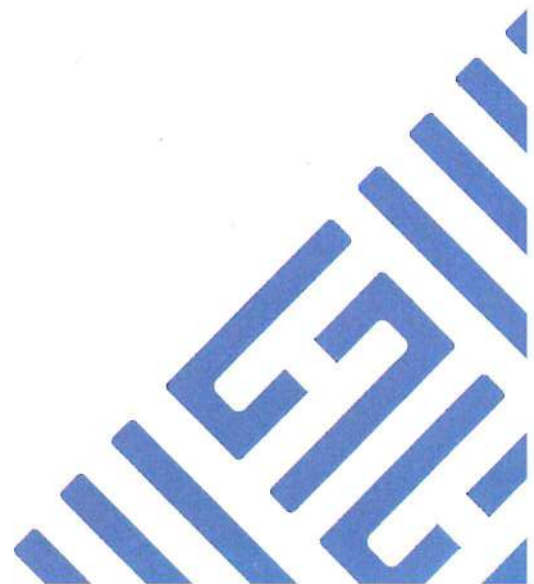


**STATE LIFE INSURANCE CORPORATION
OF PAKISTAN - UAE BRANCHES
DUBAI, UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2024**



**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 THAT ENDED 31 DECEMBER 2024**

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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 2024, 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 material 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 2024, 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 the 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.

Emphasis of Matter

Without qualifying our opinion, we would like to draw attention to note 3 which refers to the Branch’s use of movements in carrying value of underlying items for applying variable fee approach under IFRS 17.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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. 32 of 2021 and Federal Law number 48 of 2023, as amended, and Financial Regulations for Insurance Companies 2014. 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 these applicable laws, 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 March 2025
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 OF 31 DECEMBER 2024**

ASSETS	Notes	31 December 2024 AED '000	31 December 2023 AED '000
Property and equipment	4	53	32
Statutory deposits	5	4,000	4,000
Loans guaranteed by life insurance policies	6	18,578	17,546
Investment assets held at amortized cost	7	481,393	420,373
Investments carried at fair value through profit & loss	7.1	23,452	-
Insurance contract assets	8	1,700	839
Reinsurance contract assets	8	196	131
Accrued investment income		10,091	15,038
Other receivables and prepayments		456	428
Cash and cash equivalents	9	106,537	162,903
Total assets		646,456	621,290
EQUITY AND LIABILITIES			
Head office account		250,886	254,296
Total equity		250,886	254,296
Liabilities			
Retirement benefit obligation	10	737	619
Accounts payable and other liabilities	11	2,578	2,412
Reinsurance risk reserve	12	14	11
		3,329	3,042
Insurance liabilities			
Insurance contract liabilities	8	391,596	363,343
Reinsurance contract liabilities	8	645	609
		392,241	363,952
Total equity and liabilities		646,456	621,290

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.

These Financial statements were approved on 28 March 2025 by



Anjum Rashid
Zonal Chief



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 2024

	<u>Notes</u>	<u>For the year ended 31 December 2024 AED'000</u>	<u>For the year ended 31 December 2023 AED'000</u>
Insurance revenue	8	34,306	30,596
Insurance service expenses	8	(32,010)	(29,133)
Insurance service results before reinsurance contracts held		<u>2,296</u>	<u>1,463</u>
Net expenses from reinsurance contracts held	8	(203)	(260)
Insurance service result		<u>2,093</u>	<u>1,203</u>
Insurance finance expenses	8	(20,313)	(25,083)
Insurance finance results before reinsurance contracts held		<u>(20,313)</u>	<u>(25,083)</u>
Income from investing activities	14	19,800	24,677
Other income		324	1,001
Total income		<u>1,904</u>	<u>1,798</u>
General expenses	13	(732)	(501)
Taxes, licenses, and fees		(574)	(515)
Value added tax		(54)	(57)
Total non-directly attributable expenses		<u>(1,360)</u>	<u>(1,073)</u>
Net profit for the year before tax		<u>544</u>	<u>725</u>
Corporate Tax		(15)	-
Net profit for the year after tax		<u>529</u>	<u>725</u>

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.

