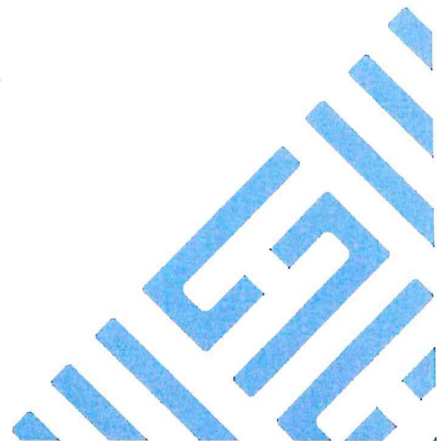


**STATE LIFE INSURANCE CORPORATION  
OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2021**



**STATE LIFE INSURANCE CORPORATION OF  
PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES**

**INDEX TO THE FINANCIAL STATEMENTS  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF  
STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of State Life Insurance Corporation of Pakistan – UAE Branches (the “Branch”), which comprise the statement of financial position as at 31 December 2021, income statement, statement of comprehensive income, statement of changes in head office account and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Branch as at 31 December 2021, 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 Branch in accordance with the 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 Those Charged with Governance 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 Branch’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 Branch or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Branch’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.

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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 Branch'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 Branch'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 Branch 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 management 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.

#### **Other Matter**

The financial statements of the Branch for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 15 April 2021.

#### **Report on the regulatory requirements**

In our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Federal Law No. 6 of 2007, as amended. We have obtained all information and explanations which are necessary for the purpose of the audit and to the best of our knowledge and belief no violation of the UAE Federal Law No. 6 of 2007, as amended, came to our attention which would materially affect the Branch's financial position.

**Sajjad Haider & Co.**  
**Chartered Accountants**




**Signed by:**  
Shahab Haider  
Registration No. 406  
28 April 2022  
Dubai, United Arab Emirates

STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

STATEMENT OF FINANCIAL POSITION  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
AS AT 31 DECEMBER 2021

ASSETS	Notes	31 December	31 December
		2021	2020
		AED '000	AED '000
Property and equipment	3	47	68
Statutory deposits	4	4,000	4,000
Loans guaranteed by life insurance policies	5	13,534	15,349
Investments at amortised cost	6	272,375	260,823
Premiums and insurance balance receivables	7	6,425	7,014
Reinsurer's share of technical reserve	13	2,984	3,212
Reinsurance receivable		-	132
Accrued investment income		7,697	6,550
Other receivables and prepayments	8	587	590
Cash and cash equivalents	9	263,432	258,919
<b>Total assets</b>		<b>571,081</b>	<b>556,657</b>
<b>EQUITY AND LIABILITIES</b>			
Head office account		247,876	239,641
<b>Total equity</b>		<b>247,876</b>	<b>239,641</b>
<b>Liabilities</b>			
Retirement benefit obligation	10	609	620
Accounts payable and other liabilities	11	3,440	3,704
Reinsurance payable		151	-
Reinsurance risk reserve	12	6	3
		<b>4,206</b>	<b>4,327</b>
<b>Insurance liabilities</b>			
Insurance contract liabilities		5,384	11,426
Premiums received in advance		3,262	3,053
		<b>8,646</b>	<b>14,479</b>
<b>Technical provision</b>			
Unearned premium reserve		909	979
Claims under settlement reserve		40	44
Claims incurred but not reported reserve		348	386
Mathematical reserve		277,255	270,332
Policy holders' surplus		31,801	26,469
<b>Total technical provision</b>	13	<b>310,353</b>	<b>298,210</b>
<b>Total liabilities</b>		<b>323,205</b>	<b>317,016</b>
<b>Total equity and liabilities</b>		<b>571,081</b>	<b>556,657</b>

The accompanying notes on pages 8 to 22 form an integral part of these financial statements.

