Financial Statements

January 10, 2016 To March 31, 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

Opinion

We have audited the accompanying financial statements of HDFC International Life and Re Company Limited (the "Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 of the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company, for our audit work, for this report, or for the opinions we have formed. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Dubai International Financial Centre, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Dubai Financial Services Authority Prudential Rulebooks 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company'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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Company 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

For Ernst & Young

Sd/-
James Potter
Partner

24 April 2017

Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	31 March 2017 USD
ASSETS		
Property and equipment	5	69,506
Reinsurance contract assets	6	84,627
Reinsurance balance receivable	7	174,627
Prepayments and other receivables	8	174,605
Deposit with banks	9	7,899,988
Held to maturity investments	10	3,619,040
Bank balances and cash	11	1,038,928
TOTAL ASSETS		**13,061,321**
EQUITY AND LIABILITIES		
Share capital	12	13,600,000
Accumulated losses		(973,027)
Total equity		**12,626,973**
Employees' end of service benefits	13	50,873
Reinsurance contract liabilities	6	203,648
Reinsurance premium and other payables	14	163,674
Due to Holding Company	15	16,153
Total liabilities		**434,348**
TOTAL EQUITY AND LIABILITIES		**13,061,321**

The financial statements were approved by the Board of Directors on April 12, 2017 and signed on its behalf by:

Sd/-	Sd/-	Sd/-
Amitabh Chaudhry	Sameer Yogishwar	Abhishek Tandon
Chairman	Chief Executive Officer	Head – Finance

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2017

	Notes	Period from 10 January 2016 to 31 March 2017 USD
Gross reinsurance premium		193,882
Reinsurance premium ceded		(73,859)
Net reinsurance premium		**120,023**
Change in reinsurance contract liabilities		
(net of reinsurance assets)		(119,021)
Net technical income		**1,002**
Net investment income	4	160,309
Total Income		**161,311**
General and administration expenses	3	(1,134,338)
LOSS FOR THE PERIOD		**(973,027)**
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(973,027)**

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period 10 January 2016 To 31 March 2017

	Share capital USD	Accumulated losses USD	Total USD
Issue of share capital (Note 12)	13,600,000	-	13,600,000
Total comprehensive loss for the period	-	(973,027)	(973,027)
At 31 March 2017	**13,600,000**	**(973,027)**	**12,626,973**

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the period ended 31 March 2017

	Notes	Period from 10 January 2016 to 31 March 2017 USD
OPERATING ACTIVITIES		
Loss for the period		(973,027)
Adjustments for:		
Depreciation	5	34,360
Net investment income	4	(160,309)
Provision for end of service benefits	13	50,873
		(1,048,103)
Working capital changes:		
Reinsurance contract assets		(84,627)
Reinsurance balance receivable		(174,627)
Prepayment and other receivables		(104,002)
Reinsurance contract liabilities		203,648
Reinsurance premium and other payables		163,674
Due to Holding Company		16,153
Net cash flows used in operating activities		**(1,027,884)**
INVESTING ACTIVITIES		
Purchase of property and equipment	5	(103,866)
Purchase of held to maturity investment		(3,633,300)
Net investment income received		103,966
Deposits with banks	9	(7,899,988)
Cash flows used in investing activity		**(11,533,188)**
FINANCING ACTIVITY		
Proceeds from issuance of shares	12	13,600,000
Cash flows from financing activity		**13,600,000**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	11	**1,038,928**

The attached notes 1 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2017

1. ACTIVITIES

HDFC International Life and Re Company Limited' (the "Company") was incorporated in Dubai under the DIFC (Dubai International Finance Centre) Companies Law No. 2 of 2009 on January 10, 2016 under registration number 2067 to carry out re-insurance business. The Company is regulated by the Dubai Financial Services Authority ("DFSA"). The registered address of the Company is Unit OT 17-30, Level 17, Central Park Offices, Dubai International Financial Centre, PO Box 114603, Dubai, United Arab Emirates.

The Company is wholly owned by HDFC Standard Life Insurance Company Limited ("HDFC Life" or "Holding Company"). The registered address of the Holding Company is 13th Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Road, Mumbai, India. Established in 2000, HDFC Life is one of India's leading life insurers, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment and Health. The Holding Company is a partnership between Housing Development Finance Corporation Limited ("HDFC Limited") and Standard Life (Mauritius Holdings) 2006 Limited ("MH06"), 100% owned subsidiary of Standard Life Plc.