These Financial statements were approved on 28 March 2025 by



Anjum Rashid
Zonal Chief



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 2024

AED'000

HEAD OFFICE

Balance at 1 January 2023	251,397
Head office share in surplus	492
Movement during the year	<u>2,407</u>
Balance at 31 December 2023	254,296
Head office share in surplus	456
Movement during the year	(3,866)
Balance at 31 December 2024	<u><u>250,886</u></u>

The accompanying notes on pages 7 to 31 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 2024

	For the year ended 31 December 2024 <u>AED'000</u>	For the year ended 31 December 2023 <u>AED'000</u>
Net profit for the year	529	725
Adjustments for:		
Depreciation	11	12
Net movement in Gratuity	117	(39)
Head office share is surplus	(456)	(492)
Increase in reinsurance risk reserve	3	3
	<u>204</u>	<u>316</u>
Cash flow from operating activities		
(Increase) /Decrease in other receivables and prepayments	(28)	13
Decrease /(Increase) in accrued investment income	4,947	(5,914)
Decrease in accounts and other payables	166	(540)
Changes in insurance and reinsurance contract assets / liabilities	27,291	29,327
	<u>32,580</u>	<u>23,095</u>
Net cash provided by operating activities		
Cash flow from investing activities		
Increase in financial investments – net	(84,472)	(7,858)
Increase in loans to policyholders	(1,032)	(266)
Purchase of property and equipment	(32)	(7)
	<u>(85,536)</u>	<u>(8,131)</u>
Net cash utilized by investing activities		
Cash flow from financing activities		
Increase in head office balances	(3,410)	2,899
	<u>(3,410)</u>	<u>2,899</u>
Net cash provided by financing activities		
Net increase / (decrease) in cash and bank	(56,366)	17,863
Cash and cash equivalents at the beginning of the year	<u>162,903</u>	<u>145,040</u>
Cash and cash equivalents at the end of the year (note 9)	<u>106,537</u>	<u>162,903</u>

The accompanying notes on pages 7 to 31 form an integral part of 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 2024 (CONTINUED)**

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 (the “Branch”) 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 Qasmi Building, Salah Al Din Road, P.O. Box 11278, Dubai, UAE.

The total number of staff employed by the Branches as at 31 December 2024 was 31 (31 December 2023: 34).

2 MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and applicable requirements of U.A.E. Federal Law No.6 of 2007 regarding the Establishment of the Insurance Authority and Organization of its Operations & Executive Regulations of 2010 and U.A.E. Federal Law No.32 of 2021.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Branch elected, under the amendments to IFRS 4 to apply for the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Accordingly, the Branch has classified its financial assets in IFRS-9 under Debt Instruments at amortised cost. The adoption of IFRS 9 has fundamentally changed the Branch's accounting policy for impairment losses for debt instruments held at fair value through other comprehensive income or amortized cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The instruments which are held for sale are measured on Fair Value through Profit and loss whereas the instruments are measured at cost.

IFRS 9 requires recording an allowance for ECLs for all debt instruments not held at fair value through profit and loss. For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Branch considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Branch may also consider an instrument to be in default when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. There were no such instances in the year ended 31 December 2024 or the year ended 31 December 2023.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES

2.3 Financial instruments (continued)

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.

2.4 Other receivables

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

2.5 Other payables

Liability is 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.

2.6 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 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES

2.7 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.

2.8 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.

2.9 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.

2.10 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 year-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 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Critical accounting estimates and judgements

The Branch makes estimates and assumptions 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 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.

2.12 Taxes

The Branch's financial information incorporates any income tax enacted from the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

This law stipulates an effective tax rate of 9% on taxable profits above AED 375,000 and is calculated on the Branch's outlook of the law.

