3rd Annual Report 2018-19

HDFC Life

HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

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BOARD OF DIRECTORS

Vibha Padalkar -
Chairperson

Richard Charnock
Director

Yuvraj Narayan
Independent Director

Davinder Rajpal
Independent Director

Suresh Badami
Director

CHIEF EXECUTIVE OFFICER

Sameer Yogishwar

MANAGEMENT COMMITTEE

Sameer Yogishwar
CEO

Eshwari Murugan
Appointed Actuary

Rahul Prasad
Head - Business Development & Strategy

Fouzy Mohamed Sheifuddin
Head - Compliance & Legal, Company Secretary

Abhishek Tandon
Head - Finance

Abhishek Nayak
Head - Risk

Dr. Mohammed Ayathullah Badsha
Head - Underwriting

Joby Xavier
Head - Claims Management

COMPANY SECRETARY & COMPLIANCE OFFICER

Fouzy Mohamed Sheifuddin

AUDITOR

Ernst & Young Middle East
(Dubai Branch)

INTERNAL AUDITOR

Crowe MAK Limited, DIFC

BANKERS

- Citibank N.A.
- HDFC Bank Ltd. (Bahrain Branch)
- First Abu Dhabi Bank (PJSC)
- Abu Dhabi Commercial Bank PJSC
- Dubai Islamic Bank PJSC

REGISTERED OFFICE

HDFC International Life and Re Company Limited
(Regulated by the Dubai Financial Services Authority)

Unit OT 17-30, Level 17, Central Park,
Dubai International Financial Centre, Dubai,
PO Box 114603, United Arab Emirates
Telephone: +971 4 354 6969
Email: info@hdfclifere.com
Website: www.hdfclifere.com
Registered Number: 2067

ABOUT HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

HDFC International Life and Re Company Limited ("HDFC International Life & Re") is the first life reinsurer to be incorporated in the DIFC and is regulated by the Dubai Financial Services Authority ("DFSA"). The business consists of both, treaty and facultative reinsurance arrangements of insurers, across a broad range of life insurance products, including Individual Life and Group Life.

At HDFC International Life & Re, our aim is to provide ceding partners with solution-centric, customized and innovation based services. Headquartered in the DIFC, we are today offering reinsurance capacity in countries in the GCC as well as in the broader MENA region. From writing risks in UAE, Oman and Bahrain, HDFC International Life & Re has also made its presence felt in Jordan and Egypt. This rapid growth, since inception in 2016, is testimony to our conviction and credibility as a life reinsurance company of repute. The success of the company also draws significantly from expert risk management, judicious underwriting and superior technology driven solutions.

In December 2018, HDFC International Life & Re has been assigned a long-term insurer financial strength rating of "BBB" with a stable outlook by S&P Global Ratings.

Our Vision

Securing aspirations, through customer focused, technology driven and globally trusted life (re)insurance solutions.

Our Values

- **Excellence** – Excel in every action, with an aspiration to be the best in the industry
- **People Engagement** – Respect your colleagues and contribute towards an engaged work environment
- **Integrity** – To conduct oneself in a manner that is consistent with the parent company's code of conduct and demonstrate accountability in all professional actions
- **Customer Centricity** – Keep customers interest at the centre and deliver on commitments
- **Collaboration** – Proactively align actions towards achieving organizational goals

PARENTAGE

HDFC Life Insurance Company Limited (formerly HDFC Standard Life Insurance Company Limited) ('HDFC Life'), is a joint venture between HDFC Limited, India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, Annuity and Health. As on March 31, 2019, the Company had 38 individual and 11 group products in its portfolio, along with 8 optional rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 412 branches and additional distribution touch-points through several new tie-ups and partnerships of 266 partners comprising NBFCs, MFIs, SFBs etc. and including 39 new ecosystem partners. The Company has a strong base of financial consultants.

Chairperson's Message

Our focus for the coming year will be on growing profitably by maintaining efficient risk management systems and underwriting capabilities.

Dear Shareholder,

I take pride in presenting to you our third annual report for the year 2018-19.

HDFC International Life & Re was set up in DIFC in 2016 and, since then, it has come a long way. Our strategy for geographical expansions has paid fruit and from a modest beginning in the UAE in 2016, we now have commenced writing business from multiple jurisdictions in the GCC and MENA regions. Building on these geographical footprints, we look forward to not just deepening existing partnerships, but also profitable expansion in this coming financial year.

In the year gone by, HDFC International has achieved two noteworthy milestones. It not only declared its maiden net profit in FY 19, but also was assigned a rating of BBB, outlook stable, by S&P Global. These achievements validate the company's credibility in delivering customer centric reinsurance solutions.

Our focus for the coming year will be on growing profitably by maintaining efficient risk management systems and underwriting capabilities. Further, HDFC International, like its parent company, will continue to build its core offering around technological innovations and digitalization, aimed at helping ceding partners stay ahead of their game.

The team remains focused and committed to creating value for all our cedents and shareholders. That as always, will continue to be the cornerstone of our strategy.

Vibha Padalkar

Board of Directors

Vibha Padalkar
Chairperson

Ms. Vibha Padalkar is the Managing Director and Chief Executive Officer of HDFC Life, India. She has been associated with HDFC Life since August 2008. Prior to her appointment as the Managing Director and CEO of HDFC Life, she held positions of Executive Director and Chief Financial Officer at HDFC Life. Before joining HDFC Life, she had a seven-year stint as Executive Vice President-Finance at WNS Global Services, an NYSE listed leading global business process outsourcing company. Prior to WNS, Ms. Padalkar was with Colgate Palmolive India and an international audit firm.

She was recently honoured the 'CA CFO - Insurance Sector' award by the Institute of Chartered Accountants of India and by Business Today for the second consecutive year, as being amongst the 'Top 30 most powerful women in business'. She was also conferred the 'CFO-woman of the year' award by the Institute of Chartered Accountants of India in 2011 and for "Excellence in Financial Control, Compliance and Corporate Governance" by IMA, India in 2013.

Ms. Padalkar is also on the Board of HDFC Pension Management Company Limited.

She qualified as a member of the Institute of Chartered Accountants of England and Wales in 1992. She is also a member of the Institute of Chartered Accountants of India.

Ms. Padalkar has been appointed to the Board of Directors of HDFC International Life & Re since September 18, 2018.

Richard Charnock
Director

Mr. Richard Charnock is CEO of Aberdeen Standard Capital (formerly Standard Life Wealth) and Chairman of Aberdeen Private Wealth Management Limited. He joined Standard Life in February 2007 with a brief to create and launch Standard Life Wealth (renamed Aberdeen Standard Capital in January 2019) in the market. Mr. Charnock oversaw the acquisition of Newton Private Client business in 2013, to position Aberdeen Standard Capital as a major provider of discretionary fund management in the UK wealth management sector.

Alongside heading Aberdeen Standard Capital, Mr. Charnock was an Executive Director of Standard Life Investments until the merger with Aberdeen Asset Management and a member of Standard Life UK Executive Board from 2010 to 2014. He has also held the position of Managing Director of the Adviser and Investment business of Standard Life UK. He held responsibility for all Standard Life retail channel activity in the UK and Ireland and was also CEO of Standard Life Savings with responsibility for the Wrap platform and Fund Zone businesses.

Immediately before joining Standard Life, Mr. Charnock was CEO of Institutional Stockbroker Williams de Broe and prior to that served as CEO of Lloyds TSB Private Banking, Lloyds TSB IFA and Lloyds TSB Stockbrokers.

Mr. Charnock holds an Honors degree in Geography from the University of Durham. He is also a Director and a Fellow of the Chartered Institute of Securities and Investments, chairs the CISI Ethics and Integrity Committee, is a Member of the Worshipful Company of International Bankers, the Cornhill Club (UK Retail Banking). Mr. Charnock has also served in the British Army.

Mr. Charnock has been on the Board of Directors of HDFC International Life & Re since its inception.

Yuvraj Narayan
Independent Director

Mr. Yuvraj Narayan is the Group Chief Financial Officer of DP World since 2005. He is also on the Board of Directors of DP World. He joined DP World in August 2004. Prior to the above, he has served as Chief Financial Officer of Salalah Port Services Company SAOG, the concessionaire for the management and operation of the new Container Terminal in the Port of Salalah, Sultanate of Oman for almost six years. Before joining Salalah Port Services Company SAOG, he was a key member of ANZ Investment Bank's Global Corporate Finance team and has served ANZ Grindlays Bank Limited for thirteen years in various capacities internationally, from October 1984 to September 1997. During his tenure in the ANZ Banking Group, he has held various key positions such as Head of Corporate Finance and Head of Capital Markets.

Mr. Narayan is also on the Board of Directors of Virgin Hyperloop One and previously served as Non-Executive Director of Istithmar World PJSC and IDFC Securities Limited.

Mr. Narayan is a Qualified Chartered Accountant and possesses a wealth of experience in the ports and international banking sectors.

Mr. Narayan has been on the Board of Directors of HDFC International Life & Re since its inception.

Davinder Rajpal
Independent Director

Mr. Davinder Rajpal is an independent insurance and reinsurance professional who began his professional career in 1961. Prior to retirement in 2006, he was Member of the Executive Team in Swiss Re – Asia HQ, Hong Kong (2002 – 2006), a body responsible for the strategic development and overall management decision making for all Asia Pacific Property & Casualty operations. He was also Head of Turkey, Middle East and South Asia markets for Property & Casualty business in Swiss Re (2000 – 2002). Prior to the above, he was General Manager for AXA China Region, Hong Kong (1992 – 2000). During this period, he was responsible for defining regional strategies and provided overall management of the company's general insurance operations. He has also served as General Manager for CIGNA and his territorial responsibilities in CIGNA included Hong Kong, Taiwan and Macau (1985 – 1992).