These financial statements represent the period from the date of the Company's incorporation on 10 January 2016 to 31 March 2017 and, accordingly, no comparative information has been presented.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been presented in United States Dollars (USD) which is the functional currency of the Company. The financial statements have been prepared under the historical cost basis.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

2.2 USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognised in the financial statements) are discussed in note 19.

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held to maturity (HTM) investments, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortization process.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Company does not expect a significant impact on its consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in non-listed companies are intended to be held for the foreseeable future.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

(c) Hedge accounting

The Company does not have any existing hedging relationships. IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9. The Company will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future, if applicable.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2017. They include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact on the Company.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Company.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of comprehensive and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit and loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments are not expected to have any impact on the Company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Gross reinsurance premiums

Gross reinsurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the cover commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Reinsurance premium ceded

Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the cover commences. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Foreign currencies

The Company's financial statements are presented in USD, which is the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of income are also recognised in other comprehensive income or statement of income, respectively).

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Company is as follows:

Items of property and equipment	*Useful life in years*
IT equipment - End user devices	3
IT equipment - Servers and networks	4
Furniture and Fixtures	5
Office equipment	5

Leasehold improvements are depreciated over the lock in period of leased premises subject to maximum period of five years.

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Property and equipment not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policies.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

Financial assets

Initial recognition and measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through statement of profit and loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Company.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances and bank term deposit and held to maturity investments.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortization process.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

Subsequent measurement

A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with original maturity of three months or less.

Derecognition
The Company derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred. Any interest in derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Investment income
Interest income is recognised in the statement of comprehensive income as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Impairment of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include accruals and other payables and due to a related party.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Reinsurance contract liabilities

Reserve for future expected claims
Reserve created for long term insurance contracts (products more than one year) to cover all future claim liabilities as determined by the Actuary. The reserve is held for the claims expected to be incurred in future on the reinsurance contracts in force at the date of valuation.

Incurred But Not Reported (IBNR)
As significant time lags may exist between incurrence of claims and notification of the claims to the Company, a reserve for incurred but not reported claims is held.

Allocated Loss Adjustment Expense (ALAE)
These represents future claim expenses and related handling costs.

Other payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Company provides end of service benefits to its employees employed in the UAE in accordance with the DIFC Employment Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation.

3. GENERAL AND ADMINISTRATIVE EXPENSES

	Period from 10 January 2016 to 31 March 2017 USD
Employee benefits expenses	765,202
Rent, rates & taxes	108,271
Regulator fees and legal expense	92,123
Other expenses	81,623
Depreciation on property and equipment	34,360
Auditor's remuneration	32,615
Utility expenses	20,144
Total	1,134,338

4. NET INVESTMENT INCOME

	Period from 10 January 2016 to 31 March 2017 USD
Net interest income from held till maturity investments	15,328
Interest on bank deposits	144,981
Net investment income	160,309

5. PROPERTY AND EQUIPMENT

	Leasehold Improvements USD	IT equipment end user devices USD	IT equipment servers and networks USD	Furniture and fixture USD	Office equipment USD	Total USD
Cost:						
Purchases during the period	47,456	15,123	10,834	26,715	3,738	103,866
As at 31 March 2017	47,456	15,123	10,834	26,715	3,738	103,866
Depreciation:						
Charge for the period	18,458	5,753	3,107	6,169	873	34,360
As at 31 March 2017	18,458	5,753	3,107	6,169	873	34,360
Net carrying amount:						
As at 31 March 2017	**28,998**	**9,370**	**7,727**	**20,546**	**2,865**	**69,506**

6. REINSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross 2017 USD	Reinsurers'share 2017 USD	Net 2017 USD
Mathematical reserve	187,934	(84,627)	103,307
Incurred but not reported reserve	5,714	-	5,714
Allocated loss adjustment expense	10,000	-	10,000
	203,648	**(84,627)**	**119,021**

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Life Insurance

Mortality and morbidity rates

Assumptions are based on the reinsurance rates provided by the Company, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. Being on the conservative side, no allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the Company.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the Company.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates would tend to reduce profits.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

7. REINSURANCE BALANCE RECEIVABLES

	2017 USD
Due from insurance companies	**174,627**

As at 31 March 2017, the ageing analysis of unimpaired reinsurance balance receivables is as follows:

	Total USD	Neither past due nor impaired USD	Past due but not impaired				
			<30 days USD	31-60 days USD	61-90 days USD	91-180 days USD	>180 days USD
2017	**174,627**	**141,975**	**32,652**	-	-	-	-

See note 16B on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables.