Any income tax assets and liabilities for the current and future periods are measured at the amount expected to be settled with the Federal Tax Authority (FTA) in the United Arab Emirates.

2.13 Insurance contracts

The Branch has initially adopted IFRS 17 Insurance Contracts from 1 January 2023. This Standard has brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Branch's estimates of the present value of future cash flows that are expected to arise as the Branch fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin. The Branch has restated comparative information applying the transitional provisions to IFRS 17.

The Branch will follow General Measurement Model ("GMM") for reinsurance and Variable Fees Approach ("VFA") for with-profit traditional insurance products. VFA calculations differ from GMM because of the underlying assets, the variable fee being received and the recognition of Contractual Service Margin CSM accretion. For VFA and GMM the Branch would consider the present value of all the future premiums and incomes and reduce it by the present value of future expenses and expected obligations. The result would be adjusted for risk adjustment to judge the profitability of the contract.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (continued)

The cash inflows would include the premiums and commissions received whereas the cash outflows would constitute directly attributable expenses, commissions paid, claims, outstanding, incurred but not reported claims and risk adjustments.

Level of Aggregation

The level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts must be determined.

The conventional participating products of SLIC are categorized in the following product categories.

- Whole Life
- Endowment
- Anticipated Endowment

However, these three product lines have similar risk in the form of survival and protection component. All these product lines have similar risks and can be managed together as per para 14 of the standard. The final decision is to use a single grouping for all products.

Cohorts (Underwriting Year)

The Branch has made the decision to adopt the Fair Value Approach (FVA) during the transition period. As part of this approach, all active contracts at the transition date will be consolidated into a single cohort. Subsequently, all new contracts issued after the transition date will be allocated to yearly cohorts based on calendar years. Under this arrangement, cohorts will be established on an annual basis, with contracts issued within each calendar year being bundled together as an underwriting year cohort.

Measurement Models

General Measurement Model ("GMM")

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach ("PAA") is not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprise of certain components (such as claims, expenses and profits) and that each component needs to be considered according to its nature.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (continued)

Measurement Models (continued)

Variable Fees Approach (“VFA”)

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The Branch has opted to implement the VFA (Variable Fee Approach) model for its gross portfolio, while the GMM (General Measurement Model) will be used for the Reinsurance portfolio. To ensure the suitability of the VFA model, the Branch has undertaken both qualitative and quantitative eligibility testing. By conducting these tests, the Branch ensures that the VFA model is appropriate for the gross portfolio, taking into account the specific characteristics and requirements of the contracts involved. The qualitative testing evaluates factors such as the nature of the contracts, the fee structure, and the expected cash flows. Meanwhile, the quantitative testing involves assessing the compliance of the contracts with the eligibility criteria outlined in the applicable accounting standards. Through this comprehensive evaluation and documentation process, the Branch ensures the proper selection and application of the VFA model, facilitating accurate and compliant reporting of the gross portfolio. Additionally, the decision to utilize the GMM for the Reinsurance portfolio acknowledges the specific considerations and requirements associated with reinsurance contracts.

The Branch maintains a distinct policyholder fund for its UAE life insurance liability contracts. The value of the fund fluctuates with the policy cashflows during the respective reporting period, the assets backing the fund include investments classified at amortized cost under IFRS 9.

The movement in carrying values of this fund has been used as the basis for underlying items for applying the Variable Fee Approach.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (continued)

Insurance Contract Liability

The components of the liability for each group of contracts are calculated at each reporting period for all groups. The following components are calculated for the Gross side:

Liability for Remaining Coverage (LRC): This represents the liability for the remaining coverage period of the contracts.

Gross Best Estimate Liability for LRC: It denotes the best estimate of the liability for the remaining coverage period based on the anticipated cash flows and expected future events.

Gross Non-Financial Risk Adjustment for LRC: This component accounts for the non-financial risks associated with the remaining coverage period.

Gross Contractual Service Margin (CSM): It represents the unearned profit from future contract services, taking into account the progress of services provided.