  
Abdul Manan Shaikh  
Zonal Chief



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

INCOME STATEMENT  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December 2021	(Restated)* Year ended 31 December 2020
	Notes	AED'000	AED'000
Gross written premium		35,648	37,241
Reinsurance premium ceded		(555)	(558)
Net premium		35,093	36,683
Transfer to unearned premium reserve		34	(164)
<b>Net premium earned</b>		<b>35,127</b>	<b>36,519</b>
Reinsurance commission earned		263	223
Less: commission incurred		(3,601)	(5,455)
<b>Gross underwriting income</b>		<b>31,789</b>	<b>31,287</b>
Gross claims paid		28,574	27,508
Reinsurance share of insurance claims		-	(324)
<b>Net claims paid</b>		<b>28,574</b>	<b>27,184</b>
Change in net outstanding loss reserves		(3)	44
Change in net claims incurred but not reported (IBNR)		(38)	(26)
Change in mathematical reserves		7,114	14,341
<b>Net claims incurred</b>		<b>35,647</b>	<b>41,543</b>
<b>Net underwriting income</b>		<b>(3,858)</b>	<b>(10,256)</b>
Income from investment activities	14	13,033	12,209
Other income		144	242
<b>Total income</b>		<b>9,319</b>	<b>2,195</b>
General expenses	15	(3,183)	(2,922)
Taxes, license and fees		(469)	(414)
Value added taxes		(54)	(53)
<b>Net profit / (loss) for the year</b>		<b>5,613</b>	<b>(1,194)</b>

The accompanying notes on pages 8 to 22 form an integral part of these interim financial statements.



Abdul Manan Shaikh  
Zonal Chief



\* An explanation of the restatement is set out in note 16 to these financial statements.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

STATEMENT OF COMPREHENSIVE INCOME  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	For the year ended 31 December 2021	*(Restated) For the year ended 31 December 2020
Note	AED'000	AED'000
Net profit / (loss) for the year	5,613	(1,194)
Policy holders' funds beginning	298,210	284,894
Change in gross technical provision	6,811	14,604
	<u>310,634</u>	<u>298,304</u>
Head office share in surplus	(281)	(94)
Policy holders' funds end	13 <u>310,353</u>	<u>298,210</u>

The accompanying notes on pages 8 to 22 form an integral part of these financial statements.



Abdul Manan Shaikh  
Zonal Chief



\* An explanation of the restatement is set out in note 16 to these financial statements.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	<b>Head office balances <u>AED'000</u></b>
Balance at 1 January 2020	238,463
Head office share in surplus	94
Movement during the year	<u>1,084</u>
<b>Balance at 31 December 2020</b>	<b>239,641</b>
Head office share in surplus	<u>281</u>
Movement during the year	<u>7,954</u>
<b>Balance at 31 December 2021</b>	<b><u>247,876</u></b>

The accompanying notes on pages 8 to 22 form an integral part of these financial statements.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

STATEMENT OF CASH FLOWS  
FOR INSURANCE OF PERSONS AND FUND ACCUMULATION OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	For the year ended 31 December 2021 <u>AED'000</u>	For the year ended 31 December 2020 <u>AED'000</u>
Net profit / (loss) for the year	5,613	(1,194)
Adjustments for:		
Depreciation	22	44
Provision for staff gratuity	51	54
Head office share in surplus	(281)	(94)
Increase in reinsurance risk reserve	3	3
	5,408	(1,187)
<b>Cash flow from operating activities</b>		
(Increase) / decrease in insurance and other receivables	(423)	723
Decrease / (increase) in reinsurance share of technical reserve	228	(81)
(Decrease) / increase in insurance and other payables	(6,097)	5,693
Increase in technical provision	6,811	14,604
Increase in reinsurance payable	151	-
Retirement benefits obligation paid during the period	(62)	-
	6,016	19,752
<b>Net cash provided by operating activities</b>		
<b>Cash flow from investing activities</b>		
Increase in financial investments – net	(11,552)	(28,904)
Increase in loans to policy holders	1,815	1,140
Purchase of property and equipment	(1)	(4)
	(9,738)	(27,768)
<b>Net cash utilised by investing activities</b>		
<b>Cash flow from financing activities</b>		
Increase in head office balances	8,235	1,178
	8,235	1,178
<b>Net cash provided by financing activities</b>		
Net increase / (decrease) in cash and cash equivalents	4,513	(6,838)
Cash and cash equivalents at beginning of the year	258,919	265,757
	263,432	258,919
<b>Cash and cash equivalents as the end of the year (note 9)</b>		

