Independent Auditor's Report

To the Shareholders of ABC Life Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABC Life Insurance Company Limited (the Company), which comprise the Statement of Financial Position as at 31 December 20XX, and the Life Revenue and Profit and Loss and Other Comprehensive Income Account, 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 present fairly, in all material respects, the financial position of the company as at 31 December 20XX, 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 1938 (as amended in 2010), 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 Matter (if any)

Examples could be:

- An uncertainty relating to the future outcome of exceptional litigation or regulatory action.
- Early application (where permitted) of a new accounting standard (for example, a new International Financial Reporting Standard) that has a pervasive effect on the financial statements in advance of its effective date.
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA 701.*]

Please refer to Annexure 1 for some examples of Key Audit Matters (KAM) for illustrative purposes.

*Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management is responsible for the other information. The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

* *Where applicable, the auditor shall report in accordance with ISA 720 (Revised).*

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Insurance Act 1938 (as amended in 2010), the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 judgement 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Insurance Act 1938 (as amended in 2010), the Securities and Exchange Rules 1987 and relevant notifications issues by Bangladesh Securities and Exchange Commission, we also report that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examinations of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;

c) As per section 62(2) of the Insurance Act 1938 (amended in 2010), in our opinion to the best of our knowledge and belief an according to the information and explanation given to us all expenses of management wherever incurred and whether incurred directly or indirectly, in respect of insurance business of the company transacted in Bangladesh during the year under report have been duly debited to the Revenue Accounts of the Company;

d) The information and explanations required by us have been received and found satisfactory;

e) As per regulation 11 of part 1 of the third schedule of the Insurance Act 1938 (amended in 2010), in our opinion to the best of our information and as shown by its books, the company during the year under report has not paid any persons any commission in any form outside Bangladesh in respect of any its business re-insured abroad;

f) The Statement of Financial Position, Life Revenue and Profit and Loss and Other Comprehensive Income Accounts and Statement of Changes in Equity and Statement of Cash Flows of the Company dealt with by the report are in agreement with the books of account and returns;

g) The expenditure was incurred for the purpose of the Company's business; and

h) The company has complied with relevant laws and regulations pertaining to reserves.

Dated, Dhaka
…. February 20XX

Engagement Partner name*
Signature

* ISA 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

Annexure 1

Key Audit Matters

[Below is a list of key audit matters is for illustrative purposes. This is not an exhaustive list; each individual matter may not be relevant to every engagement. The selection of matters as a key audit matter and the responses to such matters and the risks they pose is a matter of professional judgment by the audit engagement team]

Key audit matter	How our audit addressed the key matter
Contingencies relating to income tax	
As disclosed in note … to the financial statements, the Company has a pending tax assessments for the assessment year …..(Income year ….) as there is a dispute with the National Board of Revenue (NBR). The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessments of the likely outcome and qualification of tax exposure which involves significant judgement. We also consider there to be a risk that the tax discloser in Notes …. and …. to the financial statements, which are significant to the Company's tax position may not be adequate.	Our audit procedures included: • Understanding the process of estimating, recording and reassessing tax provision and contingencies. • Involving our tax specialist to assist in analysing the judgments used to determine provisions for matters based on their knowledge and experience of local regulations and practices. • Inspecting the correspondence with tax authorities. • Inspecting reports on open tax assessments prepared by the company's tax advisors and in-house tax manager and where appropriate documentation considered necessary to understand the position and conclusions made by the company. We also obtained external confirmations from legal council on significant tax litigation. • We also assessed the adequacy of the Company's financial statements disclosures in respect of the tax positions and contingent liabilities.

Key audit matter	**How our audit addressed the key matter**
Valuation of life fund	
Valuation of life fund involves complex and subjective judgments about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities.	The work to address the valuation of life fund included the following procedures: • We understood the governance process in place to determine the life fund, including testing the associated financial reporting control framework. • We tested the design and operating effectiveness of controls over the accuracy and completeness of data used. • Using our actuarial specialist team members, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognized actuarial practices. • We tested the key judgements and controls over the liability, including the preparation of the manually calculated components. We focused on the consistency in treatment and methodology period-on-period and with reference to recognised actuarial practice. • We assessed the disclosures in the financial statements. As part of our consideration of the entire set of assumptions, we focused particularly on the Annuitant Mortality, Credit Default and Expense assumptions for the life fund given their significance to the Company’s result and the level of judgement involved. These have been considered in greater detail below. Based on the work performed and the evidence obtained, we consider the assumptions used to be appropriate.

