

2014 ANNUAL REPORT



LIPS

Emirates Pilots
Loss of Income Protection

WELCOME TO THE LIPS

2014 ANNUAL REPORT

ABOUT 2014

It was a busy year with some hurdles along the way. EPC, early on in the year, decided to stop salary deductions just before Standard Chartered Bank closed thousands of their small business accounts in the UAE just as we were setting up alternative payment methods. So, thank you all for your patience as we migrated your contribution methods.

We said goodbye to Paulo Pereira who had dedicated 7 years to LIPS. Thank you Paulo, on behalf of the committee and membership for all your hard work. We said hello to five members who joined the committee in 2014, Peter Davis, Darwin Triggs, Joe Pack, Mark Nott and Peter Krygger. It goes without saying your volunteering has not gone unnoticed. Of course, and not to be forgotten, are the dedicated Admin Team who worked tirelessly implementing all the changes throughout the year. A BIG thank you.

The following pages will give you an insight into our membership details, beneficiaries, accounts and finances, along with a view of what may be expected in the financial markets this year.

If you would like to view the complete 2014 Financial Statements, please contact our Admin team via the website support page.

This year will also be another big year as we complete our actuarial study, the rebranding of LIPS and enhanced fully-regulated Trust. Expect to see a lot more on this in the not-too-distant future.

Finally, thank you to you all for your support. LIPS is your organisation and it is you, our membership, who keeps LIPS, a non-profit mutual benefit fund, as the number one choice among the Emirates Pilots for loss of licence cover.

2014 was a demanding year for the administration staff as they recognised the need for additional support to keep members informed of their membership status and the latest news updates at all times. As the number of members increased, so too did the commitment of the administration team to deliver the support services required by the members.

Due to our independence from EPC and the accompanying salary deductions, several alternative methods were set up for members to pay their membership fees and these all needed increased administrative oversight. Remarkably, LIPS membership numbers grew as our loyal Members took the removal of salary deductions in stride, taking immediate action to ensure their membership payments were ongoing, many of them undertaking an annual payment and/or introducing a new Member, each action gaining them the one (1) free month of membership through the ongoing referral program (visit the website for more details on this).

LIPS also had to establish relationships with several banks during the year which was, as anyone who has had to undertake this task in the UAE will agree, a daunting experience.



LIPS recognised that Daniella Williams needed to focus on the Financial Accounts for the growing membership so Nellie Narara was recruited in January 2014 to provide the back office administrative and data management support. Nellie now deals with:

- New member applications
- Attending to administrative related email and phone enquiries
- Entries into the payments schedule.

The LIPS website (www.lipsek.org) was further enhanced by upgraded online services and a revised online application to meet additional requirements from our insurance partners. In addition, we have improved support to our Members with peer- to-peer communications from our dedicated support personnel at Zendesk via the Contact Us page on the website.

The rules of the plan, contact details, payment options and banking details are also all accessible via the website.

Thank you Daniella, Nellie and you, our loyal Members!

One of the key elements driving the Actuarial Analysis was the decision by Emirates to follow the world-wide airline industry and increase pilot retirement age from 60 to 65 years. This has led to the expectation by pilots that their coverage would be adjusted accordingly. Aviation regulators have conducted extensive studies into the medical and disability risks relating to pilots in the age 60-65 range. Their research data has universally confirmed that the health risks for pilots in that age group have significantly lowered in recent years as pilot health and the medical treatments available have improved.

To ensure API took a proactive approach in response to these industry actions so LIPS members continue to receive the best coverage available, an actuarial review was commissioned through Independent Actuarial Consultants (IAC). IAC were appointed to conduct a full actuarial review of the LIPS fund and operation and to provide recommendations on policies and practices that will improve and enhance the performance of the fund. The impact to the fund of increasing the coverage to age 65 was a key part of this review.

The preliminary report of the actuarial review has been received, and on the basis of that report LIPS will announce the increased coverage for members up to age 65. The final IAC actuarial report will be completed after the 2014 financial results and data from the fund have been collated and incorporated by IAC over the next 3 months.

IAC will conduct further reviews in the future to ensure the API fund continues to optimize its performance and the benefits available to all members.