Liability for Incurred Claims (LIC): This component represents the liability for claims that have already been incurred.

Gross Best Estimate Liability for LIC: It denotes the best estimate of the liability for incurred claims based on expected claim payments and other factors.

Gross Non-Financial Risk Adjustment for LIC: This component accounts for the non-financial risks associated with incurred claims.

Similarly, on the Reinsurance side, the following components are calculated:

RI Liability for Remaining Coverage (LRC)

RI Best Estimate Liability for LRC

RI Non-Financial Risk Adjustment for LRC

RI Contractual Service Margin (CSM)

RI Liability for Incurred Claims (LIC)

RI Best Estimate Liability for LIC

RI Non-Financial Risk Adjustment for LIC

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (continued)

These components allow for a comprehensive evaluation of the liabilities associated with each group of contracts, considering both the remaining coverage period and incurred claims.

The best estimate liability for the Branch is calculated as a net estimate of expected inflows and outflows throughout the lifetime of the contracts, considering the contract boundaries. These estimates are then discounted using the relevant applicable discount rate. In the Branch's cash flow model, the following inflows and outflows are incorporated as expected:

Inflows:

Premiums

Investment Income

Outflows:

Commissions

Other acquisition expenses

Attributable admin expenses

Surrender Claims

Death Claims

Maturity Claims

Bonuses

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (continued)

Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk.

The Branch has adopted the Value at Risk (VaR) approach since it is already applying the framework of Solvency Capital Requirement (SCR) as per the UAE regulations. The UAE regulatory e-form framework include all the non-financial risks including mortality, longevity, morbidity, and lapses. The solvency capital requirement (SCR) under UAE eforms is intended to be the value at which the probability of getting a worse result is 0.05% (1- 99.5%). This is because, as per regulatory guidelines laid by the Central Bank of UAE, SCR shall correspond to the VaR with the confidence level of 99.5%.

Diversification benefit refers to the reduction in overall risk that occurs when an insurance Branch holds a portfolio of contracts with different risk profiles. The branch does not hold significant multi risk portfolios; therefore, it does not apply in this case.

Risk Adjustment is calculated at the Branch level by calibrating the capital required for non-financial risk at various percentiles assuming normal distribution. Based on discussions with Management, 70th to 75th percentile was agreed for the purpose of Risk Adjustment.

Discounting

The IFRS 17 standard defines discounting as an adjustment to the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows.

Discounting adjusts future cash flows to reflect the time value of money. Thus, the key requirements of discount rates are that they:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
- Are consistent with observable current market prices.
- Exclude the effects of factors that affect observable market prices used in determining the discount rate, but do not affect the future cash flows of the insurance contract.

SLIC portfolio is composed of long term with profit traditional individual life business. All products have similar risk and are managed together having a defined pool of underlying fund making the contracts eligible to be measured under VFA model.

The standard requires that for direct participating portfolio the applied discount rate shall have characteristics of the underlying items.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (Continued)

As per paragraph B74(b)

Cashflows that vary based on the return on any financial underlying items shall be:

- Discounted using rate that reflect that variability; or
- Adjusted for the effect of that variability and discounted at a rate that reflects the adjustment made.

The SLIC has worked out the current annual rate of return on the underlying asset portfolio and adjusted the same for related credit risk premium. The credit risk adjusted interest rate reflects the expected characteristics of the underlying items and contractual nature of the related insurance contracts as both investment instruments and contractual obligations are long term in nature.

In order to work out the long term discount curve the risk free curve has been adjusted for the illiquidity premium derived from the underling portfolio reflecting the variability of the underlying items with regards to investment performance.

Contractual Service Margin (“CSM”)

Contractual Service Margin (CSM) represents the unearned profit the entity will recognize as it provides insurance contract services in the future. At initial recognition CSM is computed using the Fair Value Approach. the CSM is calculated as the difference between what a market participant would demand as at the transition date to assume the unexpired risk in the group of contracts, including how much profit it would require, and the fulfilment cash flows of that group measured under the general principles of IFRS 17.

Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under VFA this liability is implicitly included in the FCFs for LRC.

Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach (“FRA”) which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

- Modified Retrospective Approach (“MRA”): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.
- Fair Value Approach (“FVA”): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (Continued)

The Branch has decided to use the fair value approach as the data requirements for full retrospective approach has been assessed and the Branch has concluded that the set of assumptions required for the best estimate liability are not available for the historical period.

Other Key Accounting Policy Choices

IFRS 17 requires the Branch to make various accounting policy choices. The key accounting policy choices made by the Branch are described below.

Accounting Policy	Branch Decision
Discounting LIC	The Branch does not discount the LIC cashflows as majority of the claims are settled within a year from the date of intimation.
Interest Accretion – OCI Option	The standard allows that finance expense can be split between OCI, and P&L. Branch aims to reflect the entire finance expense in the P&L and plans not split between OCI and P&L.
Treatment of Policy Loans	The practice of recording policy loans as a non-insurance component and treating it as a separate financial asset item will be continued. This would mean that the policy loan will not be part of cashflows prepared for IFRS 17.
Treatment of Insurance receivables and payables	The receivables and payables have been categorized into two segments based on their relation to either future coverage or past services. The amounts payable or receivable that are associated with past services have been included in the Liability for Incurred Claims component. On the other hand, those receivables or payables that pertain to future services have been adjusted within the Liability for Remaining Coverage. Additionally, the receivables and payables have been further classified based on whether they are associated with gross coverage or reinsurance coverage. These classifications have led to adjustments in the respective liability components accordingly. By segregating and appropriately adjusting these amounts, the Branch ensures that the liabilities accurately reflect the obligations related to both past and future services, as well as the distinctions between gross coverage and reinsurance coverage.
Treatment of Allocated Bonuses	The guaranteed bonuses that have already been assigned at the reporting date are considered as the initial bonus amount and are included in subsequent anticipated claim payouts, encompassing surrender, death, and maturity benefits. However, a separate provision is held as a component of TVoG to ensure the adequacy of reserves in meeting obligations related to guaranteed bonuses in situations where the future investment returns fall short of expectations according to fulfillment cashflows. The assigned guaranteed bonuses have been integrated as opening bonuses and accounted for in the future expected payouts to policyholders. The future bonuses are solely dependent on the performance of the funds, with assumptions based on current estimates. However, the already allocated bonuses are guaranteed by the Branch, irrespective of economic scenarios. To account for any unfavorable situations, the Branch has decided to maintain an additional provision to cover the obligations in cases where the actual fund performance falls below the expected level.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Insurance contracts (Continued)

Accounting Policy	Branch Decision
Treatment of Unallocated Carried Forward Surplus	The carried forward surplus is held under the assumption that this portion will ultimately be distributed to the policyholders during the lifetime of their policies. As a result, a separate provision is maintained in the policyholders' fund, in addition to the Best Estimate Liability (BEL), Risk Adjustment (RA), and Contractual Service Margin (CSM).

3 VARIABLE FEE APPROACH INPUT – IFRS 17

The Branch maintains a distinct Policyholder Fund (the “Fund”) for its UAE life insurance liability contracts. The value of the Fund fluctuates with the policy cashflows during the respective reporting period, the assets backing the Fund include investments classified at amortized cost under IFRS 9.

The movement in carrying values of the Fund has been used as the basis for underlying items for applying the Variable Fee Approach under IFRS 17.