The accompanying notes on pages 8 to 22 form an integral part of these financial statements.

\* An explanation of the restatement is set out in note 16 to these financial statements.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The State Life Insurance Corporation of Pakistan (the "Corporation") was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in the United Arab Emirates (UAE) with 3 branches in Dubai, Abu Dhabi and Sharjah. Its zonal office is located at Dubai (UAE).

The Corporation's UAE branches underwrite life assurance policies in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to insurance companies and insurance agents.

The UAE regional office address of the Corporation is Sheikh Saeed Bin Saqr Al Qasbi Building, Muraqbat Road, P.O. Box 11278, Dubai, UAE.

The total number of staff employed by the Branches as at 31 December 2021 was 35 (2020: 36).

*Coronavirus (COVID-19) outbreak and its impact on the UAE Branches*

With the recent and rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Management has considered the unique circumstances and the risk exposures of the Branches that could have a material impact on the business operations and has concluded that the main impacts on the Branches' profitability/ liquidity position may arise from:

- recoverability of premium and insurance balances receivable,
- fair value measurement of financial instruments,
- provision for outstanding claims and claims incurred but not reported, and
- reduction in gross premium due to non-renewal of policies.

Based on the above consideration, management has concluded that there is no significant impact on the Branches' profitability position as at reporting date.

The Branch has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Zonal Chief, who is satisfied that the Branches will continue to operate as a going concern. Accordingly, this condensed interim financial information has been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and applicable requirements of U.A.E. Federal Law No.6 of 2007 regarding Establishment of the Insurance Authority and Organization of its Operations & Executive Regulations of 2010 and U.A.E. Federal Law No.2 of 2015.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to in all the years presented.

**2.2 Basis of preparation**

The financial statements are presented in UAE Dirhams (AED). These are prepared on the historical cost basis except for available-for-sale financial assets which are stated at fair value. Held-to-maturity investments are stated at amortized cost.

**2.3 Revenue**

**Premiums**

The initial premium is recognized when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Branch under the Automatic Non-Forfeiture provisions.

However, premiums due in the month of September but not received by 31<sup>st</sup> December are recognized if the grace period is to expire after the next 1<sup>st</sup> January.

Ceded reinsurance premiums are accounted for in the same accounting periods as the premiums for the related direct insurance and are calculated in accordance with reinsurance arrangements in place during the year.

**Interest income**

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable.

**Dividend income**

Dividend income from investment is recognized when the shareholders' right to receive payment has been established.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Claims

**Claims paid**

Claims paid during the period are charged against income on the basis of actual settlements made.

**Outstanding claims**

On an on-going basis, provisions are made for all known and reported claims, including handling costs, for all classes of business which have not been paid as at the period end date and are stated gross with the reinsurance portion being shown separately under current assets.

**Unreported losses**

Provision for unreported claims (incurred but not reported) is established based on actuarial analysis and application of management's judgment having regard to the range of uncertainty as to the eventual outcome for each category of business and the Branch's prior experience. This provision is reviewed at the end of each reporting period.

**Claims liability arising from insurance contracts**

Estimates have to be made both for the expected ultimate cost of claims reported at the end of reporting period and for the expected ultimate cost of claims arising from the life policies underwritten by the Branch (Mathematical reserve) at the end of each reporting period. The primary technique adopted by management in estimating the liabilities of long-term life business is based on actuarial valuations of individual life policies by assuming multiple risks like mortality, investment, credit and settlement trends.