Mr. Rajpal was also on the Board of Directors of IDBI Federal Life Insurance Co. Ltd., Mumbai and also was an Independent Non-Executive Director on the Board of PineBridge Investment Trustee Company India Ltd.

Mr. Rajpal has been on the Board of Directors of HDFC International Life & Re since its inception.

Suresh Badami
Director

Mr. Suresh Badami has been associated with HDFC Life since October 2013 and is an Executive Director of HDFC Life since September 2018. He heads the Sales & Distribution channels for HDFC Life. In his role as Chief Distribution Officer of HDFC Life, he has also exercised oversight on the deliverables of HDFC International Life & Re. Mr. Badami was also actively involved in the initial authorization and setup process of the Company. In an overall career span of 25 years, he has spent around 15 years in the financial services industry, with experience of over a decade in Banking and around 5 years with HDFC Life.

Prior to the above, he was Senior General Manager of ICICI Bank Limited ("ICICI"). He joined ICICI in the year 2002 and had worked in diverse roles. During his tenure in ICICI, he had held various key positions such as Zonal Head - Retail Liabilities Group, Head - Retail Branch Banking, Retail Business Head (South) & Senior General Manager - Retail Liability Business. He started his career in 1994 with Dunlop India Limited and worked in ICI India Limited, an Internet start-up, Cognesis Networks Private Limited and Max Ateev Limited before moving to ICICI Bank.

He was also on the Board of Directors of HDFC Credila Financial Services Private Limited for a short period.

Mr. Badami holds a Bachelor's degree in Science from Bangalore University with a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneshwar, India.

Mr. Badami has been appointed to the Board of Directors of HDFC International Life & Re since July 13, 2017.

Senior Management

Sameer Yogishwar
Chief Executive Officer

In 1998, Mr. Sameer Yogishwar started his professional career with India's largest mortgage finance company, HDFC (Housing Development Finance Corporation) Limited, one of the Founder Shareholders of HDFC Life, as a Management Trainee. Post a two-year stint with HDFC Limited, he was deputed as part of the founding team for HDFC Life. In his 16-year journey with HDFC Life, Mr. Yogishwar was involved across multiple functions including process, operations, learning & development, agency sales, bancassurance, strategic alliances and international business. He essayed multiple senior leadership roles, having headed the zonal business functions in large geographies of the country, apart from spending a significant part of his career in building up and managing the organization's 500 strong branch operations network in India.

Mr. Yogishwar became the first CEO of HDFC International Life & Re in January 2016. He was instrumental in obtaining the license and incorporating the Company in the DIFC. Mr. Yogishwar also serves on the Board of Directors of the DIFC Insurance Association NPIO.

Mr. Yogishwar holds a Bachelor degree in Economics and a Masters in Management Studies (Finance), both from Mumbai University.

From the Desk of the CEO

> *As HDFC International continues to explore newer territories to expand into, we strongly believe that the future of our business will be defined and determined by how well we nurture the alliances that we have built with our ceding partners*

Dear Shareholder,

This has been a year of accomplishments on multiple fronts. On the back of consistent underwriting profits, the Company also delivered its maiden net profit for the financial year 2018-19. This progression was further spurred by the BBB, stable outlook rating that S&P Global assigned to us in the latter part of the year.

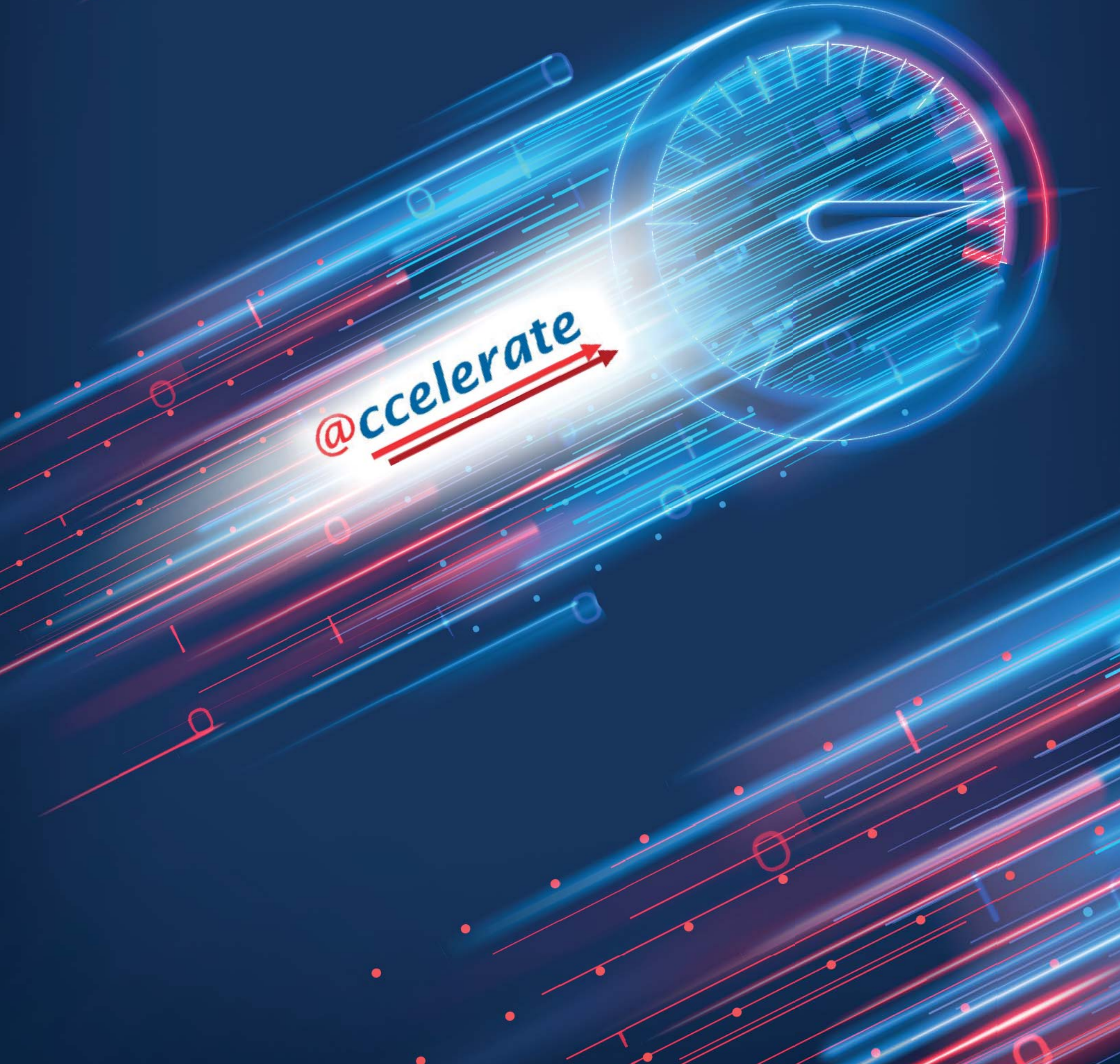
Geographically, HDFC International Life & Re has expanded beyond the GCC and has made inroads into the broader MENA region, offering reinsurance to cedents in Egypt and Jordan. We continue to strengthen our presence in the UAE, Oman and Bahrain markets. Strong risk management practices have ensured that we chose our cedents with great care and discernment and this underlying philosophy rewarded us with profitability in the businesses that we undertook.

In the coming years, we shall continue to focus on technology and innovation as an integral path towards success. As HDFC International Life & Re continues to explore newer territories to expand into, we strongly believe that the future of our business will be defined and determined by how well we nurture the alliances that we have built with our ceding partners.

Finally, I conclude by saying that we will remember the financial year gone by as the one where we were able to '@ccelerate' our progress by securing a leap in revenues and profitability, while also ensuring the highest standards of risk management. I daresay that we have delivered in these endeavours and are now well poised to take our unique business model to the next level of accomplishment.

Sameer Yogishwar

"With ACCELERATE, HDFC International Life & Re had envisioned the path of long-term success by focusing on a broader set of capabilities for fast-tracking sustainable growth. Moreover, our relentless pursuit in reorienting & reinventing the playing field to suit our strengths, has further helped build our brand."



ACCELERATE is primarily a three-pronged strategic direction to expand, excel and evolve as a profitable life reinsurer of choice in the Middle East and North Africa (MENA) region.

Expand	Excel	Evolve
Broad-basing growth through optimum scale and right diversification	**Ability to anticipate faster and meet unmet needs of clients and business partners**	**Building stronger partnerships with clients and business partners**
1. Our nimble size and flat structure allows flexibility to foray into strategically important markets and design right risk solutions that meet client needs, swiftly and transparently. 2. We intend to bolster margins by monetizing consultative support and technical value added services while augmenting the scope of insurable risks.	1. Continuously assess our business landscape, operational dynamics and the changing shift in the regional life reinsurance industry and respond proactively with agility and speed. 2. Team of professionals with long standing experience in pricing, underwriting and risk assessment, proactively address the widening protection gap by supporting our clients with tailored solutions.	1. Prudent and disciplined risk taking approach, coupled with adequate financial capacity (financial strength rating of 'BBB' by S&P Global). 2. As the industry reshapes itself faster than ever and new realities form through megatrends like digitization and automation, we are constantly seeking newer ways of innovation.

