

**CAMBODIAN REINSURANCE COMPANY**  
**“CAMBODIA RE”**

(Registration No.: Co – 6992/04M)

Report of Board of Directors  
and  
Audited financial statements

as at 31 December 2019 and for the year then ended

**Cambodian Reinsurance Company “Cambodia Re”**  
(Registration No.: Co – 6992/04M)

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# Cambodian Reinsurance Company "Cambodia Re"

(Registration No.: Co – 6992/04M)

## CORPORATE INFORMATION

Company Name: Cambodian Reinsurance Company "Cambodia Re"

Registration No.: Co – 6992/04M

Registered Office: No. 17, Street 134, Sangkat Mittapheap  
Khan 7 Makara, Phnom Penh, Cambodia Kingdom of Cambodia

Shareholders: Ministry of Economy and Finance  
Asia Insurance International (Holding) Co Ltd  
Forte Investment Holdings Co.Ltd  
Sovannaphum Life Assurance Plc.

Board of Directors: H.E. Ros Seilava - Chairman  
H.E. Im Sithol - Director  
H.E. Pen Pichsaly – Director  
Mr. Teddy Hailamsah – Director  
Mr. Youk Chamroeunrith – Director (appointed on 25 October 2019)  
Mr. Huy Vatharo – Director  
Mr. Rath Veasna – Director

Management Team: Mr. Huy Vatharo – Managing Director  
Mr. Ty Atith – Operation Director  
Mr. Rath Veasna – Admin & Finance Director

Principal Bankers: Foreign Trade Bank of Cambodia Plc.  
Phnom Penh Commercial Bank Plc.  
ACLEDA Bank Plc.  
Advanced Bank of Asia Limited  
Canadia Bank Plc.  
Philip Bank Plc  
Chathay United Bank (Cambodia) Plc.  
Bank for Investment and Development of Cambodia Plc.  
Sathapana Bank Plc.  
RHB Indochina Bank Limited  
Sacombank (Cambodia) Plc.

Auditor: Ernst & Young (Cambodia) Ltd.



**ព្រះរាជាណាចក្រកម្ពុជា  
ជាតិ សាសនា ព្រះមហាក្សត្រ**

**KINGDOM OF CAMBODIA  
NATION-RELIGION-KING**



**ក្រុមហ៊ុនធានារ៉ាប់រងបណ្តុំកម្ពុជា ភីអិលអិល**

**CAMBODIAN REINSURANCE COMPANY "CAMBODIA RE"**

លេខ/No.....

The Board of Directors submits this report, together with the financial statements of Cambodian Reinsurance Company "Cambodia Re" ("the Company") as at 31 December 2019 and for the year then ended.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is to engage in non-life and life reinsurance and insurance risks.

**FINANCIAL RESULTS**

Summary of the financial results for the year is as follows:

	2019		2018	
	US\$	KHR'000 equivalent (Note2.4)	US\$	KHR'000 equivalent (Note2.4)
Net profit before income tax	1,969,658	7,981,057	1,694,896	6,855,854
Income tax expense	(474,754)	(1,923,703)	(384,972)	(1,557,212)
<b>Net profit for the year</b>	<b>1,494,904</b>	<b>6,057,354</b>	<b>1,309,924</b>	<b>5,298,642</b>

**DIVIDENDS**

Dividends amounting to US\$ 1.5 million was approved on 30 May 2019 by Ministry of Economy and Finance, and fully paid during the year.

**RESERVES AND PROVISIONS**

Any additions to or deductions from reserves and provisions during the year are disclosed in the financial statements.

**THE BOARD OF DIRECTORS**

The directors who held office as at 31 December 2019 are as follows:

H.E. Ros Seilava	Chairman
H.E. Im Sithol	Board Member
H.E. Pen Pichsaly	Board Member
Mr. Teddy Hailamsah	Board Member
Mr. Youk Chamroeunrith	Board Member (appointed on 25 October 2019)
Mr. Huy Vatharo	Board Member
Mr. Rath Veasna	Board Member

# **Cambodian Reinsurance Company “Cambodia Re”**

(Registration No.: Co – 6992/04M)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### **DIRECTORS' BENEFITS**

During and at the end of the year, no arrangement existed, to which the Company was a party, with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit (other than a benefit disclosed in the financial statement) by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest.

### **INFORMATION ON THE FINANCIAL STATEMENTS**

In preparing the financial statements, the directors complied with the following:

- a) Ensure proper actions had been taken in writing off bad debts and providing for doubtful debts, and that all bad debts are written off and doubtful debts sufficiently provisioned for.
- b) Ensure that current assets which are not likely to be realized accounting records are written down to estimated net realizable value.

#### **At the date of this report, the directors are not aware that:**

- a) Bad and doubtful debts have not been written off or provisioned for insufficiently in the financial statements of the Company.
- b) The value of current assets in the financial statements of the Company contains errors or misstatements.
- c) The assets or liabilities valuation methods used by the Company are wrong or inappropriate.

There are no contingent liabilities or other liabilities payable within twelve months after year end which can affect the ability to carry out obligations on the due liabilities.

#### **At the date of this report, there are no:**

- a) Charges on the Company's assets for collaterals or guarantees of any other persons since the year-end.
- b) Contingent liabilities which have arisen since the year-end except as disclosed in the financial statements.

At the date of this report, the directors are not aware of any erroneous or misstated figures in these financial statements.

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co – 6992/04M)

REPORT OF THE BOARD OF DIRECTORS (continued)

**Directors' opinion**

- The Company's operating results during the year are not materially affected by any line item, transaction or unusual event.
- Other than as disclosed in the financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2019 that had significant impact on the Company's financial position as at 31 December 2019, and its financial performance and its cash flows for the year then ended.

Signed on behalf of Board of Directors,



**H.E. Ros Seilava**  
Chairman of the Board of Directors

23 March 2020



**Mr. Huy Vatharo**  
Managing Director

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co – 6992/04M)

STATEMENT BY THE BOARD OF DIRECTORS

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended. The directors oversee the preparation of these financial statements by management who is required to:

- (a) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (b) Comply with the disclosure requirements of Cambodia International Financial Reporting Standards or, if there has been any departure in the interest of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- (c) Maintain adequate accounting records and an effective system of internal controls;
- (d) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- (e) Effectively control and direct the Company and be involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing the financial statements.

**APPROVAL OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 226 OF LAW ON COMMERCIAL ENTERPRISES**

We, **H.E. Ros Seilava** and **Mr. Huy Vatharo**, on behalf of the Board of Directors, do hereby confirm that the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended and have been properly drawn up in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") to the preparation and presentation of financial statements.



**H.E. Ros Seilava**  
Chairman of the Board of Directors

**Mr. Huy Vatharo**  
Managing Director

23 March 2020



Ernst & Young (Cambodia) Ltd.  
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Reference: 61519217-21259683

## INDEPENDENT AUDITOR'S REPORT

To: **The Shareholders of Cambodian Reinsurance Company "Cambodia Re"**

### *Opinion*

We have audited the financial statements of Cambodian Reinsurance Company "Cambodia Re" ("the Company"), which comprise the statement of financial position as at 31 December 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 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

### *Basis for Opinion*

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matter*

The financial statements of the Company as at 31 December 2018 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2019.

### *Information other than the Financial Statements and Auditor's Report Thereon*

The other information obtained at the date of the auditor's report comprises Corporate Information, Report of the Board of Directors and Statement of the Board of Directors. Management is 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.



### ***Responsibilities of Management and the Board of Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRSs, 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.

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 CISAs 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 CISAs, 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.