Key audit matter	How our audit addressed the key matter
Annuitant Mortality Assumptions (Group)	
Annuitant mortality assumptions require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management views on the future rate of mortality improvements and external factors arising from developments in the annuity market. There are two main components to the annuitant mortality assumptions: • **Mortality base assumption:** this component is typically less subjective as it is derived using the external Continuous Mortality Investigation (CMI) tables, adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting internal experience to this table. • **Rate of mortality improvements:** this component is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. Management has adopted the most recent CMI 2017 model and dataset in setting this assumption with specific adjustments to reflect the profile of their portfolio and their views on the rate of mortality improvements. In addition, a margin for prudence is applied to the annuitant mortality assumptions.	In addition to the procedures above, in respect of the annuitant mortality assumptions: • We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's choice of, and fitting to, the CMI base tables and the adoption of the CMI 2016 model and dataset for improvements and the margin for prudence. • We assessed the results of the experience investigations carried out by Bangladesh Life management for the annuity business to determine whether they provided support for the assumptions used by management. • We compared the mortality assumptions selected by Bangladesh Life against those used by their peers. Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Key audit matter	**How our audit addressed the key matter**
Provision for Income Tax	
Provision for income tax requires the consideration of incomes from both 'actuarial surplus' and 'gross external incomings' in accordance with the 4th schedule of the Income Tax Ordinance (ITO 1984). For this purpose after the year-end, the appointed Actuary of the Company provides a summary and valuation of the policies as per 'Form H' as stated in the Insurance Act 1938. Valuation amount in access of the 'Life Fund as reported in the Financial Statements' is referred to as 'actuarial surplus'. Also the income from 'gross external incomings less management expense' is derived. As per the ITO 1984, tax has to be calculated on the higher base comparing between the incomes from 'actuarial surplus' and 'gross external incomings' at the rate applicable considering the allowable deductions as per the 4th Schedule of the said Ordinance.	We reviewed the tax calculation work flows and related details. To be specific, our substantive testing procedures included the following: - We made sure that tax was calculated on the higher base comparing between the incomes from 'actuarial surplus' and 'gross external incomings'. - Actuarial surplus was derived properly taking into consideration the approved Form H by the appointed Actuary. - Incomes from 'gross external incomings' were derived properly. - Deductions as allowable by the 4th Schedule of ITO 1984 were applied duly.
Valuation of investments in subsidiaries and joint venture (Company)	
In the Company's statement of financial position, subsidiaries and joint venture are reported at fair value estimated using applicable valuation models underpinned by the company's market capitalisation. The determination of the fair value is a judgemental area and the investments in subsidiaries and joint venture together comprise the largest assets in the parent company's statement of financial position.	In respect to the fair value of investments in subsidiaries and joint venture: • We understood and tested the methodology in place to determine the fair value of investments in subsidiaries and joint venture. • We tested adjustments made to the market capitalisation and underlying data inputs on a sample basis. • Used our valuation experts, to assess and test the appropriateness for inclusion of selected comparable companies used in the multiples • based valuation model, on a sample basis. • We assessed the disclosures in the financial statements. Based on the work performed and the evidence obtained, we consider the assumptions used by management to value investments in subsidiaries and joint venture to be appropriate
Goodwill Impairment assessment	

Key audit matter	How our audit addressed the key matter
As shown in Note ----- of the financial statements, the directors assess the impairment of goodwill arising from acquisition at the cash generating unit level using value-in-use calculation. We focused on the Goodwill impairment assessment because the value-in-use calculations involves significant judgments about the future results of the business and the discount rates applied to the future cash flow forecast.	We evaluated and challenged the composition of management's future cash flow forecast and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We independently assessed the reasonableness of the five year forecast cash flows based on recent actual performance and the short-term financial approved budgets of the business. We also challenged management's assumptions in relation to the: - Long term growth rates by comparing them to economic and industry forecasts. - Pre-tax discount rate by assessing the cost of capital for the company and the comparable organizations, as well as considering country specific factors We found the assumptions to be consistent and in line with our expectations. We challenged management on the adequacy of their sensitivity calculations. We determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates as disclosed in Note --- of the financial statements. We discussed the likelihood of such a movement and satisfied ourselves that this has been appropriately disclosed in the financial statements.
Information Technology (IT) systems and controls	
During the year, the company implemented SAP, a new Enterprise Resource Planning (ERP) system. The new system is a fully integrated financial accounting and reporting system. The implementation of a new system has an inherent risk of loss of integrity of key financial data being migrated, and the breakdown in operation or monitoring of IT dependent controls within critical business processes such as purchasing selling and recording of transaction, which could lead to financial errors or misstatements and inaccurate financial reporting. The group's financial accounting and reporting systems are heavily dependent on	We examined the framework of governance over the group's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. We assessed and tested the design and operating effectiveness of the controls over the continued integrity of both the old and new systems that were relevant to financial accounting and reporting during the year. Where necessary we also carried out direct test of certain aspects of the security of the Group's IT systems including access management and segregation of duties. We re-performed selected automated computations and compared our results with those from the system and the general ledger.

Key audit matter	How our audit addressed the key matter
the new system and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.	We tested the significant system interfaces to ensure the accuracy and completeness of the data transfer. Our procedures included assessment and testing of the General IT control environment, including IT access and segregation of duties, as well as IT dependent controls within critical business processes. In relation to systems migration, we assessed and tested the controls specifically established over the implementation process and migration of key financial data from the legacy to the new single operating system, and we performed walk through to collaborate this. The combination of these tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Group's IT systems for the purpose of the audit of the financial statements.

***Disclaimer**: This template Auditor's Report for Life Insurance Company in Bangladesh has been developed under the requirement of ISA 700 (revised) and examples of some Key Audit Matters (KAM) with a view to share the idea in this regard. The sample KAM is not exhaustive and auditors need to apply their judgement in order to identify if there are other items which may fall under KAM. ICAB assumes no responsibility or liability whatsoever for accuracy and completeness of this template. So, intended users may follow this template subject to required modification at their own risk.*