INSURANCE

You're automatically protected in two important ways: Towards protecting you and your loved ones in as many ways as possible as a valued member, your LIPS team is constantly seeking ways to give you extra value every day and to that end, LIPS provides two important benefits to your membership:

YOUR LIFE INSURANCE

LIPS contracts with the Oman Insurance Company (OIC) as the provider for our life insurance. LIPS, through OIC, automatically provides \$100,000 USD life insurance in the event the pilot loses his or her life and \$50,000 USD if the spouse / significant other dies.

This is a wonderful benefit to have, and should give you peace of mind that your loved ones will be well looked after, should a sad loss of life occur.



YOUR AVIATION LEGAL INSURANCE

Another way we sought to add value for you over the past year, is in insuring you for legal expenses, should you be involved in an unfortunate aviation-related event while at work. Many pilots have heard tales of Captains and First Officers having legal difficulties (including court action or worse, in certain countries) following an incident, then having to pay expensive legal fees. LIPS protects you as a crew member, subject to certain conditions, for such aviation-related legal expenses. As a LIPS member, you can feel more secure knowing you're automatically protected for up to \$50,000 USD. Legal expenses covered include; travel for your chosen legal representative to any country, communication costs, legal preparation and attendance at court or regulatory proceedings. The Committee may also approve other court expenses, such as expert testimony.

These two protections, plus the basic LIPS protection, are two more examples of how 100% of your monthly contributions are used to keep you and your families protected, all in a non-profit plan.

INVESTMENT OUTLOOK

The past year was characterized by a large divergence in economic performance between various world regions with strengthening U.S. economic performance offset by weakening economic performance in other regions (predominantly the Eurozone and Japan). This divergence was reflected in U.S. equities outperforming other regional equities with the MSCI ACWI world equity index returning +4.16% for 2014.

An interesting development in 2014 was the strength of the U.S. dollar relative to other major currencies as it appears competitive currency devaluation has become the chosen path for many countries in an attempt to deal with their respective weak economic performance. As the year ended, the strong U.S. dollar performance, combined with a collapse in crude oil prices, left us wondering whether there might be unseen (and yet to be disclosed) dangers lurking as we enter 2015.

It's always a challenge forecasting performance a year out since unforeseen events inevitably factor into the equation. With that said, assuming that there are no major surprises (such as war, economic

crisis, etc.) the most likely scenario is for 2015 to be a year similar to 2014: above-average volatility and below-average returns. As such, we enter 2015 cautious due to the divergence between strengthening economic performance/overvalued equity markets in the U.S. being offset by weakening economic performance/undervalued equity markets in other developed regions. It is our view the large gap between U.S. economic performance and that of other regions (predominantly the Eurozone and Japan) has resulted in mis-pricing in a number of asset classes (interest rates, currencies and commodities) which will lead to increased volatility and the potential for large equity market fluctuations in 2015.

While we expect 2015 to deliver another positive year for both equities and bonds, stretched valuations in both suggest a conservative investment stance is warranted.

Dwayne Malone

BENEFITS CLAIMS

2014 saw the first full year of our association with Harvey Watt & Co. (USA), our medical advisory and advocacy organization. As a result of that association we have substantially streamlined the medical and claim processes.

New rules introduced reinforced the requirement to notify LIPS within thirty days of a suspension of a medical. This helps Harvey Watt and LIPS get you flying again or, if your medical is revoked, helping you with the claim process.

Harvey Watt also produce the "Aviation Medical Bulletin" for the benefit of members to provide pro-active health advice on general health and industry specific issues. Downloadable versions are available on our website.

Three successful claims were made in 2014 and our former colleagues are now moving on with their lives with our support. Eight claims in total are current and four are in the final stages of review by Harvey Watt and the committee.

The growth of LIPS has brought many challenges especially the growth of medically-related administrative tasks. To deal with these challenges the medical team has grown to three committee members which will enhance service levels.