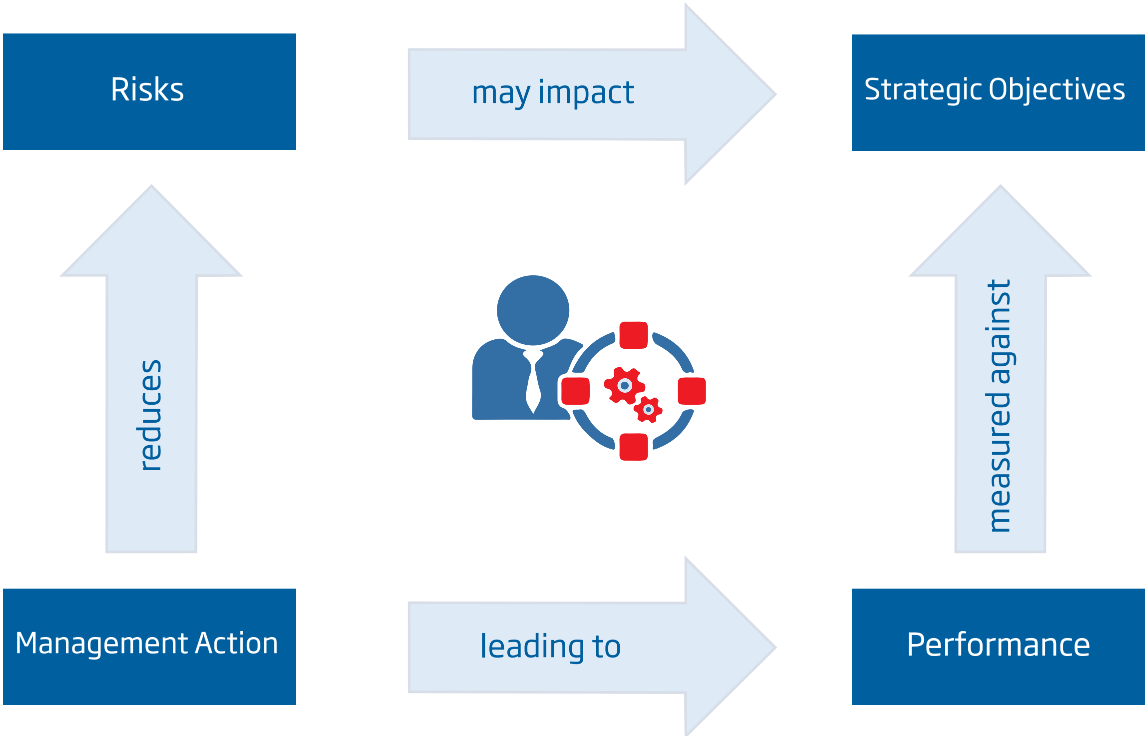
MANAGEMENT REVIEW
& CORPORATE REPORTS

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) Framework

- The Company has a robust ERM framework, comprising of various risk management mechanisms which help to ensure the risk profile is dynamically optimized, whilst operating within acceptable risk appetites
- The Company's risk management system is agile and responsive to emerging risks and is able to address effectively with changes in internal and external operating environment
- Risk Management has close alignment to business and plays an integral role in strategy and planning discussions, where risk appetite facilitates discussions and sets boundaries to risk taking

The Company leverages on the ERM framework that is developed to manage the uncertainties in achieving its strategic objectives. The Company has also put in place key policies that set up clear channels of communication regarding risk management strategy, objectives and plans. Risk management strategy provides appropriate measures to achieve a prudent balance between risk and reward and follows the enclosed risk taxonomy.



The ERM framework operates with the following objectives:

- Ensuring protection of the interests of our ceding and retrocession partners, shareholder(s), employees, and all the relevant stakeholder(s), including adherence to internal values framework.
- Ensuring adherence to applicable DFSA rules and DIFC regulations and relevant federal directives by the statutory authorities, thereby maintaining an ethical and strong corporate governance culture.
- Ensuring the risk assessment (identification, analysis, and evaluation) and risk treatment process is effective with the core objective of minimising risk and maximising opportunities for the Company.
- Assuring in providing a systematic, structured, and dynamic mechanism to take smarter yet informed decisions whilst managing risk and uncertainty pragmatically including internal controls.
- Assuring ERM is tailor-made and not one-size-fits-all, considering human and cultural factors in building lean processes and promoting strong risk and internal controls culture in the Company.

The ERM framework provides a systematic and holistic risk management approach throughout the Company and facilitates alignment of risk appetite and business objectives. Under this framework, workshops and walkthrough meetings are conducted through structured and specialized risk assessments. This results in risks being recorded, controls being mapped and actioned with an assigned risk owner, with timelines, reporting and monitoring. Subsequently, residual risk rating is assigned to risks identified and key risk indicators (KRIs) are developed for such identified risk so that the risk-taking activities of the various business and functional units can be measured and controlled.

The Risk Management function facilitates risk awareness and risk culture environment by promoting forward-looking assessment of the Company's risk profile. The Company has embedded a strong risk and control culture throughout its business and operational processes, so that material risks, emerging risks and controls issues are identified early, managed effectively and promptly addressed in the normal course of the Company's operations. The Company as at date of this report has identified three (3) risk categories which are further broad-based into specific identified risk types and sub-risk types basis the nature, scale, size, complexity and materiality aspects.

- Reinsurance Risks
- Financial Risks
- Operational Risks

The Company has a defined comprehensive governance structure for risk management designed to identify, analyze, mitigate and manage all material and emerging risks through a multi-line defense model providing for an effective balance of internal controls, oversight and assurance. It includes the leadership, accountabilities and oversight that builds and improves the ERM framework in the Company. ERM governance structure is an essential part of the Company's corporate governance responsibilities. Effective ERM governance structure will help the Company improve its performance and achieve the desired outcomes, basis the five (5) identified principles:

Principles	Relevance
Mandate: Reflects the intent to ensure effective ERM	▪ Endorsement of the ERM Policy ▪ Ensuring a positive attitude towards ERM ▪ Reviewing regularly the effectiveness of ERM
Design: Reflects what is key to effectiveness of framework	▪ Designing of framework considering internal and external factors ▪ Accountability and responsibility for managing risk and controls ▪ Integration into strategic planning and decision making process
Implementation: Reflects what actions are required to make it real	▪ Developing an ERM Strategy to support integration across functions ▪ Identifying the requirements for building ERM capability ▪ Reviewing implementation progress and reporting outcomes
Monitor & Review: Reflects the approach to assess performance	▪ Assessing the ERM framework at least annually ▪ Monitoring progress against the ERM Strategy ▪ Implementing changes considering internal and external factors
Continual Improvement: Reflects the continual improvement process	▪ Supporting risk attestation to ensure controls are fit & proper ▪ Developing an ERM improvement plan to assess effectiveness ▪ Determining improvement through risk assurance reports

Performance Management

The Risk Management Committee (RMC) reviews the effectiveness of the risk management function on an on-going basis including an independent validation by the appointed Internal Auditor. In addition, S&P Global Ratings, as part of their annual surveillance process takes up a comprehensive assessment on the state of ERM evolution and maturity levels against global benchmarks. The array of metrics used to evaluate the risk management function are on the foundation of correctness and accuracy of facts presented, comprehensiveness in quality of risk assessments, and check on integration of risk management into strategic decision making process.

DIRECTORS' REPORT

TO,

THE MEMBER OF HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

The Board of Directors are pleased to present the 3rd Annual Report of HDFC International Life and Re Company Limited on the business and operations of the Company in DIFC, together with the Audited Financial Statements of the Company, for its 3rd Financial Year (FY 2018-19 commencing from April 1, 2018 to March 31, 2019).

Financial Performance

The Financial performance for the FY 2018-19 is summarized as under:

Particulars	FY 2018-19 (USD)	FY 2017-18 (USD)	FY 2016-17 (USD)
Gross Income	4,762,405	2,161,598	354,192
Total expenses	(4,552,297)	(2,422,197)	(1,327,218)
Profit/(Loss)	210,108	(260,599)	(973,027)

Share Capital

The authorized share capital of the Company was increased from USD 25,000,000 to USD 30,000,000, and the issued and paid up capital was increased from USD 13,600,000 to USD 29,500,000 during the year. The registered paid up capital of the Company is twenty-nine million five hundred thousand Dollars (USD 29,500,000.00) represented by twenty-nine million five hundred thousand (29,500,000) Ordinary shares, with nominal value of USD 1.00 each. The entire paid up capital of the Company is held by HDFC Life Insurance Company Limited.

Business Review and Outlook

The Company has successfully completed three financial years of operations and is steadily building experience in the GCC and MENA Life Reinsurance markets.

The Company has declared its maiden net profit and has expeditiously accelerated revenue growth to more than twice of previous year's revenues, while continuing to focus on the need for creation of stable and diversified revenue lines.

HDFC International Life & Re continues to generate technical profit which is testimony to the strength of its underlying underwriting and risk assessment processes.

Working closely with clients is the central focus of the strategy and we look to establish meaningful and long term business associations which are mutually win-win. The Company has been working with insurers to provide reinsurance support for individual life and group life businesses, on both, automatic and facultative basis.

As we get into the fourth year of operation, our aim is to continue building compelling reinsurance propositions which enable our clients to break into new segments, expand market share and offer truly unique customer benefits. We are building technology enabled models which allow for differentiation from existing processes and propositions and we look to deliver capital efficiencies by means of bespoke reinsurance and risk solutions.

Our aim is to become partners in the journey of the insurers to help them realize their potential through reinsurance solutions which enable and empower them to innovate and optimize as per the needs of their market segments.

Partnering, rather than pure risk participation is the mantra for our approach in the GCC & MENA regions. We are optimistic about opportunities that lie ahead and excited about the journey that we have embarked upon.

In December 2018, HDFC International Life & Re has been assigned a long-term insurer financial strength rating of "BBB" with a stable outlook by S&P Global Ratings.

Key Regulatory Framework

The independent legislative framework of both, the DIFC and the DFSA, are based on international standards and principles of common law. Both, the DIFC and the DFSA, have administered and enacted various laws and rules which the Company is bound by. The key laws, rules and regulations issued by the DIFC and the DFSA, applicable to the Company during the year under review, including amendments, are:

i. The DIFC Laws

- Companies Law & Regulations – Set out provisions in respect of formation and incorporation of companies, classification of companies, shares, capital, directors and their duties, auditors and their duties, meetings, accounts, winding up etc. During the year under review, the new DIFC Companies Law No. 5 of 2018 was enacted, repealing DIFC Companies Law No. 2 of 2009. Companies are now classified as Public Companies and Private Companies. Reporting requirements will depend on the classification of companies. Pursuant to this enactment, the Legal Status of the Company has changed to "Private Company".

