

**INDEPENDENT AUDITOR'S REPORT  
&  
Audited Financial Statements  
Of  
Asia Insurance Limited  
For the year ended December 31, 2019**

**INDEPENDENT AUDITOR'S REPORT**  
**To The Shareholders of Asia Insurance Limited**  
**Report on the Audit of the Financial Statements**

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**Opinion**

We have audited the financial statements of Asia Insurance Company Limited (the company), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Comprehensive Income, Profit and Loss Appropriation Account, related Revenue Accounts, 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, in all material respects, of the financial position of the company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matters**

Without qualifying our opinion, we draw attention to the following matter:

Initial application of **IFRS-16 Leases** came into effect in 1<sup>st</sup> January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

However, the management of the company opted not to adopt the new standard in the current financial year leading to the understatement of Assets and Liabilities, understatement of expense, overstatement of profit and will lead the Office Rent expense into zero, further references in note 31.A.

In addition to above, the Company has not recognized the leases of Right-of-use assets and its Depreciation. Finally, the Company has not transferred Lease Liabilities at Net Present Value from Office Rent Expense, interest expense on lease liabilities total cash outflow of the leases, the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset, which is a non-compliance of para-47 & 53 of IFRS-16.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2019. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk
<p><b>Premium Income:</b> Gross general insurance premium comprise the total premium received for the whole period of cover provided by contracts entered into during the accounting period.</p> <p>Given the important nature, connections to other items to the financial statements and sensitivity of the item we believe this area pose high level of audit risk.</p> <p>At year end the 2019, the group reported total gross Premium income of Tk. 631,903,211 (2018: Tk. 617,032,654)</p>	<p>With respect to premium income in respect of various types of insurance we carried out the following procedures:</p> <ul style="list-style-type: none"> <li>▪ The design and operating effectiveness of key controls around premium income recognition process.</li> <li>▪ Carried out analytical procedures and recalculated premium income for the period</li> <li>▪ Carried out cut-off testing to ensure unearned premium income has not been included in the premium income.</li> <li>▪ On a sample basis reviewed policy to ensure appropriate policy stamp was affixed to the contract and the same has been reflected the premium register.</li> <li>▪ Ensured on a sample basis that the premium income was being deposited in the designated bank account.</li> <li>▪ Tested on a sample basis to see that appropriate VAT was being collected and deposited to bank through Treasury Challan.</li> <li>▪ For a sample of insurance contracts tested to see if appropriate level of reinsurance was done and whether that re insurance premium was deducted from the gross premium.</li> <li>▪ Applying specialist judgment ensured if there is any impairment of the reinsurer.</li> <li>▪ Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.</li> </ul>

<p><b>Fair value adjustment of shares</b></p> <p>Insurance company makes a number of investments in the listed and unlisted capital market with required regulatory permission. Income generated from the investments (realized gain and dividend received) is credited to the Profit &amp; Loss Account. Unrealized capital gain or loss if any is transferred to the Investment Fluctuation Fund subsequently or as per the policy of the company.</p> <p>This item has significant impact on the earnings performance of the company and return to the shareholders and might be prone to misreporting as large unreported fall in the value of any holding may wipe out the value of the portfolio and hamper the distribution capability of the company.</p> <p>At year end the 2019, the company reported total balance as at 31<sup>st</sup> December 2019 TK 81,751,708 (2018: BDT 88,707,927) under the head of provision for fair value adjustment of shares of BDT 12,751,273 (2018: BDT 31,383,858).</p>	<p>We tested the design and operating effectiveness of key controls around monitoring, valuation and updating of prices of the positions held by the company from trusted sources.</p> <p>Additionally, we perform the following:</p> <ul style="list-style-type: none"> <li>▪ Obtained year-end share holding positions from the company and through directional testing assessed the completeness of the report.</li> <li>▪ Ascertained the valuation of the holding as per IFRS 13.</li> <li>▪ Reviewed the assumptions used for the valuation models for any unquoted securities.</li> <li>▪ Recalculated unrealized gain or loss at the year end.</li> <li>▪ Carried out cut-off testing to ensure unrealized gain or loss was recognized in correct period.</li> <li>▪ Obtained the CDBL report and share portfolio and cross checked against each other to confirm unrealized gain or loss.</li> <li>▪ Check the subsequent positioning of this unrealized amount after the year end.</li> <li>▪ Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.</li> </ul>
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