Regards, The Medical Team.
Darwin, Joe and Mark

L.I.P.S LIMITED
STATEMENT OF FINANCIAL PERFORMANCE

UAE DIRHAMS	30/12/2014	30/12/2013	30/12/2012	30/12/2011
ORDINARY ACTIVITIES				
Member Contribution	7,621,871	6,510,125	4,467,205	3,525,980
Interest on bank deposits	7,792	7,558	6,194	8,770
TOTAL REVENUE:	7,629,664	6,517,683	4,473,399	3,534,750
EXPENSES				
Loss of License Benefits Paid	2,505,654	2,401,110	1,375,748	533,250
Death Benefits	184,000	0	55,200	0
Life Insurance Underwriting	898,860	140,998	0	0
Eye Exam Underwriting	21,572	0	0	0
Administration Expenses	268,359	161,915	125,829	97,601
Directors' Insurance	18,301	0	0	0
Committee Expenses	268,359	161,915	125,829	97,601
Legal Expenses	212,493	106,924	79,075	50,576
Marketing Expenses	14,595	3,567	6,500	6,800
IT & Website Expenses	45,512	825	0	4,536
Printing and Stationery	78,346	11,693	12,650	7,325
CC Now nd Paypal Fees	179,201	0	0	0
Depreciation	186	0	0	0
Exchange Rate Gain / Loss	8,189	0	0	0
Less: Net Fair Value Investment Profit	(28,251)	(79,962)	(75,469)	(73,514)
Resignation Refunds - Actual	62,685	111,461	58,699	22,525
Increase 2014 Resignation Refunds Provision	1,376,588	965,812	649,959	585,349
TOTAL EXPENDITURE	6,236,192	4,129,467	2,572,328	1,514,675
NET INCOME FOR THE YEAR	1,393,472	2,388,216	1,901,070	2,020,075
CURRENT ASSETS				
Cash	13,586,516	10,029,642	7,244,093	4,699,287
Investments	4,889,407	4,917,658	4,997,620	5,073,090
Receivables	21,271	549,120	0	0
Prepayments	1,108,972	986,987	0	3,583
Net Fixed Assets	562	0	0	0
TOTAL ASSETS	19,606,728	16,483,407	12,241,714	9,775,959
Current Liabilities				
Accounts Payable	671,292	986,985	0	0
Membership Fees Paid in Advance	811,550	236,605	335,925	421,200
Total Cumulative Resignation Refunds Payable	4,747,417	3,370,829	2,405,017	2,182,258
Other Provisions	100,010	6,000	6,000	6,000
Total Current Liabilities	6,330,269	4,600,419	2,746,942	2,182,258
Total Net Assets (Assets less Liabilities)	13,276,459	11,882,988	9,494,772	7,593,701

FINANCIAL REPORT

With the closure of the 2014 reporting period, the Directors at LIPS are happy to report we have ended the period with a strong positive cash flow. LIPS total assets are valued at AED 19,606,728 which represents an increase of AED 3,123,321 from the previous reporting period. These assets are predominately held in cash such as interest bearing savings and fixed deposit accounts.

The sudden cancellation of EPC salary deduction coupled with the decision by Standard Chartered Bank to close their Small and Medium Enterprise Accounts created a substantial challenge for LIPS to set up a new bank account with Abu Dhabi Islamic Bank and new payment systems for membership contributions with minimal hassle. As a result, the addition of 2 credit card payment options (CCNow and PayPal) were added to the existing options of bank transfers, cheques and cash.

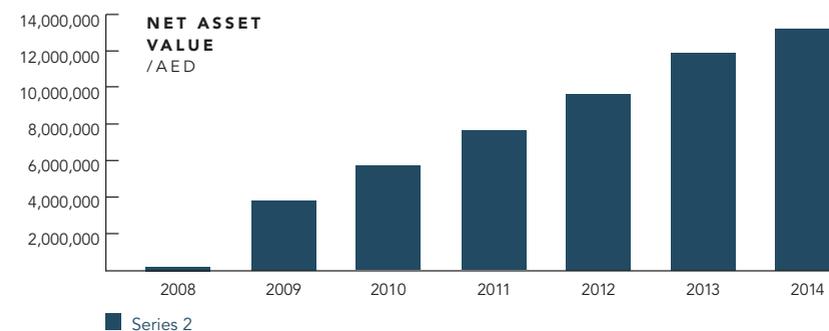
Furthermore in 2014, there was an increase in turnover of AED 1,111,746.16. Expenditures increased to fund the upcoming Aircrew Protection International-enhanced structure. The new structure is

required to protect the members and the fund and this also resulted in a one-time increase in legal fees. These expenditures were viewed as an investment for the plan to ensure its future strength and growth potential. There was also a slight increase in entitlements paid to claimants. On December, 31, 2014, there were 9 claimants receiving monthly benefits.