- Contract Law – Sets out the provisions governing contracts such as formation of contracts, validity of contracts, interpretation of contracts, performance and non-performance of contracts, damages in case of breach and agency contracts.

- Data Protection Law & Regulations – Prescribe rules and regulations regarding the collection, handling, disclosure and use of personal data in the DIFC, the rights of individuals to whom the personal data relates and the power of the Commissioner of Data Protection in performing their duties in respect of matters related to the processing of personal data as well as the administration and application of the Data Protection Law.

- Arbitration Law – Sets out provisions governing an arbitration agreement, arbitration proceedings and arbitral awards; regarding the composition of the Arbitral Tribunal.

- Employment Law – Provides minimum employment standards to employees based within, or who ordinarily work within or from the DIFC; promotes the fair treatment of employees and employers; fosters employment practices that will contribute to the prosperity of the DIFC.

ii. The DFSA Rules

- Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module ("AML") – Provides a single reference point for all persons and entities who are supervised by the DFSA for Anti-Money Laundering, Counter-Terrorist Financing and sanctions compliance under the Federal regime and the DIFC regime.

  Pursuant to Federal Law on combating terrorist offences, the UAE Government maintains a list of designated terrorist organisations and groups. The UAE Government regularly updates this list and issues notifications to the effect. These notifications are adopted by the DFSA following which the DFSA issues SEO letters to all DIFC firms on the said notifications, laying down the procedures to be followed and reports to be submitted by the firms in order to comply with the UAE Government notifications.

The requirement and obligations contained in the AML Module include Governing Body & senior management's responsibilities, anti-money laundering policies and procedures, rules regarding Money Laundering Reporting Officer ("MLRO"), risk based assessment and customer due diligence, suspicious activity reports, AML training and awareness, sanctions and other international obligations.

- Conduct of Business Module ("COB") – Regulates the conduct of business including the conduct of insurance and reinsurance business in or from the DIFC.
- General Module ("GEN") – Prescribes the financial services which may be carried on by the Authorised Firms or regulated entities in the DIFC; sets out the fundamental regulatory obligations of the Authorised Firms while carrying out the financial services activities in the DIFC.
- Prudential – Insurance Business Module ("PIN") – Sets out the prudential requirements applicable to insurers providing financial services in or from the DIFC and all insurers are governed by the PIN Module.
- Sourcebook Modules – Provide all appropriate forms and notices which must be submitted to DFSA and consist of a Code of Market Conduct, Prudential Returns Module and Regulatory Policies and Process Sourcebook.

Capital Adequacy

As on March 31, 2019, the adjusted capital resources of the Company calculated as per App3 of the 'The DFSA Rulebook, Prudential - Insurance Business Module' ("PIN Module") was USD 28,298,676.

This is higher than the minimum capital requirement of USD 10,187,900 calculated as per App4 of the PIN Module.

As on March 31, 2019, the Company was in compliance with the minimum capital adequacy requirements of the PIN Module.

Net worth

As on March 31, 2019, the Company's net worth was USD 28,476,482.

Board of Directors

The Board of Directors of the Company oversees the business and operations of the Company. As on the date of this Report, the Company's Board of Directors comprises of five Directors, represented by three members from shareholder's/controllers' organization and two Independent Directors.

Ms. Vibha Padalkar, from the shareholder's / controller's organization, was appointed as the Chairperson of the Board on September 18, 2018. In accordance with the provisions of Articles of Association of the Company, one third of the Directors who are subject to retirement by rotation are required to retire at the third annual general meeting of the Company. However, a Director who is subject to retirement by rotation, if willing, is eligible for re-election. The Shareholder of the Company appoints the Directors for such term as it may determine.

Senior Management, Persons Undertaking Key Control Functions and any Major Risk Taking Employees

Chief Executive Officer represents the senior management team. The Compliance Officer, Finance Officer and Risk Officer of the Company are designated as "Persons Undertaking Key Control Functions", as per the relevant DFSA Rulebooks.

Related Party Transactions

There were no materially significant related party transactions with the Directors, the Management, subsidiaries or relatives of the Directors that have a potential conflict with the interests of the Company at large.

Related Party Transactions

Particulars	Description	Total Value of Transactions for FYE March 31, 2019 (USD)	Total Value of Transactions for FYE March 31, 2018 (USD)	Balance as on March 31, 2017 (USD)
HDFC Life Insurance Company Limited	Share Capital infused	29,500,000	13,600,000	13,600,000
HDFC Life Insurance Company Limited	Due to Holding Company	Nil	Nil	16,153
HDFC Life Insurance Company Limited	RI business written with Holding company	949,943	-	-
HDFC Life Insurance Company Limited	Claims on RI business written with Holding company	(121,999)	-	-
HDFC Life Insurance Company Limited	Due from Holding Company	16,303	Nil	Nil
Key Managerial Personnel	Loan to Key Managerial Personnel	Nil	27,000	Nil

Remuneration / Compensation of Directors, Senior Management, Persons Undertaking Key Control Functions and Major Risk Taking Employees for the Period Under Review

Sr. No.	Particulars	Amount (USD)
1.	Independent Directors' Sitting Fees	17,500
2.	Remuneration of Senior Management, Persons Undertaking Key Control Functions and Major Risk taking Employees	68,745

Auditors

During the year under review, Ernst & Young Middle East (Dubai Branch) was reappointed as the Auditor of the Company for the financial year 2018-19 to hold office until the conclusion of the forthcoming Annual General Meeting ("AGM").

Risk Management

The Company firmly recognizes Risk Management as an integral building block to proactively manage risks and maximize opportunities related to achievement of strategic objectives. The Enterprise Risk Management (ERM) function is primarily responsible for identification and classification of material risks, recommending risk control mitigants, implementation of risk management framework and to periodically update the Risk Management Committee on the risk profile status. The Company has put in place an ERM Policy ("Policy"), which provides a base for the overall risk management framework of the Company. The Policy is reviewed by the Risk Management Committee and the Board of Directors on an annual basis.

Internal Audit

As at the date of this report, the Company had utilized the services of Crowe Mak Limited (formerly Horwath MAK Limited) (a DFSA registered auditor) to ensure an independent review of the Company's internal control framework and risk management practices. The Audit Committee of the Board has complete access to internal audit activities, reports and findings. The Board of Directors of the Company has adopted an Internal Audit charter acknowledging that the Internal Audit function draws its authority from the Audit Committee and the Board of Directors of the Company. The Audit Committee of the Board reviews the annual Internal Audit plan and provides relevant inputs to the internal audit planning process basis internal and external operating environment.

The Internal Audit framework operates with the following objectives:

- Scope: The Internal Audit charter has defined the scope and authority of the internal audit activities, approved by the Audit Committee of the Board of Directors of the Company.
- Approach: The annual Internal Audit plan adopts the Risk based Internal Audit (RBIA) methodology for undertaking internal audits, approved by the Audit Committee.
- Objective: To test, objectively and independently, the design and operating effectiveness of the internal control framework and risk management practices.
- Assurance: To provide independent and reasonable assurance about the adequacy and effectiveness of the internal controls to the Audit Committee and the Board of Directors of the Company.
- Reporting & Monitoring: The Audit Committee of the Board periodically reviews audit findings. The Management of the Company closely monitors the internal control framework to ensure recommendations and observations are effectively implemented.

Human Resources and People Development

The Company believes that a talented and dedicated workforce is a key pillar for a strong foundation, growth and efficiency. The Company has adopted HR Policies as per the DIFC Employment Laws and in line with Talent Management strategies of its Parent Company, which are designed to achieve the twin objectives of personal development and organizational growth.

The Company's workforce comprises of individuals from different countries and cultures, who bring on board a stream of cross-border experiences. With our global presence expected to expand in the near term, we will continue to welcome and encourage diversity in our workforce.

Directors' Statement

In accordance with the applicable DFSA Rules and DIFC Laws, the Board of Directors state that:

i. The Financial Statements have been prepared in accordance with the provisions of International Financial Reporting Standards ("IFRS").

ii. Such standards have been selected and applied consistently, and judgments and estimates made that are reasonable and prudent, so as to give a true and fair view of the Company's statement of accounts for the period under review, and of the state of the Company's financial position as at March 31, 2019.

iii. The Company has complied with those provisions of PIN that are applicable to it, throughout the financial reporting period.

iv. The Directors are not aware of any relevant audit information of which the Company's auditor is not aware, and the Directors have taken all reasonable steps to become aware of such relevant audit information.

Appreciation and Acknowledgement

The Directors thank all clients and business partners /associates for maintaining their trust in the Company. The Directors also thank the Company's employees for their continued hard work, dedication and commitment; and the Management for its tireless effort in establishing the reinsurance business and the progress made.

The Directors further take this opportunity to thank HDFC Life, the sole Shareholder of the Company, and HDFC Limited for their invaluable and continued support and guidance. The Directors would also like to thank the DFSA, the DIFC Authority, Insurance Regulatory and Development Authority of India (IRDAI), Financial Regulatory Authority, Egypt and other Governmental authorities for the support, advice and direction provided from time to time.

On behalf of the Board of Directors

Sd/-
Vibha Padalkar
Chairperson
April 23, 2019
DIFC, Dubai

CORPORATE GOVERNANCE FRAMEWORK

The Company is committed to sound corporate governance practices and acknowledges the importance of adopting the best practice related to Corporate Governance which includes Company's vision, values, policies, processes and goals. The Company is also committed to comply with the requirements of the regulator, Dubai Financial Services Authority (DFSA), with regard to Corporate Governance standards as set out in the relevant Rulebook.