The Branch has deviated from the requirements of IFRS 17 by utilizing book values of underlying items rather than fair values. The Management of the Branch asserts that utilizing book values provides a more accurate representation of the Branch’s financial position, given the specific nature of the underlying items and their inherent characteristics. The Management contends that fair value measurements may not appropriately capture the economic substance of these items, leading to potential distortions in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4	PROPERTY AND EQUIPMENT	Furniture and fixtures <u>AED'000</u>	Office equipment <u>AED'000</u>	Motor vehicles <u>AED'000</u>	Computer equipment <u>AED'000</u>	Total <u>AED'000</u>
	Cost					
	As at 1 January 2024	357	122	197	267	943
	Additions during the year	20	6	-	6	31
	As at 31 December 2024	377	128	197	273	975
	Accumulated depreciation					
	As at 1 January 2024	339	114	197	261	911
	Charge for the year	5	3	-	3	11
	As at 31 December 2024	344	117	197	264	922
	Net carrying amount					
	As at 31 December 2024	33	11	-	9	53
	As at 31 December 2023	18	8	-	6	32

5 STATUTORY DEPOSITS

A deposit of AED 4,000,000 (2023: AED 4,000,000) bearing interest rate of 3.9% 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.

6	LOANS GUARANTEED BY LIFE INSURANCE POLICIES	31 December 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
	Cash loans	12,204	11,474
	Automatic non-forfeiture provisions	6,374	6,072
	Closing balance	18,578	17,546
	The interest on policy holder's loan is 8% (2023: 8%).		

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FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

7 INVESTMENT ASSETS HELD AT AMORTISED COST	31 December 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
Investment at amortized cost		
UAE Government Bonds	360,303	162,636
Bonds issued by other A rated countries	11,933	11,734
Government debt securities	<u>372,236</u>	<u>174,370</u>
Pakistan Government Bonds	109,810	246,893
Allowance for expected credit losses	(653)	(890)
	<u>481,393</u>	<u>420,373</u>

7.1 INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT & LOSS	31 December 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
<u>Bonds issued by A rated countries</u>		
US Treasury Bonds	23,455	-
Allowance for expected credit losses	(3)	-
	<u>23,452</u>	<u>-</u>

8 INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	31 December 2024 <u>AED '000</u>	31 December 2023 <u>AED '000</u>
Insurance Assets		
Investment assets held at amortised cost	481,393	420,373
Insurance contract assets	1,700	839
Reinsurance Contract Assets	196	131
	<u>483,289</u>	<u>421,343</u>
Insurance Liabilities		
Insurance contract liabilities	391,596	363,343
Reinsurance contract liabilities	645	609
	<u>392,241</u>	<u>363,952</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

8 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

- 8.1 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims.**
The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

Reconciliation of the measurement components of insurance contract balances. (For the year ended 31 December 2024)

	Liability for incurred claims Risk Adjustment ("LFIC RA")	LFIC Best Estimate ("BE")	Time Value of Guarantee	Best Estimate Liability ("BEL")	Risk adjustment	Contractual Service Margin	Adjustments*	Total
Insurance contract liabilities as at 31 December 2023	497	9,028	4,490	322,933	17,825	9,181	-	363,952
Insurance contract assets as at 31 December 2023	-	-	-	(839)	-	(131)	-	(969)
Insurance related asset	-	27,092	-	(32,023)	(1,005)	(878)	-	(6,814)
Changes related to current service	-	-	3,379	(1,870)	2,308	553	-	4,371
Changes related to future service	18	332	-	-	-	-	-	350
Insurance service expense from change in liabilities	(18)	(27,424)	(3,379)	33,893	(1,303)	324	-	2,093
Insurance finance expense total	28	509	-	19,779	1	(4)	-	20,313
Cash flows	-	-	-	40,501	-	-	-	40,501
Premiums received	-	-	-	-	-	-	-	-
Claims excl. non-distinct investment component paid	-	(24,137)	-	-	-	-	-	(24,137)
Non-distinct investment component paid	-	-	-	-	-	-	-	-
Directly attributable expenses paid	-	(2,955)	-	-	-	-	-	(2,955)
Insurance acquisition cash flows	-	-	-	(4,339)	-	-	-	(4,339)
	-	(27,092)	-	36,163	-	-	-	9,070