At each reporting date, claims estimates are reassessed for adequacy and changes are made to the reserve.

2.5 Financial instruments

**Classification**

A financial instrument is any contract that gives rise to both a financial asset for the Branch and a financial liability or equity instrument of another party. All assets and liabilities in the statement of financial position are financial instruments except investment property, property and equipment, employees' end of service benefits and shareholders' equity.

Financial instruments are categorized as follows:

- Investments in equity instruments are classified at Fair value through profit and loss (FVTPL), unless the Branch designates an investment that is not held for trading as at Fair value through other comprehensive income (FVTOCI) on initial recognition.
- Originated loans and receivables are loans and receivables created by the Branch by providing money and services to debtors. Originated loans and receivables comprise trade receivables, due from related parties, recoverable from other insurers and policy holders' loans.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification (continued)

- Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Branch has the intent and ability to hold to maturity. These include certain debts and equity investments.

**Recognition**

The Branch recognizes available-for-sale financial assets on the date it commits to purchase of assets. From this date any gains and losses arising from changes in fair value of the assets are recognized in equity.

Originated loans and receivables are recognized on the day they are delivered to the counter party.

**Measurement**

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all assets with the exception of held-to-maturity and loans and receivables are measured at fair value.

Held-to-maturity assets and loans and receivables are measured at amortized costs less impairment losses. Amortized cost is calculated on the effective interest rate method. Discounting is omitted if immaterial.

**Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price as at the period end date without any deduction for transaction costs.

**Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognized in the statement of other comprehensive income.

**Derecognition**

A financial asset is derecognized when the Branch loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expired or surrendered. A financial liability is derecognized when it is extinguished. The Branch uses the specific identification method to determine the gains or losses on de-recognition.

**Financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss. Discounting is omitted if immaterial.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial Investments

**Held-to-maturity**

Held-to-maturity investments, which are debt investments with fixed payments and maturity that the Branch has the intent and ability to hold to maturity are stated at amortized historical cost less impairment losses.

**Fair value through profit and loss**

Fair value through profit and loss investments are equity and debt investments that are held for trading. Movements in the fair value are recognized in profit or loss.

**Fair value through other comprehensive income**

Fair value through other comprehensive income investments are equity and debt investments that are not held for trading. Movements in the fair value are recognized in other comprehensive income.

2.7 Insurance and other receivables

Insurance and other receivables are stated at their cost less provision for doubtful debts, which approximates their fair value.

2.8 Insurance and other payables

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed or not to the Branch. Insurance and other payables are stated at their cost which approximates to their fair value.

2.9 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets.

	<u>Years</u>
Furniture and fixtures	10
Office equipment	10
Motor vehicles	5
Computer equipment	3 1/3



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment losses

The carrying amount of the Branch's assets is reviewed at each year end date or whenever there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

**Calculation of recoverable amount**

The recoverable amount of the Branch's investments in held-to-maturity securities and receivables, if significant, is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits under lieu, call deposits, current accounts and short-term deposits balances with original maturities of twelve months or less. Bank overdrafts that are repayable on demand and form an integral part of the Branch's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

2.12 Retirement benefit obligation

In compliance with U.A.E. Labour Law, the Branch has a termination retirement benefit scheme covering all of its non-national employees who have been with the Branch for more than one year. The provision for staff terminal benefits is based on the liability that would arise if the employment of all the employees was terminated as at the year-end date.

UAE national employees of the branches are members of the Government-managed retirement pension and social security benefit scheme pursuant to UAE Labour Law No. 7 of 1999. The branches are required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the branches with respect to retirement pension and social security scheme is to make the specified contributions. The contributions are charged to income statement.

2.13 Foreign currency transactions

Transactions in foreign currencies are translated to U.A.E. Dirhams at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the period-end date are translated to U.A.E. Dirhams at the foreign exchange rate ruling as at that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to U.A.E. Dirhams at the foreign exchange rate ruling at the date of the transaction.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.14 Operating lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expenses.