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**Auditor's Responsibilities for the Audit of the Financial Statements** (continued)

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.



  
Maria Cristina M. Calimbas  
Partner

**Ernst & Young (Cambodia) Ltd.**  
Certified Public Accountants  
Registered Auditors

Phnom Penh, Kingdom of Cambodia

23 March 2020

Cambodian Reinsurance Company "Cambodia Re"  
(Registration No.: Co – 6992/04M)

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2019

	Notes	2019		2018	
		US\$	KHR '000 equivalent (Note 2.4)	US\$	KHR '000 equivalent (Note 2.4)
<b>ASSETS</b>					
Statutory deposit	5	1,400,000	5,705,000	1,400,000	5,625,200
Government bonds	6	1,640,052	6,683,212	2,815,875	11,314,186
Intangible asset	7	61,145	249,166	66,021	265,272
Property and equipment	8	1,008,990	4,111,634	887,872	3,567,470
Investments	9	24,605,374	100,266,899	15,570,424	62,561,964
Insurance receivables	10	7,142,435	29,105,423	5,367,447	21,566,402
Other assets	11	48,421	197,316	2,344,297	9,419,385
Cash and cash equivalents	12	868,749	3,540,152	834,491	3,352,985
<b>Total Assets</b>		<b>36,775,166</b>	<b>149,858,802</b>	<b>29,286,427</b>	<b>117,672,864</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	13	14,000,000	56,000,000	7,000,000	28,000,000
Other capital		-	-	750,000	3,037,500
Reserves	14	4,530,839	18,214,560	4,361,556	17,524,732
Revaluation reserves	15	427,690	1,740,039	150,782	618,008
Retained earnings		3,345,914	13,709,317	6,753,136	27,351,921
Cumulative exchange differences		-	1,226,689	-	(127,986)
<b>Total Equity</b>		<b>22,304,443</b>	<b>90,890,605</b>	<b>19,015,474</b>	<b>76,404,175</b>
<b>Liabilities</b>					
Insurance contract liabilities	16	6,434,689	26,221,358	4,393,861	17,654,533
Insurance payables	17	5,974,321	24,345,358	4,805,477	19,308,407
Other liabilities	18	2,042,305	8,322,393	698,394	2,806,147
Provision for income tax	19	19,408	79,088	373,221	1,499,602
<b>Total Liabilities</b>		<b>14,470,723</b>	<b>58,968,197</b>	<b>10,270,953</b>	<b>41,268,689</b>
<b>Total Equity and Liabilities</b>		<b>36,775,166</b>	<b>149,858,802</b>	<b>29,286,427</b>	<b>117,672,864</b>

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co – 6992/04M)

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2019

	Notes	2019		2018	
		US\$	KHR '000 equivalent (Note 2.4)	US\$	KHR '000 equivalent (Note 2.4)
Gross premiums	20	13,488,993	54,657,400	11,641,023	47,087,938
Premiums ceded to reinsurers	21	(4,165,394)	(16,878,176)	(4,284,209)	(17,329,625)
Change in unearned premiums reserve	16	(1,148,499)	(4,653,718)	(677,194)	(2,739,250)
<b>Net premiums revenue</b>		<b>8,175,100</b>	<b>33,125,506</b>	<b>6,679,620</b>	<b>27,019,063</b>
Commission income	22	1,762,259	7,140,674	1,612,441	6,522,324
Finance and other income	23	1,202,368	4,871,995	744,937	3,013,270
<b>Other revenue</b>		<b>2,964,627</b>	<b>12,012,669</b>	<b>2,357,378</b>	<b>9,535,594</b>
<b>Total revenues</b>		<b>11,139,727</b>	<b>45,138,175</b>	<b>9,036,998</b>	<b>36,554,657</b>
Gross claims paid	24	(3,964,796)	(16,065,353)	(3,316,224)	(13,414,126)
Claims ceded to reinsurers	25	702,203	2,845,327	625,499	2,530,143
Change in other insurance contract liabilities	16	(892,329)	(3,615,717)	76,761	310,498
<b>Net claims</b>		<b>(4,154,922)</b>	<b>(16,835,743)</b>	<b>(2,613,964)</b>	<b>(10,573,485)</b>
Commission expense	26	(3,778,390)	(15,310,036)	(3,501,408)	(14,163,195)
Contribution fees	27	(47,832)	(193,815)	(36,773)	(148,747)
General and administrative expenses	28	(1,188,925)	(4,817,524)	(1,189,957)	(4,813,376)
<b>Total commission and other expenses</b>		<b>(5,015,147)</b>	<b>(20,321,375)</b>	<b>(4,728,138)</b>	<b>(19,125,318)</b>
<b>Total claims, commission and other expenses</b>		<b>(9,170,069)</b>	<b>(37,157,118)</b>	<b>(7,342,102)</b>	<b>(29,698,803)</b>
<b>Profit before tax</b>		<b>1,969,658</b>	<b>7,981,057</b>	<b>1,694,896</b>	<b>6,855,854</b>
Income tax expense	19	(474,754)	(1,923,703)	(384,972)	(1,557,212)
<b>Profit for the year</b>		<b>1,494,904</b>	<b>6,057,354</b>	<b>1,309,924</b>	<b>5,298,642</b>
<b>Other comprehensive income</b>					
Fair value gain on available-for-sale financial asset	15	276,908	1,122,031	150,269	607,838
Disposed investment property - related tax on fair value gain	15	-	-	(357,512)	(1,446,136)
Exchange difference on translation		-	1,317,175	-	(370,114)
<b>Total comprehensive income</b>		<b>1,771,812</b>	<b>8,496,560</b>	<b>1,102,681</b>	<b>4,090,230</b>

The accompanying notes 1 to 34 form an integral part of these financial statements.

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co - 6992/04M)

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019

	Share capital		Other capital		Reserves		Revaluation reserve		Retained earnings		Cumulative translation differences		Total		
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000	US\$	KHR'000
As at 1 January 2019	7,000,000	28,000,000	750,000	3,037,500	4,361,556	17,524,732	150,782	618,008	6,753,136	27,351,921	(127,986)	19,015,474	76,404,175		
Transfer to share capital	750,000	3,000,000	(750,000)	(3,037,500)	-	-	-	-	-	-	37,500	-	-		
Issue of new shares	3,027,262	12,109,048	-	-	-	-	-	-	-	-	-	-	-		
Capitalized from retained earnings	3,222,738	12,890,952	-	-	-	-	-	(3,222,738)	(12,890,952)	(731,006)	-	3,027,262	12,109,048		
Transfer to catastrophe reserve	-	-	-	-	179,388	731,006	-	-	(179,388)	(731,006)	-	-	-		
Use of social reserve and	-	-	-	-	(10,105)	(41,178)	-	-	-	-	-	-	-		
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	(10,105)	(41,178)		
Dividends	-	-	-	-	-	-	-	-	1,494,904	6,057,354	-	1,494,904	6,057,354		
Fair value gain on available-for-sale financial asset	-	-	-	-	-	-	-	(1,500,000)	(6,078,000)	-	-	(1,500,000)	(6,078,000)		
Exchange difference on translation	-	-	-	-	-	-	276,908	1,122,031	-	-	-	276,908	1,122,031		
<b>As at 31 December 2019</b>	<b>14,000,000</b>	<b>56,000,000</b>	-	-	<b>4,530,839</b>	<b>18,214,560</b>	<b>427,690</b>	<b>1,740,039</b>	<b>3,345,914</b>	<b>13,709,317</b>	<b>1,226,689</b>	<b>22,304,443</b>	<b>90,890,605</b>		

The accompanying notes 1 to 34 form an integral part of these financial statements.