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

8.1 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

	Liability for incurred claims ("LFIC")	LFIC Best Estimate ("BE")	Time Value of Guarante e	Best Estimate Liability ("BEL")	Risk adjustment	Contractual Service Margin	Adjustments	Total
Net Insurance/Reinsurance Asset and Liabilities as at 31 December 2024	543	9,869	7,869	344,142	19,128	8,722	-	390,273
Break up of insurance contracts Insurance contract liabilities as at 31 December 2024	543	9,869	7,869	345,843	19,128	8,918	72	39,241
Insurance contract assets as at 31 December 2024	-	-	-	(1,700)	-	(196)	-	(1,896)
Net Insurance/Reinsurance Asset and Liabilities as at 31 December 2024	543	9,869	7,869	344,142	19,128	8,722	72	390,345

* Adjustments represents the remaining balance after deducting the head office's share of profit from the profit for the period, as per IFRS 17. The residual balance is recognized as part of insurance contract liabilities as at 31 December 2024.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

8.2 Details of Profit and Loss

8.2.1 Analysis of Revenue (For the year ended 31 December 2024. All amounts below are in AED '000)

		With profits
Insurance issued	Experience Adjustment	4,234
	Expected claims excluding Loss Component	23,936
	Expected expenses excluding Loss Component	4,241
	CSM Release in profit and loss	893
	RA Release excluding Loss Component	1,002
	Insurance Service Revenue insurance issued	34,306
Reinsurance held	Experience Adjustment	173
	Expected claims excluding Loss Component	(529)
	Expected expenses excluding Loss Component	(31)
	CSM Release in profit and loss	(16)
	RA Release excluding Loss Component	2
	Insurance Service Revenue reinsurance held	(401)
Total	Insurance Service Revenue total	33,906
Insurance issued	Incurred Claims	24,335
	Incurred Expenses	2,955
	Loss on Onerous Contracts & reversal of losses	4,370
	Changes related to LIC	350
	Insurance Service Expense insurance issued	32,010
Total	Insurance Service Expense total	31,813
Total Result	Insurance Service Result issued	2,297
	Insurance Service Result reinsurance held	(203)
	Insurance Service Result total	2,093

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

8.2 Details of Profit and Loss (Continued)

8.2.2 Explanation of Insurance Finance Income or Expenses (For the year ended 31 December 2024.
All amounts below are in AED '000)

	With profits
Realized gains / losses	
Realized gains/losses Other	19,800
Changes in non-performance risk of reinsurer	-
Insurance Finance Revenue	19,800
Change in FV of – Underlying items recognized in Profit and Loss (for VFA only)	19,800
Interest on RA	2
Interest on CSM (for GMM only)	(4)
Change in financial risk (for GMM only & if OCI not applied)	(22)
Interest on LFIC	537
Insurance Finance Expense	20,313

8.3 Recognition of the Contractual Service Margin (All amounts below are in AED '000)

	With profits
Expected recognition of the CSM (CSM run-off)	
Projected CSM Release in Year 1	1,146
Projected CSM Release in Year 2	644
Projected CSM Release in Year 3	655
Projected CSM Release in Year 4	368
Projected CSM Release in Year 5	385
Projected CSM Release in Years 6-10	1,211
Projected CSM Release in Years 11-15	694
Projected CSM Release in Years 16-20	3,555
Projected CSM Release After	64