Due to the increase in number of members and length of duration of memberships within LIPS there was a positive increase in the provision passed for members' resignation payments. As per the LIPS rules, this payment can range between 15% and 30% and is payable to members when they resign from Emirates and the plan.

The LIPS accounts are prepared on an accrual basis of accounting in line with the requirements of the International Accounting Standards Board. This means that the financial report takes into account all assets and liabilities of the scheme regardless of whether cash has exchanged hands.

The Financial Report for 2014 was audited by NUF Chartered Accountants.



MEMBERSHIP

With the 2014 year at an end we enter 2015 and a new chapter in the history of LIPS will soon be announced. Before we move forward we shall glance back into 2014 with a brief update for our membership.

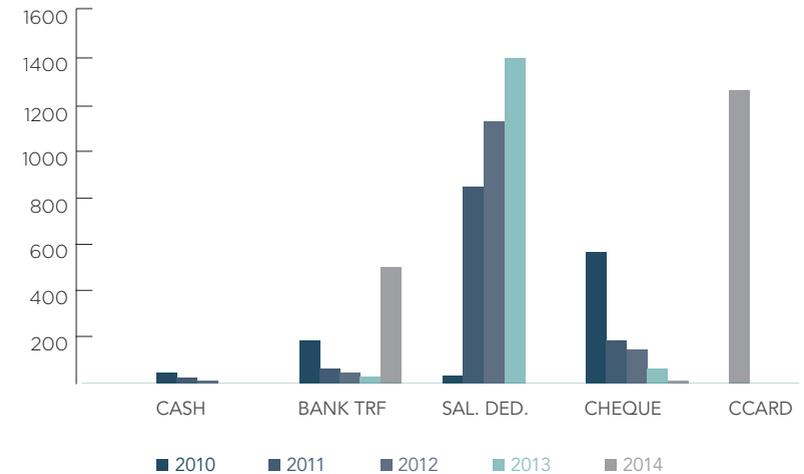
Our Administration team has been working diligently to facilitate the transition from under the EPC payment umbrella to where we are now fully independent and capable of accepting multiple payment platforms. This workflow has not always been smooth but due to the hard work and committed efforts of the team we have rounded the corner to brighter skies ahead.

Given the strength of our product and one that is truly designed by Emirates Pilots for Emirates Pilots we continue to see strong growth in our ranks. To date we have 1788 members registered and approximately 15 new joiners per month. In 2014 we did, unfortunately, lose a few members as a result of the loss of automatic salary deduction, however they are now returning to the family and we welcome them back.

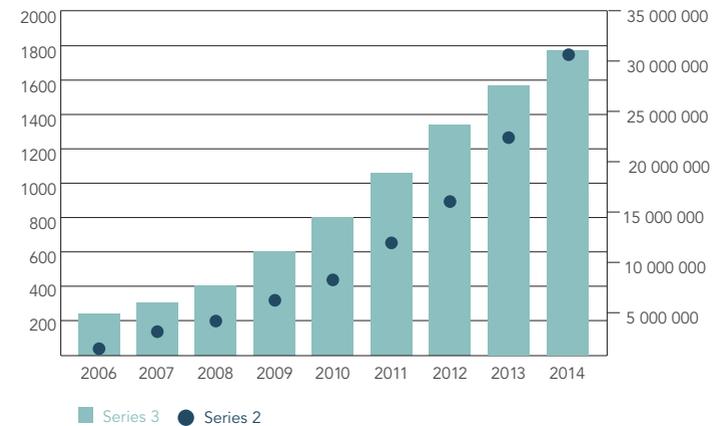
It is your promotion of our product that has contributed to our growth. As a reminder, any member who brings a new joiner into the plan will receive one month's free membership for their support. This has been our best form of promotion to date and as a collective group we appreciate your efforts.

LIPS remains a non-profit mutual benefit fund managed by your colleagues. The Committee strives to provide you with the best possible care and ensure you are protected when you need us most. This is only possible with your unwavering support and belief in the product we facilitate and, for this, we thank you. As always, this is your plan and any support or ideas are most welcome.