Governing Body (Board of Directors)

The Company's Governing Body encompasses the Board of Directors. As at March 31, 2019, there are total five Directors represented by three members from shareholder's/controllers' organization(s) and two Independent Directors who carry significant and rich experience in reinsurance, insurance, banking and in the overall financial services sector. The Chairmen of the Board sub-committees i.e. the Risk Management Committee, Audit Committee and the Remuneration Committee are the Independent Directors. This clearly reflects the adoption of international best practices in corporate governance. The Board is responsible for setting the business objectives and to provide strategic direction as well as to provide overall supervision of the Company. The Board is also responsible for overseeing the business plan, strategy and management of the Company. The Board also has oversight on internal control systems which include all policies, processes and functioning of the management team.

The composition of the Board of Directors as at March 31, 2019 is as under:

Sr. No.	Name of Director	Status / Position	No. of Committees	
			As Member	As Chairman
1.	Ms. Vibha Padalkar	Director (Chairperson of the Board)	1	-
2.	Mr. Richard Charnock	Director	2	-
3.	Mr. Yuvraj Narayan	Independent Director	3	2
4.	Mr. Davinder Rajpal	Independent Director	3	1
5.	Mr. Suresh Badami	Director	3	-

Responsibilities of the Board

The Board of Directors upholds the interests of the Company's shareholder and all relevant stake holders including its clients and business partners. The Board provides the management with guidance, strategic direction and oversees the Company's overall business affairs/functioning.

The Board has an oversight on regulatory compliance and corporate governance matters and oversees the interests of various stakeholders.

The Directors attend and actively participate in Board Meetings, and meetings of the Committees in which they are members.

The Key Terms of Reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management. The Key Terms setting out the roles and responsibilities of the Governing Body were adopted and approved by the Board.

Board of Directors' Meetings

During the year under review, the Board meetings were held 4 times (once a quarter) to review the Company's quarterly performance, financial results, review the business, consider business strategies and their implementation including review and discussion of systems and controls in place etc. The Meetings of the Board of Directors and the Committees were held at Dubai.

In case any matter required urgent attention, resolutions were circulated for approval of the Board. The Board was provided with requisite information and detailed agenda papers, together with necessary supporting papers, as required. The Board papers, agenda and other explanatory notes are circulated to the Directors in advance, and include:

i. Minutes of the previous Board and Committee meetings (including minutes of Management Committee meetings);
ii. Financial results/accounts
iii. Capital Adequacy review update
iv. Business review, update and strategy overview
v. Annual business plans, budgets, and updates on the same
vi. Investment Strategy for the Company's capital and update on investment performance
vii. Actuarial report/update
viii. Compliance Monitoring & AML process Review Reports
ix. Regulatory update
x. Risk management update

Board Meetings held during FY 2018-19

The Board of Directors met four times during FY 2018-19, as follows;

- April 12, 2018
- July 16, 2018
- October 18, 2018
- January 17, 2019

Committees of the Board of Directors

During the year under review, the Audit and Risk Management Committee meetings were held on quarterly basis, and Remuneration Committee was held on annual basis.

Board Committee Meetings held during FY 2018-19

The Audit and Risk Management Committees met four times during FY 2018-19, as follows;

- April 12, 2018
- July 16, 2018
- October 18, 2018
- January 17, 2019

Remuneration Committee Meeting was held on April 12, 2018.

The functions of the Board Committees are governed by the Key Terms of References of the Board Committees which are approved by the Board from time to time. During Financial Year 2018-19, key financials, actuarial, compliance related matters were updated and approved by the Audit Committee and the Board of Directors. Further, Risk reports were placed before the Risk Management Committee on quarterly basis. Key risk management related matters were updated and approved by the Risk Management Committee.

Remuneration Policy, Remuneration Structure & Strategy were placed and approved by the Remuneration Committee of the Board of Directors on April 12, 2018.

The minutes of the Audit and Risk Management Committee meetings were placed at the Board Meeting.

The details of the various Board Committees, including their composition and Responsibilities as per their Key Terms of Reference as at March 31, 2019 are given below:

Board Committees

Committees	Responsibilities as per Key Terms of Reference	Members	No. of Meetings held during the Year
Audit Committee	▪ To monitor the integrity of financial statements and any announcement relating to actual and forecast of financial performance including management discussion and analysis ▪ To review any unusual accounting reporting brought to its attention requiring the exercise of managerial jurisprudence potentially impacting the preparation of financial statements ▪ To monitor the relationship with DFSA/DIFC as per the relevant regulatory requirement, including review of the scope, approach and result of accounting related reporting ▪ To review the accounting policies, controls and procedures established by executive management for compliance with regulatory and mandatory financial reporting requirements ▪ To monitor any significant deficiencies and material weaknesses in the internal control structure as reported by risk management & internal control and external auditors ▪ To review the internal control of financial management, compliance with local laws, statutes and regulations including safeguarding assets and intellectual property ▪ Recommending the appointment and removal of Statutory Auditor / Internal Auditor, fixation of audit fee and also approval for payment for any other services, including review of their performance and oversight ▪ Ensuring the compliance of the conditions for appointment and eligibility of Statutory Auditors of the Company as stipulated by the Regulatory Authority from time to time ▪ Review of performance of the Statutory Auditors ▪ Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible and financial statements are prepared in accordance with IFRS ▪ Review of all regulatory returns and ensure that the returns are prepared and submitted in accordance with the requirements set out in DFSA PIN rules and regulations	▪ Yuvraj Narayan – Independent Director (Chairman) ▪ Davinder Rajpal – Independent Director ▪ Richard Charnock – Director ▪ Suresh Badami - Director	4

Committees	Responsibilities as per Key Terms of Reference	Members	No. of Meetings held during the Year
Audit Committee	▪ Review of the accounts/financial statements and ensure that the accounts/financial statements of the Company comply with the applicable legislation in the DIFC		
Risk Management Committee	▪ ERM Policy: To review the implementation of policy and strategy while ensuring adequacy and effectiveness of risks and internal controls ▪ ERM Strategy: To ensure ERM is aligned to the objectives and the framework attains maturity basis change in internal and external environment ▪ ERM Profile: To review the Company risk profile relative to risk tolerance and limits and review outcomes on internal and external risk reviews ▪ ERM Architecture: To review the risk assessment (identification, analysis and evaluation), risk treatment, risk monitoring & review nomenclature ▪ Risk Appetite: To consider and set risk objectives and appetite basis the strategic objectives and forward looking internal and external environment ▪ Risk Portfolio: To consider and review the Company's portfolio of risks vis-à-vis internal and external environment including any other relevant factors which has a bearing on the Company's objectives ▪ Risk Capital: To consider and review the Company's regulatory (DFSA) risk capital which is dove-tailed across the spectrum of material risks ▪ Risk Assessments: To review outcomes of risk management reports including scenario & stress testing explaining crystallization of material risks ▪ Risk-Reward: Ensure the committee is taking appropriate measures to achieve a prudent balance between risk & reward (upside risk)	▪ Davinder Rajpal - Independent Director (Chairman) ▪ Yuvraj Narayan - Independent Director ▪ Richard Charnock - Director ▪ Suresh Badami - Director	4
Remuneration Committee	▪ Formulate and oversee the policies and procedures covering formal and transparent process for Company's remuneration structure and strategy ▪ Regular review of company's remuneration practices and procedures and its effectiveness and adequacy ▪ Formulate an appropriate succession planning for key control functions ▪ Assessment of performance of staff including key controlling functions ▪ Undertake all activities in consideration of the best practices as laid down in the DFSA laws and regulations.	▪ Yuvraj Narayan - Independent Director (Chairman) ▪ Davinder Rajpal - Independent Director ▪ Vibha Padalkar - Director ▪ Suresh Badami - Director	1

Other Internal Committees

During the year under review, Management Committee meetings were held on a monthly basis and ALCO meetings were held on quarterly basis.

The minutes of the Management Committee meetings were placed at the Board Meeting.

Management Committee

The Committee comprises of the Chief Executive Officer and seven members representing each key function of the Company, and the Compliance Officer & Company Secretary acts as Secretary to the Committee.

As on March 31, 2019, the Management Committee comprised of the following members:

- Chief Executive Officer (CEO) - Chairman
- Head of Business Development
- Appointed Actuary
- Finance Officer
- Risk Officer
- Head-Underwriting
- Head-Claims Management
- Compliance Officer & Money Laundering Reporting Officer

The Quorum for the meeting is five members including the Chairman of the Committee.

Number of Meetings held

During FY 2018-19, the Management Committee met once in a month and as on March 31, 2019, twelve meetings were held in total.

Asset Liability Committee (ALCO)

The Committee comprises of the Chief Executive Officer and three members representing actuarial, finance and risk functions of the Company, and the Finance Officer acts as Secretary to the Committee.

As on March 31, 2019, ALCO comprised of the following members:

- Chief Executive Officer (CEO) - Chairman
- Appointed Actuary
- Finance Officer
- Risk Officer

The Quorum for the meeting is three members including the Chairman of the Committee.

Number of Meetings held

During FY 2018-19, the ALCO met quarterly and as on March 31, 2019, four meetings were held in total.

Key Management Persons Team

The leadership of the Company comprises of the CEO and his management team, who are experienced, qualified professionals in the life reinsurance, life insurance, banking and the financial services space. They are entrusted with the responsibility for the effective functioning of the Company, including execution of the Company's strategic objectives and ultimately working towards fulfilment of the long term vision of the Company. Also, in line with the international best practices, the Company has independent functions with respect to managing underwriting, actuarial, compliance, risk and internal audit with clear responsibilities, reporting lines, segregation of duties and responsibilities with no conflict of interest, to enable decision making with reasonable prudence.