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

	31 December 2024 <u>AED '000</u>	31 December 2023 <u>AED '000</u>
9 CASH AND CASH EQUIVALENTS		
Cash at banks	5,744	36,453
Fixed deposits	100,793	126,450
	<u>106,537</u>	<u>162,903</u>
10 RETIREMENT BENEFIT OBLIGATION		
The movement in this account during the period was as follows:		
Balance as at 1 January	619	658
Charge for the year	118	68
Payments during the period	-	(107)
	<u>737</u>	<u>619</u>
11 ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Accrued expenses	767	662
Amount due to agents	1,535	1,487
Other payable	276	263
	<u>2,578</u>	<u>2,412</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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	Year ended 31 December 2024 <u>AED'000</u>	Year ended 31 December 2023 <u>AED'000</u>
13 GENERAL EXPENSES		
Professional and legal charges	306	290
Head office expenses	371	194
Exchange loss	55	17
	<u>732</u>	<u>501</u>
	Year ended 31 December 2024 <u>AED'000</u>	Year ended 31 December 2023 <u>AED'000</u>
14 INCOME FROM INVESTMENT ACTIVITIES		
Interest on bank deposits	9,520	7,376
Interest on Gov. securities & other bonds	20,840	26,256
Interest on policy loans	1,082	1,171
Interest on late payment of premium	407	354
Amortisation and other adjustments	3,418	8,748
Other interest income	1	1
Unrealised loss on investment	(2,271)	-
	<u>32,997</u>	<u>43,906</u>
Less: Allocation of income to other Gulf Countries	(12,540)	(18,339)
Less: Expected Credit Loss	(657)	(890)
	<u>19,800</u>	<u>24,677</u>

15 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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15 FINANCIAL INSTRUMENTS (CONTINUED)

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.

Exchange risk

A major portion of the Branch's 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 United States Dollars, 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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16 CONTINGENT LIABILITIES	31 December 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
Financial guarantees	<u>4,350</u>	<u>4,350</u>

17 GENERAL

Figures are rounded off to nearest thousands of AED.

18 SUBSEQUENT EVENTS

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

19 VALUE ADDED TAX (VAT)

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

20 INCOME TAX

In 2022, the UAE Ministry of Finance issued Federal Decree Law No. 47 of 2022, introducing the Taxation of Corporations and Businesses (the Law) to establish a Federal Corporate Tax (CT) system in the UAE.

CT is applicable to all businesses and individuals engaged in commercial activities under a valid license in the UAE. Consequently, the Branch falls under the purview of CT.

The CT regime came into effect for accounting periods commencing on or after June 1, 2023. The Branch is subject to corporate tax starting from the financial year commencing January 2024 onwards.

In accordance with Cabinet of Ministers Decision No. 116/2022 effective from 2023, corporate tax is set at a rate of 9% for taxable income exceeding AED 375,000, while a 0% rate is applicable to taxable income not exceeding AED 375,000. The Company has evaluated the potential impact of CT on the consolidated financial statements and determined that the transition requirements do not affect the results. Additionally, no adjustments are needed for deferred tax.

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NOTES TO THE FINANCIAL STATEMENTS
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	Year ended 31 December 2024 <u>AED'000</u>
20 INCOME TAX (CONTINUED)	
Profit before tax	543
Tax Allowance	(375)
Taxable Profit	<u>168</u>
Tax @9%	15

21 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 always be maintained throughout the year. The Branches are subject to solvency regulations which they have complied with during the period. The Branches have incorporated in their policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

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 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	115,003	94,164
Minimum Guarantee Fund (MGF)	38,334	31,388
Basic own funds	244,524	108,874
MCR Solvency Margin - Minimum Capital Requirement (Surplus / (Deficit))	144,524	8,874
SCR Solvency Margin Solvency Capital Requirement (Surplus / (Deficit))	129,522	14,710
Minimum Guaranteed Fund Solvency Margin (Surplus / (Deficit))	206,190	77,486

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**NOTES TO THE FINANCIAL STATEMENTS
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22 GROSS WRITTEN PREMIUMS

With reference to the circular by Central Bank of UAE on reporting requirements, the insurance companies are required to include a disclosure on the details of gross written premium as per INFO-7 of the eForms.

	31 December 2024 <u>AED'000</u>	31 December 2023 <u>AED'000</u>
Direct written premiums	40,441	36,982
Assumed business		
Foreign	-	-
Local	-	-
Total Assumed Business	-	-
Total Gross Written Premiums	40,441	36,982