LIPS MEMBER PAYMENT METHODS /2010, 2011, 2012, 2013 & 2014

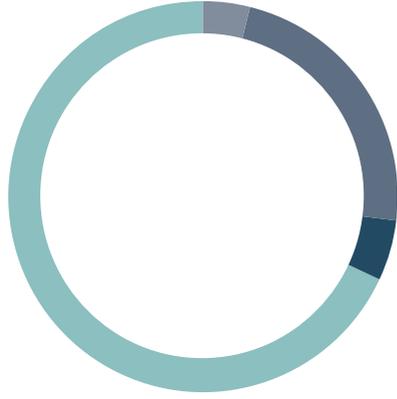


LIPS YEAR ON YEAR INCOME GROWTH TO MEMBERSHIP NUMBERS /2013



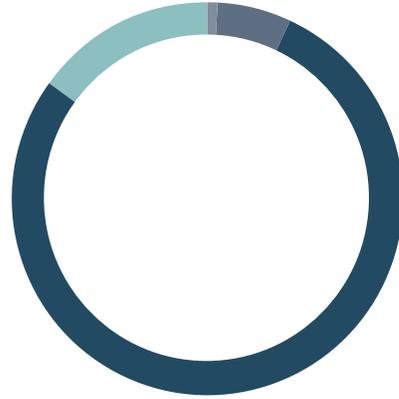
MEMBERSHIP PAYMENTS

LIPS MEMBER PAYMENT METHODS
/AS AT 31st DEC 2010



- CASH
- BANK TFR
- SAL. DED.
- CHEQUE

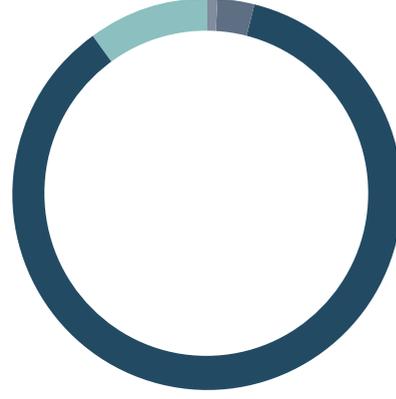
LIPS MEMBER PAYMENT METHODS
/AS AT 31st DEC 2011



- CASH
- BANK TFR
- SAL. DED.
- CHEQUE

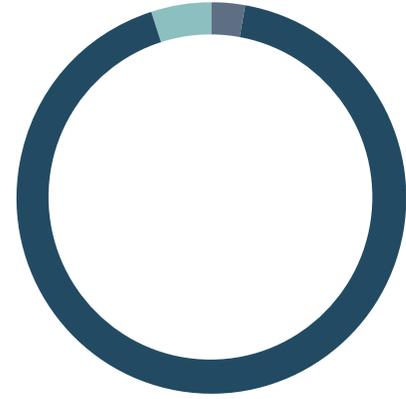
MEMBERSHIP PAYMENTS

LIPS MEMBER PAYMENT METHODS
/AS AT 31st DEC 2012



- CASH
- BANK TFR
- SAL. DED.
- CHEQUE

LIPS MEMBER PAYMENT METHODS
/AS AT 31st DEC 2013



- CASH
- BANK TFR
- SAL. DED.
- CHEQUE



MEMBERSHIP PAYMENTS

LIPS MEMBER PAYMENT METHODS
/AS AT 31st DEC 2014



- CASH
- BANK TFR
- SAL. DED.
- CHEQUE
- C CARD



Garrie Don



Roger Hall



Peter Davis



Darwin Triggs



Dwayne Malone



Peter Krygger



Joe Pack



Mark Nott



Daniella Williams



Sue-Sharyn Ward



Nellie Narara

CONTACTS

NOTE: Neither Emirates (including any department of Emirates) nor any officer of Emirates acting in his capacity as such officer has any connection with or responsibility for LIPS (Loss of Income Protection Scheme) or for any company involved in LIPS or for any representation of fact or suggestion as to future fact or future results, contained in or referred to in any document of any nature whatsoever prepared by or on behalf of LIPS or any company involved in LIPS.



LIPS

Emirates Pilots
Loss of Income Protection