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co - 6992/04M)

**STATEMENT OF CHANGES IN EQUITY (continued)**  
for the year ended 31 December 2019

	Share capital		Other capital		Reserves		Revaluation reserves		Retained earnings		Cumulative exchange differences		Total
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	
As at 1 January 2018	7,000,000	28,000,000	750,000	3,037,500	4,204,365	16,893,139	1,619,521	6,559,057	4,338,907	17,582,121	108,695	17,912,793	72,180,512
Transfer to catastrophe reserve	-	-	-	-	157,191	631,593	-	-	(157,191)	(631,593)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	(1,261,496)	(5,102,751)	1,261,496	5,102,751	-	-	-
Investment property-related tax	-	-	-	-	-	-	(357,512)	(1,446,136)	-	-	-	(357,512)	(1,446,136)
Net profit for the year	-	-	-	-	-	-	-	-	1,309,924	5,298,642	-	1,309,924	5,298,642
Fair value gain on available-for-sale financial asset	-	-	-	-	-	-	150,269	607,838	-	-	-	150,269	607,838
Exchange difference on translation	-	-	-	-	-	-	-	-	-	-	(236,681)	-	(236,681)
<b>As at 31 December 2018</b>	<b>7,000,000</b>	<b>28,000,000</b>	<b>750,000</b>	<b>3,037,500</b>	<b>4,361,556</b>	<b>17,524,732</b>	<b>150,782</b>	<b>618,008</b>	<b>6,753,136</b>	<b>27,351,921</b>	<b>(127,986)</b>	<b>19,015,474</b>	<b>76,404,175</b>

The accompanying notes 1 to 34 form an integral part of these financial statements.

**Cambodian Reinsurance Company "Cambodia Re"**  
(Registration No.: Co – 6992/04M)

**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2019

	Notes	2019		2018	
		US\$	KHR '000 equivalent (Note 2.4)	US\$	KHR '000 equivalent (Note 2.4)
<b>OPERATING ACTIVITIES</b>					
Profit before tax		1,969,658	7,981,057	1,694,896	6,855,854
<i>Adjustments for:</i>					
Depreciation and amortization	28	59,594	241,475	26,249	106,177
Interest income	23	(1,132,954)	(4,590,730)	(693,304)	(2,804,415)
(Gain) loss on disposal of property and equipment and investment property		(23,726)	(96,138)	225,861	913,608
<i>Changes in working capital:</i>					
Insurance receivables		(1,774,988)	(7,192,251)	(683,532)	(2,764,887)
Other receivables		2,295,876	9,302,890	(2,293,918)	(9,278,898)
Insurance contract liabilities		2,040,828	8,269,435	600,433	2,428,751
Insurance payables		1,168,844	4,736,156	1,110,713	4,492,834
Other liabilities		1,343,911	5,445,527	593,371	2,400,186
		<b>5,947,043</b>	<b>24,097,421</b>	<b>580,769</b>	<b>2,349,210</b>
Income tax paid	19	(828,567)	(3,357,353)	(375,004)	(1,516,891)
<b>Net cash from operating activities</b>		<b>5,118,476</b>	<b>20,740,068</b>	<b>205,765</b>	<b>832,319</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(184,410)	(747,229)	(7,423)	(30,026)
Proceeds from disposal of property and equipment		32,300	130,880	-	-
Placements with financial institutions		(7,714,328)	(31,258,457)	(1,848,122)	(7,475,653)
Interest received		758,990	3,075,427	693,304	2,804,415
Purchase of corporate bonds		(693,927)	(2,811,792)	(707,662)	(2,862,493)
Purchase of intangible asset		-	-	(32,000)	(129,440)
Proceeds from disposal of investment property		-	-	2,379,539	9,625,235
Proceeds from government bonds		-	-	88	356
<b>Net cash (used in) from investing activities</b>		<b>(7,801,375)</b>	<b>(31,611,171)</b>	<b>477,724</b>	<b>1,932,394</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid		(300,000)	(1,215,600)	-	-
Proceeds from issue of shares		3,027,262	12,266,466	-	-
Use of social reserve fund		(10,105)	(40,945)	-	-
<b>Net cash from financing activities</b>		<b>2,717,157</b>	<b>11,009,921</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>34,258</b>	<b>138,818</b>	<b>683,489</b>	<b>2,764,714</b>
Cash and cash equivalents at beginning of the year		834,491	3,352,985	151,002	609,595
Exchange difference on translation		-	48,349	-	(21,324)
<b>Cash and cash equivalents at end of the year</b>	12	<b>868,749</b>	<b>3,540,152</b>	<b>834,491</b>	<b>3,352,985</b>

# Cambodian Reinsurance Company “Cambodia Re”

(Registration No.: Co – 6992/04M)

NOTES TO THE FINANCIAL STATEMENTS  
as at 31 December 2019 and for the year then ended

## 1. COMPANY’S BACKGROUND AND PRINCIPAL ACTIVITIES

Cambodian Reinsurance Company “Cambodia Re” was incorporated as a wholly state owned company in Cambodia under Registration Number Co - 6063/02 Et dated 14 August 2002. Prior to 16 January 2004, the Company was wholly-owned by the Ministry of Economy and Finance (“MEF”) of the Government of Cambodia. On 16 January 2004, with effect from 1 January 2004, the MEF entered into a Joint Venture Agreement with Asia Insurance International (Holding) Co Ltd (“AII”), a company incorporated in Bermuda, for the sale of 20% of the Company’s share capital held by the MEF. On 27 June 2019, two new investors, Forte Investment Holding Co., Ltd. and Sovannaphum Life Assurance Plc., acquired 17.22% and 5.34% of the Company’s share capital, respectively.

The principal activity of the Company is to engage in reinsurance of non-life and life insurance risks. The Company commenced its commercial operations on 1 January 2003 under the license granted by the MEF. On 12 February 2014, the MEF approved the renewal of the Company’s license for another three years valid from 20 January 2014 to 19 January 2017. On 24 February 2017, the MEF approved the second renewal of the Company’s license for another three years valid from 19 January 2017 to 18 January 2020. The Company renewed the license valid for another three years starting from 18 January 2020 to 17 January 2023.

The Company’s registered office is located at No. 17, Street 134, Sangkat Mittapheap, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Company had 22 employees excluding directors (2018: 17 employees); and a total of 7 directors of which 2 were in fulltime employment with the Company.

## 2. BASIS OF PRERATION OF THE FINANCIAL STATEMENTS

### 2.1 *Basis of preparation*

The financial statements of the Company have been prepared on historical cost basis, except for any financial assets and financial liabilities that have been measured at fair value. The Company presents its statement of financial position broadly in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

### 2.2 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”).

The financial statements are prepared based on the historical cost basis. The accounting policies have been consistently applied by the Company.

### 2.3 *Fiscal year and reporting period presented*

The Company’s fiscal year starts on 1 January and ends on 31 December.



# Cambodian Reinsurance Company "Cambodia Re"

(Registration No.: Co – 6992/04M)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 2. BASIS OF PRERATION OF THE FINANCIAL STATEMENTS (continued)

### 2.4 *Measurement and presentation currency*

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States dollar ("US\$"), management has determined the US\$ to be the Company's measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The translation of the US\$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the period then ended, as announced by the General Department of Taxation ("GDT").

Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

The financial statements are presented in KHR based on the applicable exchange rates per US\$1 as follows:

	2019	2018
Closing rate	4,075	4,018
Average rate	4,052	4,045

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 *Product classification*

Insurance contracts are those contracts when the Company accepts significant insurance risk from another party ("the cedant") by agreeing to compensate the cedant if a specified uncertain future event ("the insured event") occurs. As a general guideline, the Company determines whether there is significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this year, unless all rights and obligations are extinguished or expired.

The Company's insurance contracts are classified into two broad categories, depending on the duration of the risk and the type of risk insured, namely life insurance and general insurance.

### 3.2 *Intangible asset*

Intangible asset comprising computer software is stated at historical cost less accumulated amortization and impairment losses, if any. Computer software is amortized using the straight-line method over an estimated useful life of ten years. Costs associated with the development or maintenance of computer software are recognized as expenses when incurred.

# Cambodian Reinsurance Company "Cambodia Re"

(Registration No.: Co – 6992/04M)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount.

Depreciation is charged in the income statement using declining and straight line basis using the net book value of the individual assets as at the beginning of the year, at the following annual rates:

Office building	5%	Straight-line
Computer and office equipment	50%	Declining balance
Furniture and fittings	25%	Declining balance
Motor vehicles	25%	Declining balance

Subsequent costs are included in the asset's carrying amount or recognized 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 are charged to the income statement during the financial period in which they are incurred.

When assets are sold, their cost and accumulated depreciation are removed from the accounts. Any resulting gain or loss from their disposal is included in the income statement. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

Land is not depreciated. Fully depreciated items of property and equipment are retained in the financial statements until they are disposed of or written off.

### 3.4 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is any indication that an asset maybe impaired. Assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 3.5 *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

# Cambodian Reinsurance Company "Cambodia Re"

(Registration No.: Co – 6992/04M)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.5 *Financial Instruments* (continued)

#### 3.5.1 *Financial assets*

##### *Recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial investments, available-for-sale ("AFS") financial assets. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and is passively managed and/or carried at amortised cost.

The Company's financial assets include cash and cash equivalents, insurance receivables, government bonds and investments.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortized cost, using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in 'Investment income' in the statement of income. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

##### *Available-for-sale financial assets*

Available-for-sale financial investments are non-derivative financial assets which are designated as such and are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Available-for-sale investments comprise quoted and unquoted equity investments in local entities which are recognized initially at fair value.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses being recognized as other comprehensive income as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss. Available-for-sale investments are classified as current if they are expected to be realized within 12 months from the end of the reporting date. Otherwise, these are classified as non-current assets.

**Cambodian Reinsurance Company "Cambodia Re"**  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.5 Financial Instruments** (continued)

**3.5.1 Financial assets** (continued)

*De-recognition of financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- ▶ Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the profit and loss account.

(ii) *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

**Cambodian Reinsurance Company “Cambodia Re”**  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Financial Instruments (continued)**

**3.5.2 Financial liabilities**

*Recognition and measurement*

Financial liabilities within the scope of CIAS 39 are classified as financial liabilities at fair value through profit or loss. This does not include liabilities on insurance contracts. 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, less directly attributable transaction costs.

The Company’s financial liabilities include amounts payable to related parties.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance cost in the income statement.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**3.5.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**3.6 Reinsurance ceded to reinsurance counterparties**

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

# Cambodian Reinsurance Company "Cambodia Re"

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.6 *Reinsurance ceded to reinsurance counterparties* (continued)

Gains or losses on buying reinsurance are recognized in the statement of profit or loss immediately at the date of purchase and are not amortized.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

### 3.7 *Insurance receivables*

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

### 3.8 *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand, cash at banks, demand deposits and short-term highly liquid investments with an original maturity of three months or less which are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### 3.9 *Insurance contract liabilities*

Contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the statement of income by setting up a provision for premium deficiency.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Revenue recognition**

*Gross premiums*

Premium is recognised as income when offers from ceding companies are confirmed via statement of account ("SOA"). This comprises premiums generated on contracts entered into during the year as well as premiums and adjustments on contracts entered into in earlier years but confirmed in the current accounting year.

All written premiums are recorded on underwriting year basis and a provision is made for unearned income as Reserve for Unearned Premium for the portion of premium relating to the current underwriting year that have not expired by the end of the accounting year. Earned premium represents gross premium less change in reserve for unearned premium during the year.

*Retrocession*

Retrocession pertains to reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

*Commission income*

Commission income represents fees received and receivable from re-insurers calculated on the basis of gross premium ceded. These fees are recognized as revenue when incurred.

*Interest income*

Interest income is recognised in the statement of income as it accrues.

*Net realized gains and losses*

Net realized gains and losses recorded in the statement of income include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

**3.11 Benefits, claims and expenses recognition**

*Gross benefits and claims*

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

*Reinsurance claims*

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

*Finance cost*

Interest paid is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liabilities.

**Cambodian Reinsurance Company "Cambodia Re"**  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Acquisition costs**

Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts are recognized when incurred.

**3.13 Foreign currency transactions**

The Company's financial statements are presented in United States dollar ("US\$"), which is also the Company's functional currency.

Transactions in other currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are retranslated at the functional currency rate of exchange ruling at statement of financial position date. All differences are taken to income statement. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rates as at the respective dates of the initial transactions.

**3.14 Income taxes**

*Current income tax*

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted during the reporting period.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted during the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.15 Employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

On 21 September 2018, the Ministry of Labor and Vocational Training (“MoLVT”) issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provisions of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

- Equal to three days payable every June; and
- Equal to three days payable every December.

The retroactive seniority payment shall not exceed 6 months of an employee’s average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The Company provided US\$ 25,118 for retroactive seniority indemnity for the year ended 31 December 2019.

**3.16 Changes in accounting policies and disclosures**

*New and amended standards and interpretations.*

Several amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the Company’s financial statements, as follows:

- CIFRS 16, Leases
- IFRIC Interpretation 23, Uncertainty over Income Tax Treatment
- Amendments to CIAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to CIAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements 2015-2017 Cycle which include:
  - CIFRS 3, Business Combinations
  - CIFRS 11, Joint Arrangements
  - CIAS 12, Income Taxes
  - CIAS 23, Borrowing Cost

*Standards issued but not yet effective*

The 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 standards, if applicable, when they become effective.

*Effective beginning on or after 1 January 2020*

- CIFRS 17, Insurance Contracts
- CIFRS 9, Financial Instruments
- Amendments to CIFRS 3 – Definition of a Business
- Amendments to CIAS 1 and CIAS 8 – Definition of Material

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.16 Changes in accounting policies and disclosures** (continued)

The standard that has been issued but not yet effective and expected to have significant impact on the Company's financial statements is as follows:

*CIFRS 17 Insurance Contracts*

In May 2017, the IASB issued CIFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces CIFRS 4 Insurance Contracts.

In contrast to the requirements in CIFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, CIFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (“CSM”) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

CIFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the Company is required to choose either a modified retrospective approach or a fair value approach.

The Company is currently planning to assess the impact of this new standard on its financial position and results of operations.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.16 Changes in accounting policies and disclosures** (continued)

Further, the standard that has been issued and already effective but the Company will adopt at a later date is as follows:

*CIFRS 9 Financial Instruments*

CIFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced the previous guidance in CIAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted and transitional rules apply. However, the Company whose activities are predominantly connected with insurance activities can elect to defer the effective date of CIFRS 9 until the earlier effective date of CIFRS 17.

CIFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. CIFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing CIAS 39 categories of held to maturity, loans and receivables and available for sale.

CIFRS 9 replaces the 'incurred loss' model in CIAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI except for investments in equity instruments, and to contract assets.