8. PREPAYMENT AND OTHER RECEIVABLES

	2017 USD
Interest accrued	70,603
Prepaid expenses	62,802
Other receivables	41,200
	174,605

9. DEPOSIT WITH BANKS

	2017 USD
Deposits with banks	8,819,988
Deposits with banks maturing within three months (Note 11)	(920,000)
	7,899,988

Deposits with banks carried interest rate in the range of 1.2% to 2.6% per annum.

10. HELD TO MATURITY INVESTMENTS

The held to maturity investment represents Canada government bonds carrying coupon rate of 1.125% per annum. These bonds are maturing in March 2018.

11. BANK BALANCES AND CASH

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2017 USD
Bank balances and cash	118,928
Deposits with banks maturing within three months (Note 9)	920,000
	1,038,928

12. SHARE CAPITAL

	2017 USD
Issued and paid up Capital	
Issued and fully paid 13,600,000 shares of USD 1 each	13,600,000

Authorised share capital of the Company is 25,000,000 shares of USD 1 each.

13. EMPLOYEES' END OF SERVICE BENEFITS

	2017 USD
Provided during the period	50,873

14. REINSURANCE PREMIUM AND OTHER PAYABLES

	2017 USD
Provision for expenses	88,058
Reinsurance premium payable	73,859
Other payables	1,757
	163,674

15. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, Holding Company and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Name of related parties and the nature of relationship is given below:

Ultimate Holding Company
Housing Development Finance Corporation Limited

Holding Company
HDFC Standard Life Insurance Company Limited

Fellow Subsidiaries
HDFC Pension Management Company Limited
HDFC Asset Management Company Limited
HDFC Developers Limited
HDFC Holdings Limited
HDFC Trustee Company Limited
HDFC Realty Limited
HDFC Investments Limited
HDFC ERGO General Insurance Company Limited
GRUH Finance Limited
HDFC Sales Private Limited
HDFC Venture Capital Limited
HDFC Ventures Trustee Company Limited
HDFC Property Ventures Limited
Credila Financial Services Private Limited
Griha Investments (Subsidiary of HDFC Holdings Ltd.)
HDFC Education and Development Services Private Limited
Griha Pte Ltd., Singapore (Subsidiary of HDFC Investments Ltd.)
HDFC Capital Advisors Limited
HDFC General Insurance Co. Ltd.(Subsidiary of HDFC ERGO General Insurance Co.Limited)
Grandeur Properties Pvt. Ltd.
Winchester Properties Pvt. Ltd.
Windermere Properties Pvt. Ltd.
Haddock Properties Pvt. Ltd.
Pentagram Properties Pvt. Ltd.

Entities over which control is exercised
HDFC Investment Trust
HDFC Investment Trust II

Key management personnel

Directors:
Mr. Amitabh Chaudhry
Mr. Richard Charnock
Mr. Yuvraj Narayan
Mr. Davinder Rajpal

Chief Executive Officer
Mr. Sameer Yogishwar

RELATED PARTY TRANSACTIONS	2017 USD
Share Capital introduced by the Holding Company (Note 12)	13,600,000
Due to Holding Company	16,153

Compensation of key management personnel
The remuneration of key management personnel during the period was as follows:

	Period from 10 January 2016 to 31 March 2017 USD
Directors' sitting fees	16,000
Short-term benefits	287,509
Employees' end of service benefits	22,730
	326,239

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management framework is the responsibility of the Risk Management Committee of the Board of Directors and has effective oversight by the Board of Directors.

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Management under the authority delegated from the board of directors defines the Company's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. Capital management framework

The primary objective of the Company's capital management is to ensure that it complies with externally imposed capital requirements and to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions.

The Company fully complied with the externally imposed capital requirements during the year ended 31 March 2017.

As at 31 March 2017, the adjusted capital resources of the company calculated as per App3 of 'The DFSA Rulebook, Prudential-Insurance Business Module' is USD 12,453,466.

