

BY E-MAIL

29 March 2016

To the Senior Executive Officers and Finance Officers of DFSA Authorised Firms

RE: Preparation of Financial Statements

Dear SEO and Finance Officer,

The purpose of this letter is to provide you with guidance on preparation of financial statements. Based on our review of previous year's financial statements, we have noted certain areas which we thought necessitated clarification. This should assist you in meeting the DFSA's requirements and expectations.

Responsibility for Preparation of Financial Statements

Firms are responsible for the preparation of their financial statements on an annual basis, in accordance with the International Financial Reporting Standards (IFRS)¹. These financial statements should be approved by the Directors (Partners, in the case of a Partnership) and signed by at least one Director (or Partner, as the case may be).

Going Concern Basis

Financial statements should be prepared on a going concern basis, unless a Firm will not be able to meet its obligations as they become due within one year after the date of the financial statements. In accordance with IFRS, management of the Firm should make an assessment of its ability to continue as a going concern. If conditions or events raise doubt, it should disclose the following information in the financial statements:

- a) The principal conditions or events that gave cause to raise substantial doubt about Firm's ability to continue as a going concern;
- b) Management's evaluation of the significance of those conditions or events; and,
- c) Management's plans that are intended to mitigate those conditions or events.

¹ The IFRS requirement does not apply where a Firm has obtained a waiver from the DFSA to prepare the financial statements in accordance with generally accepted accounting principles.

Accounting Policies and Disclosures

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the Firm in preparing and presenting financial statements. It is important that accounting policies reflect the economic substance of transaction, and not merely the legal form. Accounting policies should be assessed against the principles of: relevance, reliability, comparability and understandability. Firms should disclose the measurement basis used in preparing the financial statements and other accounting policies used that are relevant to an understanding of the financial statements.

As part of notes to the financial statements, Firms should also disclose information as required by IFRS that is not presented elsewhere in the financial statements but is relevant to an understanding by the users of the financial statements.

Auditor's Role

Firms are required to appoint an auditor to conduct an audit of its financial statements (GEN Rule 8.6.1). For a Domestic Firm, the auditor must be registered with the DFSA as a Registered Auditor. Please note that an auditor cannot conduct an audit if that auditor is already involved in the preparation of accounting records or financial statements (see Article 99A(2)(c) and AUD Rule 5.2.1(c)).

Submission

Firms should submit audited financial statements electronically via email to AuditReports@dfsa.ae within four (4) months of its financial year-end. This email address has a limit of 10MB, per email. Firms are advised to take note of this limit when sending audit reports electronically.

Should you have any queries regarding the submission of audited financial statements please contact your relationship manager or use the [DFSA Supervised Firm Contact Form](#) (as applicable).

Yours sincerely,



Bryan Stirewalt
Managing Director, Supervision