Under CIFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ELC measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade and other receivables without a significant financial component.

The Company elects to adopt CIFRS 9 when the CIFRS 17 becomes effective and is currently assessing the impact of the standard on its financial position and results of operations.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**  
(continued)

*a. Valuation of insurance contract liabilities*

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date ("IBNR"). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. These methods primarily use historical claim settlement trends as a base for assessing future claims settlement amounts. Historical claims developments are mainly analysed by underwriting year, by type and line of business and by geographical territory. Large claims are separately addressed using loss adjusters' reports and historical large claims development patterns.

Additional qualitative judgement is required as significant uncertainties remain such as future changes in inflation, economic conditions, attitude to claiming, foreign exchange rates, judicial decisions and operational process.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortization of unearned premium on a basis other than time apportionment.

*b. Impairment of financial assets*

Judgment is required in determining whether or not a decline in fair value of an available-for-sale financial investment and loans and receivables below its original cost or amortized costs is of such a nature as to constitute impairment, and thus whether an impairment loss needs to be recognized.

*c. Fair value measurement of financial instruments*

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

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**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**  
(continued)

*c. Fair value measurement of financial instruments (continued)*

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

*d. Estimation of the useful lives of property and equipment*

The useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Any reduction in the residual value and estimated useful lives of property and equipment would increase the Company's recorded operating expenses and decrease the related assets.

*e. Taxation*

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

*f. Recognition of deferred income tax assets*

The Company reviews the carrying amounts of deferred income tax assets at each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. As at balance sheet date, the Company does not recognise deferred income tax because management believes that it is not probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilized.

**5. STATUTORY DEPOSIT**

Statutory deposit is maintained with the National Treasury in compliance with Article 53 of the Royal Government's Sub-Decree on Insurance dated 22 October 2001 and Article 1 of the MEF's Circular No 009 SHV dated 9 December 2002. The deposit, is at minimum, equivalent to 10% of Company's registered capital, bears no interest and is refundable only when the Company ceases its operations in Cambodia.

The Company maintains statutory deposit equivalent to 560 government bonds with par value of KHR 10,000,000 (equivalent to US\$ 2,500 per bond) issued by the MEF which initially matured on 1 April 2017. On 31 March 2017, the MEF issued Prakas No. 360 Pr.K extending their maturity from 1 April 2017 to 1 April 2020 for the same value.

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**6. GOVERNMENT BONDS**

The MEF issued government bonds as its initial paid-up capital.

During the year, the Company returned 480 bonds (amounting to US\$ 1.2 million) to the MEF as settlement for dividends due to the MEF. As at 31 December 2019, there are 638 bonds with par value of KHR 10,000,000 (equivalent to US\$ 2,500 per bond). The bonds bear interest at 3% per annum and matures on 1 April 2020.

As at 31 December, the bonds are maintained with the following:

	2019		2018	
	Number of bonds	US\$	Number of bonds	US\$
Foreign Trade Bank of Cambodia	610	1,525,000	1,090	2,725,000
Company's office	28	70,000	28	70,000
Accrued interest receivable	-	45,052	-	20,875
	<b>638</b>	<b>1,640,052</b>	<b>1,118</b>	<b>2,815,875</b>

**7. INTANGIBLE ASSET**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<b>Cost</b>				
As at 1 January	81,300	326,663	49,300	198,087
Additions	-	-	32,000	128,576
As at 31 December	<b>81,300</b>	<b>326,663</b>	<b>81,300</b>	<b>326,663</b>
<b>Accumulated amortization</b>				
As at 1 January	15,279	61,391	9,860	39,617
Amortization	4,876	19,758	5,419	21,920
Exchange difference	-	(3,652)	-	(146)
As at 31 December	20,155	77,497	15,279	61,391
<b>Net carrying amount</b>				
As at 31 December	<b>61,145</b>	<b>249,166</b>	<b>66,021</b>	<b>265,272</b>

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**PROPERTY AND EQUIPMENT**

	Freehold land US\$	Office building US\$	Computer and office equipment US\$	Furniture and fittings US\$	Motor vehicles US\$	Total US\$
<b>Cost</b>						
As at 1 January 2019	756,288	199,868	80,159	35,427	157,431	1,229,173
Additions	-	-	6,060	8,850	169,500	184,410
Disposal	-	-	-	-	(79,950)	(79,950)
<b>As at 31 December 2019</b>	<b>756,288</b>	<b>199,868</b>	<b>86,219</b>	<b>44,277</b>	<b>246,981</b>	<b>1,333,633</b>
<b>Accumulated depreciation</b>						
As at 1 January 2019	-	98,810	72,684	28,147	141,660	341,301
Charge for the year	-	9,993	4,958	2,417	37,350	54,718
Disposal	-	-	-	-	(71,376)	(71,376)
<b>As at 31 December 2019</b>	<b>-</b>	<b>108,803</b>	<b>77,642</b>	<b>30,564</b>	<b>107,634</b>	<b>324,643</b>
<b>Net carrying amount</b>						
As at 31 December 2019	756,288	91,065	8,577	13,713	139,347	1,008,990
<b>KHR'000 equivalent (Note 2.4)</b>	<b>3,081,874</b>	<b>371,090</b>	<b>34,951</b>	<b>55,880</b>	<b>567,839</b>	<b>4,111,634</b>

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**PROPERTY AND EQUIPMENT (continued)**

	Freehold land US\$	Office building US\$	Computer and office equipment US\$	Furniture and fittings US\$	Motor vehicles US\$	Total US\$
<b>Cost</b>						
As at 1 January 2018	756,288	199,868	74,703	33,460	157,431	1,221,750
Additions	-	-	5,456	1,967	-	7,423
Disposal	-	-	-	-	-	-
<b>As at 31 December 2018</b>	<b>756,288</b>	<b>199,868</b>	<b>80,159</b>	<b>35,427</b>	<b>157,431</b>	<b>1,229,173</b>
<b>Accumulated depreciation</b>						
As at 1 January 2018	-	88,817	68,563	26,688	136,403	320,471
Depreciation for the year	-	9,993	4,121	1,459	5,257	20,830
<b>As at 31 December 2018</b>	<b>-</b>	<b>98,810</b>	<b>72,684</b>	<b>28,147</b>	<b>141,660</b>	<b>341,301</b>
<b>Net carrying amount</b>						
As at 31 December 2018	756,288	101,058	7,475	7,280	15,771	887,872
<b>KHR'000 equivalent (Note 2.4)</b>	<b>3,038,765</b>	<b>406,051</b>	<b>30,035</b>	<b>29,251</b>	<b>63,368</b>	<b>3,567,470</b>



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**9. INVESTMENTS**

	Note	2019		2018	
		US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Term deposits	9.1	22,587,922	92,045,782	14,562,033	58,510,249
Marketable securities	9.2	577,637	2,353,871	300,729	1,208,329
Corporate bonds	9.3	1,439,815	5,867,246	707,662	2,843,386
		<b>24,605,374</b>	<b>100,266,899</b>	<b>15,570,424</b>	<b>62,561,964</b>

**9.1 Term deposits**

Term deposits with financial institutions in Cambodia have maturity of more than 12 months from date of placement and earn interest at rates ranging from 4.25% to 6.80% (2018: 4.00% to 9.75%) per annum.

**9.2 Marketable securities**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Cost	300,729	1,225,471	150,460	604,548
Fair value gain	276,908	1,122,031	150,269	607,838
Exchange difference	-	6,369	-	(4,057)
	<b>577,637</b>	<b>2,353,871</b>	<b>300,729</b>	<b>1,208,329</b>

This represents shares in Sihanoukville Autonomous Port ("PAS") purchased in the secondary market. At the end of each month, the Company performs the "mark to market" valuation on the purchased shares. As at 31 December 2019, the Company owns 119,100 shares (2018: 119,100 shares) of PAS.