This is higher than the minimum capital requirement of USD 10,000,000 calculated as per App4 of 'The DFSA Rulebook, Prudential - Insurance Business Module.

As at 31 March 2017, the Company was in compliance with the minimum capital adequacy requirements of the DFSA Rulebook, Prudential – Insurance Business Module.

c. Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the reinsurance companies to meet unforeseen liabilities as these arise.

d. Asset liability management (ALM) framework

The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Asset Liability Committee (ALCO) actively monitors the ALM framework to ensure in each period sufficient cash flow is available to meet liabilities arising from reinsurance contracts.

Management regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with reinsurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

16A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a number of insurance contracts. The variability of risks is also improved by careful selection of risk accepted with outward reinsurance arrangements.

Reinsurance risk

In common with other reinsurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty and facultative arrangements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers.

16B Financial risk

The Company's principal financial instruments include financial assets and financial liabilities which comprise receivables arising from reinsurance contracts, deposits with banks, held to maturity investments, cash and cash equivalents, other payables, and reinsurance balance payables.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial assets are credit risk, geographical risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that counterparty to financial instruments fails to discharge its contractual obligations and arises principally from the Company's receivables and placement with the commercial banks.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate has less influence on credit risk.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into reinsurance contracts with recognised, credit worthy third parties. In addition, receivables from reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company's bank balances are maintained with a range of international banks in accordance with limits set by the management.

The Company's cash is held in a bank of appropriate credit rating.

The Company's receivables were not past due nor impaired as at 31 March 2017.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 March 2017	Neither past due nor impaired			Past due and impaired USD	Total USD
	High grade USD	Standard grade USD	Sub-standard grade USD		
Reinsurance assets	-	84,627	-	-	84,627
Reinsurance receivables	-	174,605	-	-	174,605
Held to maturity	3,619,040	-	-	-	3,619,040
Bank balances and deposits	8,938,916	-	-	-	8,938,916
	12,557,956	**259,232**	-	-	**12,817,188**

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Geographical risk
The Company's bank balances are primarily with financial institutions. The insurance risk arising from reinsurance contracts is concentrated mainly in the Middle East.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to currency risk because most of the financial instruments are denominated in USD and United Arab Emirates Dirham, which is pegged against USD.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

At 31 March 2017, all financial liabilities were either repayable on demand or payable within a maximum period of three months. The contractual outflows associated with financial liabilities are not materially different from their carrying amount in the statement of financial position.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates prevailing in market. Interest bearing financial assets and interest-bearing financial liabilities mature or re-price in short term, no longer than twelve months. As a result, the Company is not subject to exposure to fair value interest rate risk due to fixed rate of interest on its financial instruments.

16C Operational risk

The Company envisages operational risks to emanate typically from inadequate or failed internal processes, people (key person), systems (technology), services or external events including legal risks and specialised risks viz. fraud & fiduciary risks, outsourcing risks, business continuity planning risk and information security or data risk. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures and assessment processes.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability
The Company has deposited amount of USD 5,448 to the Government as security of visa of its employees and in case any visa related rules are not abided by the employees the same can be forfeited by the Government.

Leases
The Company has entered into an operating lease agreement with non-cancellable lease period of 3 years with Arady Developers for an office premises.

Operating lease commitments:

Future minimum lease payment	**2017 USD**
Within one year	96,336
After one year but not more than five years	100,687
Total operating lease expenditure contracted for at the period end	**197,023**

As 31 March 2017, the Company had commitments of USD 38,549 relating to the purchase of software.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

19. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment which has the most significant effect on the amounts recognised in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though or profit and loss income or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

Operating lease commitments - Company as lessee

The Company has entered into a lease agreement for its office. The Company has determined, based on an evaluation of the terms and conditions of the lease agreement, that the Company will not be able to obtain the ownership by the end of the lease term and so accounts for the lease contract as an operating lease.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Mathematical reserve

In calculating the mathematical reserves and reserve for Incurred but Not Reported Claims, the company makes estimates of the future claims experience. These estimates are based on the expected experience in relation to the reinsurance contracts written and is based on historical data, adjusted for the company's views of the future experience. Any adverse deviation from the expected experience could result in an increase in the reserve requirements.