**2.15 Provisions**

A provision is recognized in the statement of financial position when the Branch has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected cash flows at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**2.16 Critical accounting estimates and judgements**

The Branch makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made, claims incurred but not reported and unearned premium under insurance contracts are the Branch's most critical accounting estimates. There are several sources of the uncertainty that need to be considered in the estimate of the liability that the Branch will ultimately pay for such estimates. The Branch estimates for reported and unreported losses and establishing resulting provisions and related reinsurance recoverable is continually reviewed and updated, and adjustments resulting from this review are reflected in statement of comprehensive income. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Management reviews the useful lives and impairment of depreciable assets at each reporting date, based on the expected utility of the assets to the Branch.



STATE LIFE INSURANCE CORPORATION OF PAKISTAN - UAE BRANCHES  
DUBAI, UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3 PROPERTY AND EQUIPMENT	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
<b>Cost</b>					
As at 1 January 2021	354	121	197	257	929
Additions during the year	-	-	-	1	1
<b>As at 31 December 2021</b>	<b>354</b>	<b>121</b>	<b>197</b>	<b>258</b>	<b>930</b>
<b>Accumulated Depreciation</b>					
As at 1 January 2021	323	98	193	247	861
Charge for the year	5	7	4	6	22
<b>As at 31 December 2021</b>	<b>328</b>	<b>105</b>	<b>197</b>	<b>253</b>	<b>883</b>
<b>Net carrying amount</b>					
As at 31 December 2021	26	16	-	5	47
As at 31 December 2020	31	23	4	10	68

4 STATUTORY DEPOSITS

A deposit of AED 4,000,000 (2020: AED 4,000,000) bearing interest rate of 2.35% per annum has been placed with one of the branches' bankers, in accordance with Article 42 of Federal Law No. (6) Of 2007 relating to insurance companies. This deposit has been pledged to the bank as security against a guarantee issued by the Bank in favor of the Insurance Authority of UAE for the same amount. This deposit cannot be withdrawn without prior approval of the Insurance Authority of UAE.



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5 LOANS GUARANTEED BY LIFE INSURANCE POLICIES	31 December 2021 AED'000	31 December 2020 AED'000
Cash loans	8,105	9,285
Automatic non-forfeiture provisions	5,429	6,064
<b>Closing balance</b>	<b>13,534</b>	<b>15,349</b>

The interest on policy holder's loan is 8% (2020: 8%).

6 INVESTMENTS AT AMORTISED COST

Investment at amortized cost

UAE Government Bonds	81,035	80,768
Bonds issued by other A rated countries	2,995	2,996
<b>Government debt securities</b>	<b>84,030</b>	<b>83,764</b>
Pakistan Government Bonds – B rated	188,345	177,059
	<b>272,375</b>	<b>260,823</b>

The bonds are valued at amortized cost and preference shares are valued at market value prevailing at the reporting date.

7 PREMIUMS AND INSURANCE BALANCE RECEIVABLES	31 December 2021 AED'000	31 December 2020 AED'000
Premium receivable – inside UAE	6,425	7,014
Between 30 – 90 days	6,425	7,014

8 OTHER RECEIVABLES AND PREPAYMENTS

Receivable from employees	200	201
Security deposits	69	90
Prepayments	318	299
	<b>587</b>	<b>590</b>



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9 CASH AND CASH EQUIVALENTS	31 December 2021 <u>AED'000</u>	31 December 2020 <u>AED'000</u>
Cash at banks	96,412	5,880
Fixed deposits	167,020	253,039
	<u>263,432</u>	<u>258,919</u>

As at year end 31 December 2021, short term deposits comprise of fixed deposits with various local banks bearing annual interest rate of between 1.50% - 2.75%. The maturity of these deposits falls within one year.