Compliance & Anti- Money Laundering (AML) Framework

The Company continues to take appropriate steps towards its commitment to ensure to comply with the applicable law of the DIFC and the rules and regulations of the DFSA. The Company also monitors relevant jurisdictions and applies prudent processes to ensure to comply with relevant sanctions regimes and applicable regulations. During the year under review, the compliance and AML processes & procedures were strengthened to ensure that the Company and its staff (staff includes employees, directors etc. as interpreted in the manuals) conduct business activities in compliance with the DFSA rules and regulations which they are subject to, and also as stated in the Compliance & AML Manuals.

During the year under review, the Compliance Officer performed regular review and monitoring activities as per the compliance monitoring plan adopted by the Company. The results were documented and review reports were placed before the Board on quarterly basis. Periodic updates were given to the parent, Audit Committee, Management Committee and the Board of Directors of the Company.

The Company has revised AML processes particularly client on boarding KYC processes and procedures including Enhanced Due Diligence Process during the year under review and has maintained the records throughout the year.

All employees were made conversant with the procedures contained in the Compliance Manual, AML Policies and Procedures (AML Manual) and periodic trainings and regular updates are provided to ensure that they are fully aware of regulatory changes that are applicable to the Company.

The Board of Directors approved the Compliance and AML Manuals and will review each year to ensure that it continues to reflect the procedures affecting and relating to the business.

During the year, no instances of breaches were reported and no reports were made on non-compliance with applicable legal or regulatory requirements.

HDFC Life's and HDFC Group's reputation is an important asset, which the Company protects, through a compliance, AML & Compliance Monitoring program approved by the Board and through a forward looking risk assessment as part of our Enterprise Risk Management Framework approved by the Risk Management Committee.

Internal Audit

The Company has established an Internal Audit Charter detailing the roles and responsibilities of Internal Audit function and the same was approved by the Audit Committee.

During the Financial Year, Crowe MAK Limited, a DIFC & DFSA registered firm, was appointed for performing Internal Audit function and internal audit was undertaken for the period from January 01, 2018 to February 28, 2019.

Actuarial Review

Appointed Actuary undertakes the review of Capital adequacy and technical provisions. Appointed Actuary provides an Actuarial Report to DFSA on annual basis.

Policies and Framework

During the year under review, the Company has enhanced the systems and controls for the effective management of the Company. The Company has documented policies, procedures and manuals as appropriate to the nature of business and in line with the regulatory requirements.

Each of the policies and its revisions were approved by the Board of Directors/Board Committees, as may be applicable.

Regular and periodic reviews were performed and review results/ reports are periodically updated to the Board/Committees/parent company.

Key policies, manuals, framework required under the applicable laws, rules and regulations are:

i. Accounting Policies and Procedures Manual

The Company being an Authorised Firm in the DFSA regulated regime, is committed to having effective policies and procedures. The Accounting Policies and Procedures Manual provides a general overview of Company's accounting policy.

ii. AML Policies and Procedures Manual

In line with the requirements of the DFSA AML Rules, the Company has put in place effective AML practices and procedures. The AML Manual sets out the parameters to be followed to ensure the effective implementation of AML guidelines while conducting the business activities in DIFC.

iii. Asset-Liability Management ("ALM") Policy

The Company has put in place an ALM Policy to ensure strict compliance with applicable DFSA PIN Rule norms and other applicable rules and regulations as prescribed by the DFSA. The ALM Policy sets out the ALM framework of the Company.

iv. Business Continuity Management ("BCM") Policy

As per DFSA PIN regulations, it is imperative to develop, implement and maintain sound and prudent business continuity strategy for the Company. In this respect, the Company has established BCM Policy which encompasses the BCM philosophy, the BCM governance structure, the BCM planning process (methodology and testing), crisis management and disaster recovery.

v. Claims Policy

Claims policy of the Company provides a general overview of Company's internal claims policy including claim documentation requirements, claims assessment, claims underwriting and settlement processes etc.

vi. Compliance Manual

As per the regulatory requirements, the Company has put in place an effective Compliance Manual while conducting business in the DIFC. The Compliance Manual outlines the compliance policies and procedures of the Company and it sets out the DFSA and DIFC regulatory obligations to which the Company and its Staff are subject to and describes the high level controls and responsibilities existing within the Company.

vii. Enterprise Risk Management ("ERM") Policy

A separate report on Enterprise Risk Management framework has been included in this Annual Report, describing the enterprise risk management architecture.

viii Remuneration Policy

The Company's remuneration structure and strategies are governed by Remuneration Policy. The Remuneration Policy was reviewed and approved by the Remuneration Committee in its second meeting held on April 12, 2018. In line with the requirements of applicable provisions of DFSA Rules/guidance (General Module) relating to corporate governance and remuneration, the Company has put in place a Remuneration Policy setting out the broad guidelines on remuneration philosophy and compensation structure of employees of the Company. The Policy ensures the performance evaluation process, compensation structure, broad guidelines on annual increments/promotions and pay out process for remuneration of Company's employees.

ix. Underwriting Policy

As per DFSA PIN regulations, it is imperative to implement an appropriate Underwriting Policy. In this respect, the Company has implemented an appropriate Underwriting Policy for its reinsurance operations. The broad contour of the Underwriting policy enunciates the core objectives of Underwriting risk assessment.

x. Compliance Monitoring Programme

The Compliance Monitoring Programme sets out the process and procedures to ensure the compliance of rules and regulations when undertaking Regulated activities in or from the DIFC by performing periodic review of the process and procedures in place by way of compliance testing to ensure that any compliance breaches are identified and corrective action measures are taken promptly.

The Compliance Monitoring Programme shall monitor and test the Company's level of compliance to DIFC and DFSA laws, regulations and standards which the Company is subject to.

In particular, the programme carries out formal periodic reviews of the Company's compliance records, policies and procedures; by performing sufficient and comprehensive compliance testing.

xi. HR Policies & Processes

The Company has adopted HR Policies as per the DIFC Employment Laws and in line with Talent Management strategies of its Parent Company, which are designed to achieve the twin objectives of personal development and organizational growth. HR Policies & Processes lay down the guidelines that will govern all eligible employees of the Company.

xii. Investment Management Policy

The purpose of the Investment Management Policy is to provide a formal plan for investing insurers' premia and shareholders' funds and is also set forth to:

a. Define and assign the responsibilities of all involved parties

b. Provide guidance to the Investment Management Function

c. Establish the relevant investment horizon for which the assets will be managed

d. Specify permissible investments, restrictions on invesments and diversification requirements

e. Provide ongoing oversight of investments by the ALCO

xiii. Treaty Execution Management Policy

The Treaty Execution Management Policy describes the detailed procedures to be followed by the Staff of the Company to ensure timely execution of Treaties in compliance with the laws, regulations and rules governing the conduct of business in the DIFC and in accordance with best market conduct practices and professional service standards.

The purpose of this framework is to strengthen the Treaty execution process, effective coordination and timely decision making between teams. It helps the Company to fulfil its Treaty execution requirements in a coordinated, consistent and timely manner.

xiv. Information Security Policies

The Information Security Policies comprise of the following:

a. IS Policy Statement – The Information Policy Statement establishes management directives to protect the information assets of the Company from all known threats, whether internal or external, deliberate or accidental. The implementation of this Policy is essential to maintain the confidentiality, integrity and availability of data processed by the Company for its business requirements.

b. Information Security Policy – This policy provides a standard while developing a security plan detailing management, technical and operation controls.

c. Acceptable Usage Policy – This policy outlines acceptable use of computing equipment, network and information assets of the Company. This policy is to ensure that the Company assets and information are appropriately protected.

d. User Access Management Policy – The purpose of this policy is to prevent unauthorised access to the Company information systems. The policy describes the registration, privilege management, accounting, de-registration process for all Company information systems and services.

e. Antivirus Policy – This policy defines rules for protecting the Company systems from viruses, worms, spams, malicious codes etc., using Antivirus solutions for the Company.

xv. Corporate Governance Policy

Corporate Governance is a framework of systems, policies, procedures and controls through which an entity:

1. promotes the sound and prudent management of its business;
2. protects the interests of its customers and stakeholders; and
3. places clear responsibility for achieving (1) and (2) on the Board and its members and the senior management of the Company.

FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of HDFC International Life and Re Company Limited (the "Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholder 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 the Board of Directors for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The 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 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 Company'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 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 the Board of Directors 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.

Sd/-
Ernst & Young
James Potter
Partner
25 April 2019
Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION As at 31 March 2019

	Notes	2019 USD	2018 USD
ASSETS			
Property and equipment	5	13,617	39,844
Intangible asset	6	53,154	-
Reinsurance contract assets	7	1,012,819	404,331
Reinsurance balance receivables	8	3,756,032	1,421,420
Prepayments and other receivables	9	390,778	247,336
Deposit with banks	10	13,645,000	8,599,987
Held to maturity investments	11	14,954,752	3,573,052
Bank balances and cash	12	446,829	707,975
TOTAL ASSETS		34,272,981	14,993,945
EQUITY AND LIABILITIES			
Share capital	13	29,500,000	13,600,000
Accumulated losses		(1,023,518)	(1,233,626)
Total equity		28,476,482	12,366,374
Employees' end of service benefits	14	60,723	37,414
Reinsurance contract liabilities	7	4,935,918	2,079,491
Reinsurance balance payables		664,497	403,397
Accrued and other payables	15	135,361	107,269
Total liabilities		5,796,499	2,627,571
TOTAL EQUITY AND LIABILITIES		34,272,981	14,993,945

The financial statements were approved by the Board of Directors on April 23, 2019 and signed on its behalf by:

Sd/-	Sd/-	Sd/-
Chairperson	Chief Executive Officer	Head-Finance

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2019

	Notes	2019 USD	2018 USD
Gross reinsurance premium		4,261,825	1,929,588
Reinsurance premium ceded		(598,736)	(347,648)
Net reinsurance premium written		3,663,089	1,581,940
Claims incurred		(1,000,308)	(11,088)
Reinsurance claims - retrocession share		15,880	5,544
Net claims incurred		(984,428)	(5,544)
Change in reinsurance contract liabilities (net of reinsurance assets)		(2,247,939)	(1,556,139)
Commission expense on reinsurance premium		(61,917)	-
Commission income on retro premium		-	1,555
Net technical income		368,805	21,812
Net investment income	3	500,580	230,455
TOTAL INCOME		869,385	252,267
General and administration expenses	4	(659,277)	(512,866)
PROFIT/(LOSS) FOR THE YEAR		210,108	(260,599)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		210,108	(260,599)

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2019

	Share capital USD	Accumulated losses USD	Total USD
Opening share capital (Note 13)	13,600,000	(973,027)	12,626,973
Total comprehensive loss for the year ended March 2018	-	(260,599)	(260,599)
At 31 March 2018	13,600,000	(1,233,626)	12,366,374
Addition in share capital (Note 13)	15,900,000	-	15,900,000
Total comprehensive profit for the year ended March 2019	-	210,108	210,108
At 31 March 2019	29,500,000	(1,023,518)	28,476,482

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS For the year ended 31 March 2019

	Notes	2019 USD	2018 USD
OPERATING ACTIVITIES			
Profit/(loss) for the year		210,108	(260,599)
Adjustments for:			
Depreciation & amortization charges	5,6	38,493	29,662
Net investment income	4	(500,580)	(230,455)
Provision for end of service benefits	14	23,309	19,717
		(228,670)	(441,675)
Working capital changes:			
Reinsurance contract assets		(608,488)	(319,704)
Reinsurance balance receivable		(2,334,612)	(1,246,793)
Prepayment and other receivables		(12,999)	(9,913)
Reinsurance contract liabilities		2,856,427	1,875,843
Reinsurance balance payables		261,100	329,538
Accrued and other payables		28,093	(15,722)
Amount due to/from Holding company		(16,303)	(16,153)
Net cash flows (used in) / from operating activities		(55,452)	155,421
INVESTING ACTIVITIES			
Purchase of intangible assets	6	(65,420)	-
Purchase of held to maturity investment		(11,328,335)	(3,572,608)
Realization of held to maturity investment		-	3,600,000
Movement in held to maturity investment		-	(444)
Net investment income received		333,074	186,677
Deposits with banks	10	(5,045,013)	(699,999)
Net cash flows used in investing activities		(16,105,694)	(486,384)
FINANCING ACTIVITY			
Proceeds from issuance of shares	13	15,900,000	-
Cash flows from financing activity		15,900,000	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(261,146)	(330,953)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		707,975	1,038,928
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	12	446,829	707,975

The attached notes 1 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS At 31 March 2019

1. ACTIVITIES

HDFC International Life and Re Company Limited (the "Company") was incorporated in Dubai International Financial Centre ("DIFC") as a Company Limited by Shares under the previous Companies Law, DIFC Law No. 2 of 2009, on January 10, 2016, under registration number 2067. The Company has now automatically been designated as a Private Company under New Companies Law, DIFC Law no. 5 of 2018 as on the date of its enactment. The Company is regulated by the Dubai Financial Services Authority ("DFSA") and is licensed to undertake life reinsurance business. It provides risk-transfer solutions, prudent underwriting solutions and value added services, among others, across individual life, group life and group credit life lines of business. The Company currently offers reinsurance solutions in the Gulf Cooperation Council ("GCC") and Middle East & North Africa ("MENA") regions. The registered address of the Company is Unit OT 17-30, Level 17, Central Park, Dubai International Financial Centre, PO Box 114603, Dubai, United Arab Emirates.

The Company is wholly owned by HDFC Life Insurance Company Limited (formerly 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, Annuity and Health. HDFC Life Insurance Company Limited (formerly HDFC Standard Life Insurance Company Limited) is formed as a joint venture between Housing Development Finance Corporation Limited ('HDFC Limited') and Standard Life Aberdeen plc (formerly known as Standard Life plc), global investment company.

In December 2018, the Company has been assigned a long-term insurer financial strength rating of "BBB" with a stable outlook by S&P Global Ratings.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention. The financial statements have been presented in US Dollars (USD), which is also the functional currency of the Company.

Presentation of financial statements

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.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Statement of compliance

The 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) and the applicable requirements of the DFSA Prudential Rulebooks.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 April 2018

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the previous year financial statements for the year ended 31 March 2018, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 April 2018, as listed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the annual financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company applies IFRS 15 using the modified retrospective application. Given insurance contracts are scoped out of IFRS 15, the main impact of the new standard is on the accounting for income from investments and therefore this standard did not significantly affect the Company's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2018, the Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 March 2019. The Company has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 April 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

On November 14, 2018, the IASB voted to propose a one-year deferral of the effective date for IFRS 17, the new insurance contracts Standard, to 2022. The Board has also decided to propose extending to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time.

The Company will take the benefit of temporary exemption to apply the IFRS 9.

Several other amendments and interpretations became effective as of 1 January 2018 and apply for the first time in 2018, but do not have an impact on the financial statements of the Company. These amendments and interpretations are summarised below:

- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The nature and the impact of the new standards and amendments applicable to the Company are described below:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and

IFRIC 4. The application of standard is not expected to have any significant impact on the Company's financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company is currently evaluating the expected impact.

Other amendments resulting from new standards and interpretations and amendments to standards and interpretations that is not expected to have any material impact on the accounting policies, financial position or financial performance of the Company are summarised below:

- IFRIC Interpretation 23 Uncertainty over Income Tax treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

2.3 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 only period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the cover commences. The premiums recognition is based on a combination of actual reinsurance premium reflected in the reinsurance premium statements (statement of account) received from the cedents and an estimation of reinsurance premium expected to be received for the risks that would be reinsured with the Company. The estimation is based on historical trends, and/or indications from cedents on the risks written/expected to be written.

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.

Policy acquisition cost

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the statement of comprehensive income when incurred.

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.

Intangible asset

Intangible asset comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition for its intended use, less accumulated amortisation and impairment, if any. These are amortised over the useful life of the software subject to a maximum of four years. Subsequent expenditure incurred on existing assets is expensed out except where such expenditure increases the future economic benefits from the existing assets, in which case the expenditure is amortised over the remaining useful life of the original asset. Gains or losses arising from derecognition of an intangible asset 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 reinsurance assets and receivables, due from a related party, bank balances and deposit and HTM 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 amortization 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 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 reinsurance, 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

Mathematical reserve

Reserves are created to cover all future liabilities based on the term and guarantee in the insurance contracts as determined by the Actuary. The main assumptions used relate to mortality, morbidity, longevity, expenses, lapse, surrender rates and discount rates. The Company bases the mortality and morbidity on the approved basis which reflect Industry/population experience, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and own claim severity and frequency experiences.

Incurred but Not Reported (IBNR)

As significant time lags may exist between incurrence of claims and notification of the claims to the Company and then to the reinsurer, a reserve for incurred but not reported claims is held.

Profit Sharing

Any profit sharing arrangement as per the insurance contract has been allowed for in the reserves.

Accruals and other payables

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 Dubai International Financial Centre ("DIFC") in accordance with the DIFC Employment Law. The entitlement of these benefits is based upon employees' basic wage and length of service, subject to the completion of a minimum service period.

3. NET INVESTMENT INCOME

	2019 USD	2018 USD
Net interest income from held till maturity investments	210,391	21,169
Interest on bank deposits	290,189	209,286
	500,580	230,455

4. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 USD	2018 USD
Employee benefits expenses	184,519	198,558
Rent, rates & taxes	110,051	97,689
Regulator fees and legal expense	59,332	54,155
Depreciation and amortisation charges (Notes 5 and 6)	38,493	29,662
Auditor's remuneration	27,987	26,023
Utility expenses	15,944	20,621
Other expenses	222,949	86,158
	659,277	512,866

5. PROPERTY AND EQUIPMENT

31 March 2019

	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:						
As at 1 April and 31 March 2019	47,456	15,123	10,834	26,715	3,738	103,866
Depreciation:						
As at 1 April 2018	34,280	11,073	5,537	11,512	1,620	64,022
Charge for the year	13,176	4,050	2,910	5,344	747	26,227
As at 31 March 2019	47,456	15,123	8,447	16,856	2,367	90,249
Net carrying amount:						
As at 31 March 2019	-	-	2,387	9,859	1,371	13,617

31 March 2018

	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:						
As at 1 April and 31 March 2018	47,456	15,123	10,834	26,715	3,738	103,866
Depreciation:						
As at 1 April 2017	18,458	5,753	3,107	6,169	873	34,360
Charge for the year	15,822	5,320	2,430	5,343	747	29,662
As at 31 March 2018	34,280	11,073	5,537	11,512	1,620	64,022
Net carrying amount:						
As at 31 March 2018	13,176	4,050	5,297	15,203	2,118	39,844

6. INTANGIBLE ASSET

	2019 USD
Software license	
Cost:	
Additions during the year	65,420
Accumulated amortisation:	
Charge for the year	12,266
Net carrying amount at 31 March	53,154

7. REINSURANCE CONTRACT ASSETS AND LIABILITIES

At 31 March 2019

	Gross 2019 USD	Reinsurers' Share 2019 USD	Net 2019 USD
Mathematical reserve	3,789,626	(928,176)	2,861,450
Incurred but not reported reserve	1,146,292	(84,643)	1,061,649
	4,935,918	(1,012,819)	3,923,099

At 31 March 2018

	Gross 2018 USD	Reinsurers' Share 2018 USD	Net 2018 USD
Mathematical reserve	1,923,246	(403,089)	1,520,157
Incurred but not reported reserve	142,090	(1,242)	140,848
Allocated loss adjustment expense	14,155	-	14,155
	2,079,491	(404,331)	1,675,160

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 data 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 expectations of mortality and morbidity experience, 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 age, sex, underwriting class, geography and contract type. An increase in rates will lead to a larger number of claims, which will increase the claims payout 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 Industry/Company's experience and vary by product type, policy duration and sales trends.

