance at beginning of the year	950,000	950,000
	New members admission fees during the year	--	--
	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.

8 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 2019 amounted to AED 104,867 (2018 - AED 69,108).

9 ACCOUNTS AND OTHER PAYABLES

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

10	OTHER INCOME	2019 AED	2018 AED
	Bank interest	85,868	70,894
	Net surplus from organizing seminars(net of expenses)	56,113	95,107
		<u>141,981</u>	<u>166,001</u>

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11 ADMINISTRATION AND GENERAL	2019	2018
	AED	AED
Staff Salaries and wages and related costs	1,388,004	1,275,624
Staff bonus	203,615	180,598
Travelling	144,474	60,484
Employees' end of service benefits	104,867	69,108
Rent	100,000	110,000
Value added tax	66,204	9,635
Communications	50,099	50,529
Subscriptions	43,477	13,391
Medical insurance	38,095	38,627
Professional fees	18,000	18,000
Printing and stationery	16,275	21,608
Committee meetings	13,487	13,830
Insurance magazine	11,825	14,128
General assembly	11,665	5,845
Donations and sponsorships	11,500	13,650
Website expenses and network development	11,500	--
Recruitment exhibitions expense	6,581	5,464
Transportation	4,864	4,200
Hospitality and cleaning expenses	3,397	2,921
Electricity and water	3,241	3,654
Bank charges expenses	759	1,018
Repairs and maintenance	--	1,000
Sundry expenses	9,990	16,924
	2,261,919	1,930,238

12 FINANCIAL RISK AND FUND MANAGEMENT

12.1 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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12 FINANCIAL RISK AND FUND MANAGEMENT (Continued)

12.1 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.

12.2 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.

13 COMMITMENTS AND CONTINGENCIES

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

14 COMPARATIVE FIGURES

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