10 RETIREMENT BENEFIT OBLIGATION

The movement in this account during the period was as follows:

	31 December 2021 <u>AED'000</u>	31 December 2020 <u>AED'000</u>
Balance as at 1 January	620	566
Charge for the period	51	54
Payments during the period	(62)	-
Closing balance	<u>609</u>	<u>620</u>

11 ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accrued expenses	1,053	994
Amount due to agents	1,482	1,816
Other payable	905	894
	<u>3,440</u>	<u>3,704</u>

12 REINSURANCE RISK RESERVE

In accordance with Article 34 of Insurance Authority's Board of Directors Decisions No. (23) of 2019, the Branches allocated an amount equal to 0.5% (five per thousand) of total reinsurance premiums ceded to reinsurance reserve.

This reserve is accumulated year after year and may not be disposed of without the written approval of the Director General of the Insurance Authority.



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13	POLICYHOLDERS' FUNDS	31 December 2021 <u>AED'000</u>	31 December 2020 <u>AED'000</u>
		310,353	298,210

The policy holders' funds represent amount set aside to meet the aggregate amount of the liabilities of the Branch in relation to its long-term (life) business as at 31 December 2021.

The Branch's consulting actuary during the year was Mr. Shujaat Siddiqui. The liability arising out of the actuarial valuation of individual life policies and surplus was determined by him.

The policy holders, funds comprised of the following technical provisions:

	31 December 2021 <u>AED' 000</u>	31 December 2020 <u>AED' 000</u>
Unearned premium reserve (UPR)	909	979
Claims under settlement reserve (OSLR)	40	44
Claims incurred but not reported (IBNR)	348	386
Mathematical reserve	<u>277,255</u>	<u>270,332</u>
	278,552	271,741
Policyholders' surplus	<u>31,801</u>	<u>26,469</u>
	310,353	298,210
Less: reinsurance share	<u>(2,984)</u>	<u>(3,212)</u>
<b>Net Policyholders' funds</b>	<b><u>307,369</u></b>	<b><u>294,998</u></b>

	Year ended 31 December 2021 <u>AED'000</u>	Year ended 31 December 2020 <u>AED'000</u>
14	INCOME FROM INVESTMENT ACTIVITIES	
Interest on bank deposits	6,131	6,415
Interest on Gov. securities & other bonds	17,241	16,238
Interest on policy loans	682	750
Interest on late payment of premium	461	414
Amortisation and other adjustments	(966)	(737)
Net realized gain on investment	-	44
	<u>23,549</u>	<u>23,124</u>
Less: Allocation of income to other Gulf Countries	<u>(10,516)</u>	<u>(10,915)</u>
	<b><u>13,033</u></b>	<b><u>12,209</u></b>



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15 GENERAL EXPENSES

	Year ended 31 December 2021 <u>AED'000</u>	Year ended 31 December 2020 <u>AED'000</u>
Staff salaries	2,495	2,487
Employee benefits and welfare	197	59
Insurance expenses	108	151
Traveling expenses	64	63
Communication expenses	110	125
Printing and stationery	13	10
Computer equipment and software	1	1
Other professional and legal charges	458	313
Rent and rates expenses	360	433
Advertisement expenses	30	39
Depreciation expense	23	44
Retirement benefit obligation expense	51	54
Exchange loss	33	16
Head office expenses	171	206
All other expenses	146	143
	<u>4,260</u>	<u>4,144</u>
Less: management expenses allocated to other gulf countries	(1,077)	(1,222)
	<u>3,183</u>	<u>2,922</u>

16 RESTATEMENT

In the prior year, the Branch had included excess bonus and rebates for insurance policyholders in their income statement. The comparative figures are restated to correct the excess bonus expense recorded. The impact of this has been effected in the income statement, statement of comprehensive and the statement of cash flows. The effect of this is summarised below:

	As previously reported 31 December 2020 <u>AED '000</u>	Restatement <u>AED '000</u>	Restated 31 December 2020 <u>AED '000</u>
<i>Income Statement</i>			
Bonus and rebates	(4,918)	4,918	-
Loss for the year	<u>(6,112)</u>	<u>4,918</u>	<u>(1,194)</u>
<i>Comprehensive Income Statement</i>			
Bonus to policy holders	<u>4,918</u>	<u>(4,918)</u>	<u>-</u>



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17 FINANCIAL INSTRUMENTS

The financial assets of the branches include cash at bank and in hand, trade receivables, due from other insurers and investments held to maturity and available for sale. Financial liabilities include trade payables, due to other insurers, and policy holders' liabilities.