The Company has no intention of holding the shares to generate a profit for short-term fluctuation in price or dealer's margin. Accordingly, such ownership of PAS shares is categorised as available-for-sale financial asset.

**9.3 Corporate bonds**

**Hattha Kaksekar Limited**

On 14 November 2018, the Company bought 28,000 bonds with par value of KHR100,000 per bond equivalent to KHR 2,800,000,000 issued by Hattha Kaksekar Limited.

The bonds bear interest at 8.5% per annum for three years (2018 – 2021) from 14 November 2018 and are payable semi-annually in arrears on 14 May and 14 November each year, with the first payment to be made on 14 May 2019.

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**9. INVESTMENTS** (continued)

**9.3 Corporate bonds** (continued)

**LOLC (Cambodia) Plc**

On 26 October 2019, the Company bought 28,000 bonds with value of KHR100,000 per bond, equivalent to KHR 2,800,000,000 issued by LOLC (Cambodia) Plc.

The bonds bear interest at 8% per annum for three years (2019 – 2021) from 26 October 2019 and are payable semi-annually in arrears on 14 April and 14 October each year.

**10. INSURANCE RECEIVABLES**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Non-life insurance contracts</i>				
Gross premiums receivable	4,951,656	20,177,998	4,139,401	16,632,113
Other insurance receivable	1,411,519	5,751,940	972,230	3,906,420
Reinsurance receivable	391,061	1,593,574	203,686	818,411
	<b>6,754,236</b>	<b>27,523,512</b>	<b>5,315,317</b>	<b>21,356,944</b>
<i>Life insurance contracts</i>				
Gross premiums receivable	342,302	1,394,881	33,844	135,985
Other insurance receivable	374	1,524	(1,844)	(7,409)
Reinsurance receivable	45,523	185,506	20,130	80,882
	<b>388,199</b>	<b>1,581,911</b>	<b>52,130</b>	<b>209,458</b>
<b>Total</b>	<b>7,142,435</b>	<b>29,105,423</b>	<b>5,367,447</b>	<b>21,566,402</b>

**11. OTHER ASSETS**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Deposits	22,719	92,580	19,874	79,854
Dividends receivable	12,005	48,920	12,005	48,236
License fee	300	1,223	4,466	17,944
Other receivables	13,397	54,593	2,307,952	9,273,351
	<b>48,421</b>	<b>197,316</b>	<b>2,344,297</b>	<b>9,419,385</b>

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**12. CASH AND CASH EQUIVALENTS**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Cash on hand	319	1,300	319	1,282
Current and saving accounts	868,430	3,538,852	834,172	3,351,703
	<b>868,749</b>	<b>3,540,152</b>	<b>834,491</b>	<b>3,352,985</b>

**13. SHARE CAPITAL**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<b>Registered, issued and fully paid</b> 7,000,000 shares, with par value US\$ 25 per share	14,000,000	56,000,000	7,000,000	28,315,000

As at balance sheet date, the Company's shareholders and their respective interest are as follows:

	Number of shares	Amount US\$	%
Ministry of Economy and Finance (Royal Government of Cambodia) ("MEF")	337,168	8,429,200	60.2086%
Asia Insurance International (Holding) Co., Ltd ("All")	96,444	2,411,100	17.2221%
Forte Investment Holdings Co., Ltd ("Forte")	96,444	2,411,100	17.2221%
Sovannaphum Life Assurance Plc. ("SVL")	29,944	748,600	5.3471%
	<b>560,000</b>	<b>14,000,000</b>	<b>100%</b>

On 27 June 2019, the Company entered into a share purchase agreement with Forte Investment Holding Co., Ltd and Sovannaphum Life Assurance Plc., to transfer existing shares of MEF equivalent to 23,610 and 7,640, respectively, at par value of US\$ 25 per share. Further, the Company issued new shares during the year to Forte and SVL equivalent to 38,390 and 11,610, respectively, with subscription fee of US\$ 64 per share (equivalent to US\$ 3,200,000). The subscription fee was fully paid and capitalized to share capital, with allocated costs incurred on professional fee amounting to US\$ 172,738 deducted.

On 28 June 2019, the Board of Directors principally approved based on the terms of share purchase agreement signed on 27 June 2019 to transfer the other capital amounting to US\$ 750,000 contributed by the MEF and All to share capital and distribute 200,000 shares at par value of US\$ 25 to all shareholders based on respective percentage holding presented above. The Board of Directors also approved to distribute shares and capitalize retained earnings amounting to US\$ 3,222,738 into share capital during the year.

On 25 October 2019, Ministry of Commerce approved the Company's new memorandum and articles of association.

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**14. RESERVES**

Dividend policies approved by the Board of Directors and the MEF on 10 October 2017 and 21 December 2017, respectively, were based on the following:

- a) Upon discretion of and proposal by the Board of Directors, and subject to the MEF's approval, the Company may distribute a maximum of 70% of its distributable income to common shareholders.
- b) Distributable income is defined as net income after tax, after deducting the following:
  - Compensation for losses incurred in previous years (if any).
  - Reward to management and employees as approved by the Board of Directors.
  - Allocation of 10% for catastrophe reserve
  - Allocation of 2% or maximum at US\$50,000 for establishment and accumulation of social and development fund.

	<i>Catastrophe reserve</i> US\$	<i>Reserve for social and development</i> US\$	<i>Total</i> US\$
As at 1 January 2019	4,298,486	63,070	4,361,556
Transfer from retained earnings	157,966	31,593	189,559
Utilization during the year	-	(10,105)	(10,105)
<b>As at 31 December 2019</b>	<b>4,456,452</b>	<b>84,558</b>	<b>4,541,010</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>18,129,887</b>	<b>338,543</b>	<b>18,468,430</b>
As at 1 January 2018	4,167,494	36,871	4,204,365
Transfer from retained earnings	130,992	26,199	157,191
<b>As at 31 December 2018</b>	<b>4,298,486</b>	<b>63,070</b>	<b>4,361,556</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>17,407,004</b>	<b>255,406</b>	<b>17,662,410</b>

**15. REVALUATION RESERVES**

	<i>Asset revaluation reserve</i> US\$	<i>Fair value reserve of available-for- sale financial asset</i> US\$	<i>Total</i> US\$
As at 1 January 2019	-	150,782	150,782
Fair value gain (loss)	-	276,908	276,908
<b>As at 31 December 2019</b>	<b>-</b>	<b>427,690</b>	<b>427,690</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>-</b>	<b>1,740,039</b>	<b>1,740,039</b>
As at 1 January 2018	1,619,008	513	1,619,521
Disposed investment property - related tax on fair value gain	(357,512)	-	(357,512)
Fair value gain	-	150,269	150,269
Transfer to retained earnings	(1,261,496)	-	(1,261,496)
<b>As at 31 December 2018</b>	<b>-</b>	<b>150,782</b>	<b>150,782</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>-</b>	<b>618,008</b>	<b>618,008</b>

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16. INSURANCE CONTRACT LIABILITIES