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 the expected investment return on the assets backing the liabilities. The expected investment return is based on the investment return on the existing assets and the expected return on future investments. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

8. REINSURANCE BALANCE RECEIVABLES

	2019 USD	2018 USD
Due from insurance companies	3,756,032	1,421,420

As at the year end, 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
As at 31 March 2019:	3,756,032	1,786,218	-	704,843	10,479	658,576	595,916
As at 31 March 2018:	1,421,420	868,260	387,103	-	166,057	-	-

See note 17 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of receivables.

9. PREPAYMENT AND OTHER RECEIVABLES

	2019 USD	2018 USD
Interest accrued	247,560	133,421
Prepaid expenses	83,188	45,035
Amount due from Holding Company	16,303	-
Other receivables	43,727	68,880
	390,778	247,336

10. DEPOSITS WITH BANKS

	2019 USD	2018 USD
Deposits with banks	13,645,000	9,086,987
Deposits with banks maturing within three months	-	(487,000)
	13,645,000	8,599,987

Deposits with banks carry interest rate in the range of 2.45% to 3.79% per annum (2018: 1.77% to 2.60 % per annum). As at 31 March 2019, the maturity of these deposits with banks ranges from 6 months to 5 years (2018: 6 months to 5 years, excluding deposits with banks maturing within three months).

11. HELD TO MATURITY INVESTMENTS

	2019 USD	2018 USD
Canadian Government Bonds	3,595,990	3,573,052
International Bank for Reconstruction & Development (IBRD) Bonds	6,523,909	-
International Financial Corporation (IFC) Bonds	4,834,853	-
	14,954,752	3,573,052

Held to maturity investment comprise Canadian government bonds carrying a coupon rate of 2% maturing during November 2022, IBRD bond carrying coupon rate of 2.13% maturing in November 2020 and IFC bonds carrying interest at 2% maturing in October 2022.

12. BANK BALANCES AND CASH

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

	2019 USD	2018 USD
Bank balances and cash	446,829	220,975
Deposits with banks maturing within three months	-	487,000
	446,829	707,975

13. SHARE CAPITAL

	2019 USD	2018 USD
Authorized Share Capital 30,000,000 shares of USD 1 each (2018: 25,000,000 Shares of USD 1 each)	30,000,000	25,000,000
Issued and paid up Capital Issued and fully paid 29,500,000 shares of USD 1 each (2018: 13,600,000 Shares of USD 1 each)	29,500,000	13,600,000

On 19 November 2018, the Holding Company injected additional USD 15,900,000 towards the share capital (15,900,000 shares of USD 1 each).

14. EMPLOYEES' END OF SERVICE BENEFITS

	2019 USD	2018 USD
As at 1 April	37,414	17,697
Charged to comprehensive income	23,309	19,717
As at 31 March	60,723	37,414

15. ACCRUED AND OTHER PAYABLES

	2019 USD	2018 USD
Accruals and other provisions	135,361	106,199
Other payables	-	1,070
	135,361	107,269

16. 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 Life Insurance Company Limited (Formerly HDFC Standard Life Insurance Company Limited)

Fellow Subsidiaries
- HDFC Asset Management Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Investments Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Capital Advisors Limited
- HDFC Sales Private Limited
- HDFC Venture Capital Limited
- HDFC Ventures Trustee Company Limited
- HDFC Property Ventures Limited
- HDFC Credila Financial Services Private Limited
- HDFC Education and Development Services Private Limited
- Griha Investments (Subsidiary of HDFC Holdings Ltd.)
- GRUH Finance Limited
- Griha Pte Ltd., Singapore (Subsidiary of HDFC Investments Ltd.)
- HDFC Pension Management Company Ltd.
- HDFC Investment Trust
- HDFC Investment Trust II

Key management personnel
Directors:
- Ms. Vibha Padalkar
- Mr. Richard Charnock
- Mr. Yuvraj Narayan
- Mr. Davinder Rajpal
- Mr. Suresh Badami

Chief Executive Officer
- Mr. Sameer Yogishwar

Transactions with related parties included in the statement of comprehensive income are as follows:

	2019 USD	2018 USD
Gross reinsurance premium	949,943	-
Claims paid	(121,999)	-
Medical insurance expenses recoverable from Holding company	9,472	-

Balances with related parties included in the statement of financial position are as follows:

	2019 USD	2018 USD
Share Capital held by Holding Company (Note 13)	29,500,000	13,600,000
Reinsurance balance receivables	827,944	-
Due from Holding Company	16,303	-
Loan to Chief Executive Officer*	-	27,000

*On 28 September 2017 the Company has provided a loan to the Chief Executive Officer amounting to USD 39,922, repayable in equal monthly installments over a period of 18 months. The loan is unsecured and carries interest at 6% per annum.

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

	2019 USD	2018 USD
Directors' sitting fees	17,500	16,500
Short-term benefits	39,705	36,067
	57,205	52,567

17. 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 organizational 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 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 period ended 31 March 2019.

As at 31st March 2019, the adjusted capital resources of the company calculated as per App3 of 'The DFSA Rulebook, Prudential – Insurance Business Module' is USD 28,298,676 (As at March 31, 2018 – USD 12,212,614).

This is higher than the minimum capital requirement of USD 10,187,900 calculated as per App4 of 'The DFSA Rulebook, Prudential – Insurance Business Module'.

As at March 2019, 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) of the Company actively monitors the ALM frame work 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:

17A Reinsurance risk

The principal risk the Company faces under reinsurance 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 reinsurance contracts. The variability of risks is also improved by careful selection of risk accepted with outward reinsurance arrangements.

Reinsurance risk

In a common practice among global reinsurance companies, and in order to minimize the financial exposure arising from large reinsurance claims, the Company, in the normal course of business, enters into arrangements with counterparties for retrocession. Such retrocession arrangements provide for diversification of business, allows 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 minimize its exposure to significant losses from the retrocessionaire(s) insolvencies, the Company evaluates the financial condition and financial strength ratings of its retrocession partners before placing risks.

17B 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 any equity and 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 of default on a security or investment that may rise from an issuer failing to meet contractual obligations. However, credit risk is controlled and mitigated by buying instruments issued by entities of high credit investment grade as well as diversifying the exposures across different issuers.

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 (Cedants and Retrocessionaires). 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 banks of acceptable credit rating.

The Company's receivables were not impaired as at 31 March 2019 and as at 31 March 2018. In addition, receivables from the reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

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.

At 31 March 2019

	Neither past due nor impaired				
	High grade USD	Standard grade USD	Sub-Standard grade USD	Past due and impaired USD	Total USD
Reinsurance Contract assets	-	1,012,819	-	-	1,012,819
Reinsurance balance receivables	-	3,756,032	-	-	3,756,032
Held to maturity	14,954,752	-	-	-	14,954,752
Bank balances and deposits	14,091,829	-	-	-	14,091,829
	29,046,581	4,768,851	-	-	33,815,432

At 31 March 2018

	Neither past due nor impaired				
	High grade USD	Standard grade USD	Sub-Standard grade USD	Past due and impaired USD	Total USD
Reinsurance Contract assets	-	404,331	-	-	404,331
Reinsurance balance receivables	-	1,421,420	-	-	1,421,420
Held to maturity	3,573,052	-	-	-	3,573,052
Bank balances and deposits	9,307,962	-	-	-	9,307,962
	12,881,014	1,825,751	-	-	14,706,765

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 and investments are primarily with financial institutions. The insurance risk arising from reinsurance contracts is concentrated mainly in the Middle East, India and North Africa region.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates environment. The Company does not have any exposure to currency risk because most of the financial instruments are denominated in USD, United Arab Emirates Dirham, which is pegged against USD as at 31 March 2019.

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 2019 and 2018, 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 or due to a change in the absolute level of interest rates, in the shape of a yield curve or in any other interest rate relationship. Interest bearing financial assets and interest-bearing financial liabilities are all held for maturity and hence there is no interest rate risk. 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.

17C Operational risk

The Company envisages operational risks to emanate typically from inadequate or failed internal processes, people (key control person), systems (technology), services or external events including reputation risks, strategic risks, legal (non-compliance risk and AML risks) 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 prudent control framework and by monitoring and responding to potential risks, the Company is able to manage the risks effectively. The Company has a control effectiveness framework that includes effective segregation of duties, policies and processes access, authorisation and reconciliation procedures and assessment processes.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

As on 31 March 2019 the Company has deposited an amount of USD 7,497 (2018: USD 6,129) 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 cancellable lease period of 5 years with Arady Developments LLC for an office premises.

	2019 USD	2018 USD
Operating lease commitments:		
Future minimum lease payment		
Within one year	114,279	101,444
After one year but not more than five years	98,734	197,770
Total operating lease expenditure contracted for at the year end	213,013	299,214

As at 31 March 2019 the Company had USD Nil (2018: USD 38,549) commitment relating to the purchase of software.

19. 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.

20. 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:

Technical reserves

In calculating the technical reserves, reserve for incurred but not reported claims and reserve for allocated loss adjustment expenses, the Company makes estimates of the future claims and expenses 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.

Impairment of accounts receivable

An estimate of the collectible amount of reinsurance balance receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the reporting date, gross reinsurance balance receivables were USD 3,756,032 (2018: USD 1,421,420) on which the Company has not identified any indications of impairment on the receivables. Hence, no provision for impairment losses was reported. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Estimated premium income

In calculating the estimated premium income, the Company makes estimates for the expected written premiums during the period. These estimates are based on the expected experience in relation to the reinsurance estimates written and is based on historical data, adjusted for the Company's views of the experience. Any adverse deviation from the expected experience could result in future adjustments for the future premium.

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