**Credit risk**

The Branch's underwriting activities are carried out in the US Dollar and United Arab Emirates (AED). Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers.

Credit risk with respect to reinsurers is mitigated by placement only with those companies having an acceptable rating. Credit risk with respect to policyholders' loans is limited as these are secured by the cash value of the policies.

**Managing reinsurance risk**

The Branch carries reinsurance cover to minimize exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Branch from its obligations to policyholders. The branches do not have any borrowings from the bank.

**Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The branches are exposed to market risk with respect to its investments in quoted and unquoted shares. The branches limit market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the branches actively monitor the key factors that affect stock movements, including analysis of the operational and financial performance of investees.

**Fair value**

The fair value of the branch's financial instruments, except for short-term investments and policyholders' funds, approximates their carrying amounts. Short-term investments are stated at market value, with any resultant gain or loss recognized in the income statement. The fair value of policyholders' liabilities has been determined by the consulting actuaries.

**Liquidity risk**

Liquidity risk is the risk that the branches face in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of assets over liabilities, and hence, to the adequacy of the Branch's capital. The Branch manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



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17 FINANCIAL INSTRUMENTS (CONTINUED)

Exchange risk

A major portion of the Branch's branches liabilities associated with conventional life policies are denominated in US Dollars whereas the major portion of its assets are denominated in UAE Dirhams. This creates a risk for the Branch due to the guaranteed nature of the conventional life policies where the liabilities are guaranteed in US Dollars but the assets backing the liabilities are mostly denominated in UAE Dirhams. However, since the Dirham is pegged to US\$, the exchange risk is minimal. Moreover, the Branch has foreign currency deposits with banks which are insignificant in terms of amount and hence exchange risk related to these deposits is minimal.

18 CONTINGENT LIABILITIES	31 December 2021 <u>AED'000</u>	31 December 2020 <u>AED'000</u>
Financial guarantee	<u>4,350</u>	<u>4,350</u>

19 GENERAL

Figures are rounded off to nearest thousands of AED.

20 SUBSEQUENT EVENTS

There were no adjusting or non-adjusting events at the period end to report.

21 VALUE ADDED TAX (VAT)

UAE Government has introduced 5% value added tax with effect from 1 January 2018. However, life insurance premium is under exempted category.

22 CAPITAL RISK MANAGEMENT

The Solvency Regulations prescribed under the UAE Insurance laws and Insurance Authority Regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year. The Branches are subject to solvency regulations which it has complied with during the year. The Branches have incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.



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22 CAPITAL RISK MANAGEMENT (CONTINUED)

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Branches and the total capital held to meet these required Solvency Margins.

	31 December 2021 <u>AED'000</u>	31 December 2020 <u>AED'000</u>
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	61,370	57,688
Minimum Guarantee Fund (MGF)	20,457	19,229
Basic own funds	123,707	119,616
<b>MCR Solvency Margin - Minimum Capital Requirement (Surplus/Deficit)</b>	<b>23,707</b>	<b>19,616</b>
<b>SCR Solvency Margin Solvency Capital Requirement (Surplus/Deficit)</b>	<b>62,337</b>	<b>61,927</b>
<b>Minimum Guaranteed Fund Solvency Margin (Surplus/Deficit)</b>	<b>103,250</b>	<b>100,386</b>

The above table shows that for the year ended 31 December 2021, all solvency requirements are being met in accordance with the applicable UAE Insurance laws and regulations.