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Non-life insurance contracts - net</i>				
Unearned premiums reserve	4,442,765	18,104,267	3,554,531	14,282,105
Other insurance contract liabilities	1,650,066	6,724,019	805,140	3,235,052
	<b>6,092,831</b>	<b>24,828,286</b>	<b>4,359,671</b>	<b>17,517,157</b>
<i>Life insurance contracts - net</i>				
Unearned premiums reserve	288,837	1,177,011	28,572	114,803
Other insurance contract liabilities	53,021	216,061	5,618	22,573
	<b>341,858</b>	<b>1,393,072</b>	<b>34,190</b>	<b>137,376</b>
<b>Total</b>	<b>6,434,689</b>	<b>26,221,358</b>	<b>4,393,861</b>	<b>17,654,533</b>

a. Further details of insurance contract liabilities are as follows:

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Non-life insurance contracts</i>				
<i>Gross</i>				
Unearned premiums reserve	6,351,372	25,881,841	5,572,229	22,389,216
Outstanding claims	2,273,000	9,262,475	761,459	3,059,542
IBNR	543,000	2,212,725	451,539	1,814,284
	<b>9,167,372</b>	<b>37,357,041</b>	<b>6,785,227</b>	<b>27,263,042</b>
<i>Reinsurance</i>				
Unearned premiums reserve	(1,908,607)	(7,777,574)	(2,017,698)	(8,107,111)
Outstanding claims	(1,172,000)	(4,775,900)	(335,880)	(1,349,566)
IBNR	6,066	24,719	(71,978)	(289,208)
	<b>(3,074,541)</b>	<b>(12,528,755)</b>	<b>(2,425,556)</b>	<b>(9,745,885)</b>
<b>Net</b>	<b>6,092,831</b>	<b>24,828,286</b>	<b>4,359,671</b>	<b>17,517,157</b>

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16. **INSURANCE CONTRACT LIABILITIES** (continued)

a. Further details of insurance contract liabilities are as follows: (continued)

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Life insurance contracts - net</i>				
<i>Gross</i>				
Unearned premiums reserve	34,589	140,950	57,142	229,597
Outstanding claims	55,653	226,786	4,000	16,072
IBNR	4,304	17,539	4,304	17,293
	<b>94,546</b>	<b>385,275</b>	<b>65,446</b>	<b>262,962</b>
<i>Reinsurance</i>				
Unearned premiums reserve	254,248	1,036,061	(28,570)	(114,794)
Outstanding claims	(6,250)	(25,469)	(2,000)	(8,036)
IBNR	(686)	(2,795)	(686)	(2,756)
	<b>247,312</b>	<b>1,007,797</b>	<b>(31,256)</b>	<b>(125,586)</b>
<b>Net</b>	<b>341,858</b>	<b>1,393,072</b>	<b>34,190</b>	<b>137,376</b>
<b>Total</b>	<b>6,434,689</b>	<b>26,221,358</b>	<b>4,393,861</b>	<b>17,654,533</b>

b. Movements in insurance contract liabilities are as follows:

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
As at 1 January	4,393,861	17,654,533	3,793,428	15,314,069
Changes during the year				
Unearned premiums reserve	1,148,499	4,653,718	677,194	2,739,250
Other insurance contract liabilities	892,329	3,615,717	(76,761)	(310,498)
Exchange difference	-	297,390	-	(88,288)
<b>As at 31 December</b>	<b>6,434,689</b>	<b>26,221,358</b>	<b>4,393,861</b>	<b>17,654,533</b>

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**17. INSURANCE PAYABLES**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Non-life insurance contracts</i>				
Reinsurance	2,214,010	9,022,091	1,743,135	7,003,916
Insurance contracts	3,420,943	13,940,343	2,994,480	12,031,821
	<b>5,634,953</b>	<b>22,962,434</b>	<b>4,737,615</b>	<b>19,035,737</b>
<i>Life insurance contracts</i>				
Reinsurance	28,265	115,180	29,933	120,271
Insurance contract	311,103	1,267,744	37,929	152,399
	<b>339,368</b>	<b>1,382,924</b>	<b>67,862</b>	<b>272,670</b>
<b>Total</b>	<b>5,974,321</b>	<b>24,345,358</b>	<b>4,805,477</b>	<b>19,308,407</b>

**18. OTHER LIABILITIES**

	2019		2018	
	US\$	KHR'000 Equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Payable to MEF for the transfer of shares	1,892,038	7,710,055	-	-
Incentives payable	105,756	430,956	98,626	396,279
Retrospective seniority payment	25,118	102,356	-	-
Commission and legal fees	-	-	67,768	272,292
Rental deposit	-	-	12,000	48,216
Others	19,393	79,026	520,000	2,089,360
	<b>2,042,305</b>	<b>8,322,393</b>	<b>698,394</b>	<b>2,806,147</b>

**19. TAXATION**

Under the Cambodian Law on Taxation, the Company has the obligation to pay:

***Non-life insurance***

Corporate income tax at 5% of the gross premiums received in the tax year in relation to the insurance or reinsurance of risk in Cambodia.

Corporate income tax at 20% of any taxable profits that are not attributable to insurance or reinsurance activities (non-insurance or non-reinsurance income).

Interest income earned from deposits with banks and local financial institutions is not subject to tax on profit in accordance with Circular No. 003 MEF GDT – Tax on Profit and Other Tax Collection of Insurance Companies issued by the MEF on 10 February 2011.

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**19. TAXATION** (continued)

***Life insurance***

In accordance with Article 20 of the Cambodian Law on Taxation, all life insurance company is subject to income tax at the statutory tax rate of 20% of taxable income or the minimum tax at 1% of annual turnover, whichever is higher.

Minimum tax is calculated at the rate of 1% of the annual turnover (life insurance premium and related income and other income from another business activities). This minimum tax can be exempted, if the Company maintains proper accounting records as defined in Prakas No. 638 issued by the General Department of Taxation ("GDT"), subject to approval by the GDT.

The Company's tax returns are subject to examination by the GDT. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could be changed at a later date upon final determination by the GDT.

*Income tax expense*

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Income tax, gross	669,055	2,711,011	596,408	2,412,471
Tax recovery from reinsurers	(194,301)	(787,308)	(211,436)	(855,259)
	<b>474,754</b>	<b>1,923,703</b>	<b>384,972</b>	<b>1,557,212</b>

Tax recovery from reinsurers represents tax at 5% of gross premiums reimbursed from reinsurers in relation to outward reinsurance of risks.

Income tax expense is calculated as follows:

	2019				
	Non-life US\$	Life US\$	Non- insurance US\$	Total US\$	Total KHR'000 equivalent (Note 2.4)
Gross premiums	12,869,975	-	-	12,869,975	52,149,139
Profit before tax	-	(123,228)	69,414	(53,813)	(218,050)
	<b>12,869,975</b>	<b>(123,228)</b>	<b>69,414</b>	<b>12,816,162</b>	<b>51,931,088</b>
Income tax at 5%	648,982	-	-	653,727	2,648,902
Income tax at 20%	-	6,190	13,883	15,328	62,109
	<b>648,982</b>	<b>6,190</b>	<b>13,883</b>	<b>669,055</b>	<b>2,711,011</b>



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19. TAXATION (continued)

Income tax expense (continued)

	2018				KHR'000 equivalent (Note 2.4)
	Non-life	Life	Non- insurance	Total	
	US\$	US\$	US\$	US\$	
Gross premiums written	11,529,159	-	-	11,529,159	46,635,448
Profit before tax	-	52,292	47,460	99,752	403,497
	<b>11,529,159</b>	<b>52,292</b>	<b>47,460</b>	<b>11,628,911</b>	<b>47,038,945</b>
Income tax at 5%	576,458	-	-	576,458	2,331,773
Income tax at 20%	-	10,458	9,492	19,950	80,698
	<b>576,458</b>	<b>10,458</b>	<b>9,492</b>	<b>596,408</b>	<b>2,412,471</b>

Provision for income tax

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
As at 1 January	373,221	1,499,602	5,741	23,176
Charges during the year				
Non-life	653,727	2,648,902	576,458	2,331,773
Life	6,190	25,082	10,458	42,303
Non-insurance	9,138	37,027	9,492	38,395
Investment property-related tax	-	-	357,512	1,446,136
Income tax paid during the year	(1,022,868)	(4,144,661)	(586,440)	(2,372,150)
Exchange difference	-	13,136	-	(10,031)
<b>As at 31 December</b>	<b>19,408</b>	<b>79,088</b>	<b>373,221</b>	<b>1,499,602</b>

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Gross income tax paid	1,022,868	4,144,661	586,440	2,372,150
Tax recoveries from reinsurers	(194,301)	(787,308)	(211,436)	(855,259)
<b>Net income tax paid</b>	<b>828,567</b>	<b>3,357,353</b>	<b>375,004</b>	<b>1,516,891</b>

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**20. GROSS PREMIUMS**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Non-life insurance contracts	12,869,975	52,149,139	11,529,159	46,635,448
Life insurance contracts	619,018	2,508,261	111,864	452,490
	<b>13,488,993</b>	<b>54,657,400</b>	<b>11,641,023</b>	<b>47,087,938</b>

**21. PREMIUMS CEDED TO REINSURERS**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Non-life insurance contracts	4,071,826	16,499,038	4,228,277	17,103,380
Life insurance contracts	93,568	379,138	55,932	226,245
	<b>4,165,394</b>	<b>16,878,176</b>	<b>4,284,209</b>	<b>17,329,625</b>

**22. COMMISSION INCOME**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Reinsurance commission income</i>				
Non-life insurance contracts	1,689,317	6,845,113	1,352,246	5,469,835
Life insurance contracts	4,232	17,148	(1,584)	(6,407)
	1,693,549	6,862,261	1,350,662	5,463,428
<i>Profit commission income</i>				
Non-life insurance contracts	68,710	278,413	261,779	1,058,896
<b>Total</b>	<b>1,762,259</b>	<b>7,140,674</b>	<b>1,612,441</b>	<b>6,522,324</b>

**23. FINANCE AND OTHER INCOME**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Interest income	1,132,954	4,590,730	693,304	2,804,415
Gain on disposal of property and equipment	23,726	96,138	-	-
Other income	45,688	185,127	51,633	208,855
	<b>1,202,368</b>	<b>4,871,995</b>	<b>744,937</b>	<b>3,013,270</b>

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**24. GROSS CLAIMS PAID**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Non-life insurance contracts	3,490,820	14,144,803	3,262,465	13,196,671
Life insurance contracts	473,976	1,920,550	53,759	217,455
	<b>3,964,796</b>	<b>16,065,353</b>	<b>3,316,224</b>	<b>13,414,126</b>

**25. CLAIMS CEDED TO REINSURERS**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Non-life insurance contracts	594,455	2,408,732	598,619	2,421,413
Life insurance contracts	107,748	436,595	26,880	108,730
	<b>702,203</b>	<b>2,845,327</b>	<b>625,499</b>	<b>2,530,143</b>

**26. COMMISSION EXPENSE**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Commission</i>				
Non-life insurance contracts	3,325,034	13,473,037	2,861,133	11,573,283
Life insurance contracts	-	-	185,514	750,404
	3,325,034	13,473,037	3,046,647	12,323,687
<i>Profit commission</i>				
Non-life insurance contracts	453,356	1,836,999	454,761	1,839,508
<b>Total</b>	<b>3,778,390</b>	<b>15,310,036</b>	<b>3,501,408</b>	<b>14,163,195</b>

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**27. CONTRIBUTION FEES**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Gross</i>				
Non-life insurance contracts	64,109	259,770	57,482	232,515
Life insurance contracts	3,095	12,540	559	2,261
	<u>67,204</u>	<u>272,310</u>	<u>58,041</u>	<u>234,776</u>
<i>Reinsurance</i>				
Non-life insurance contracts	(19,372)	(78,495)	(21,138)	(85,503)
Life insurance contracts	-	-	(130)	(526)
	<u>(19,372)</u>	<u>(78,495)</u>	<u>(21,268)</u>	<u>(86,029)</u>
<b>Total</b>	<b>47,832</b>	<b>193,815</b>	<b>36,773</b>	<b>148,747</b>

**28. GENERAL AND ADMINISTRATIVE EXPENSES**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Directors' salaries and bonuses	453,332	1,836,900	410,110	1,658,895
Staff salaries and bonuses	255,491	1,035,250	244,646	989,593
Travelling and entertainment	94,461	382,756	63,104	255,256
Advertising and promotion	79,554	322,353	26,381	106,711
Withholding tax on interest income	67,593	273,887	39,466	159,640
Depreciation and amortization	59,594	241,475	26,249	106,177
Seniority payment	41,683	168,900	-	-
Repairs and maintenance	30,646	124,178	16,505	66,763
Professional fees	27,805	112,666	31,020	125,476
Utilities	8,990	36,427	8,541	34,548
Communications	8,979	36,383	8,677	35,098
Training	6,970	28,242	19,613	79,335
Other taxes	6,790	27,513	4,341	17,559
Bank charges	4,845	19,632	3,418	13,826
Loss on disposal of investment property	-	-	225,861	913,608
Others	42,192	170,962	62,025	250,891
	<u>1,188,925</u>	<u>4,817,524</u>	<u>1,189,957</u>	<u>4,813,376</u>

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**29. RELATED PARTY DISCLOSURES**

**29.1 Significant transactions with related parties during the year**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Cambodian National Insurance Company ("CAMINCO")</i>				
Premiums ceded	805,865	3,265,365	768,715	3,109,452
Commission expense	209,525	848,995	199,813	808,244
<i>Forte Insurance (Cambodia) Plc.</i>				
Premiums ceded	5,293,631	21,449,793	-	-
Commission expense	1,263,727	5,120,622	-	-
<i>Sovannaphum Life Assurance Plc.</i>				
Premiums ceded	20,414	82,718	-	-
Commission expense	-	-	-	-
<i>Asia Insurance Co. Ltd. (HK)</i>				
Reinsurance premiums	4,504	18,250	280,351	1,134,020
Commission income	1,573	6,374	98,121	396,899
<i>Bangkok Insurance Public Co., Ltd.</i>				
Reinsurance premiums	9,146	37,060	569,184	2,302,349
Commission income	3,199	12,962	199,219	805,841

**29.2 Amounts due from (to) related parties**

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<i>Cambodian National Insurance Company ("CAMINCO")</i>				
Premiums receivable	75,972	309,586	131,452	528,174
Insurance contract liabilities	(86,173)	(351,155)	(112,547)	(452,214)
<i>Forte Insurance (Cambodia) Plc.</i>				
Premiums receivable	2,653,263	10,812,047	-	-
Insurance contract liabilities	(1,740,731)	(7,093,479)	-	-
<i>Sovannaphum Life Assurance Plc.</i>				
Premiums receivable	5,629	22,938	-	-
Insurance contract liabilities	(7,528)	(30,677)	-	-
<i>Asia Insurance Co. Ltd. (HK)</i>				
Reinsurance assets	2,721	11,088	14,811	59,510
Other insurance receivable	(575)	(2,343)	23,789	95,584
Insurance contract liabilities	(1,421)	(5,791)	72,725	292,209
<i>Bangkok Insurance Public Co., Ltd.</i>				
Reinsurance assets	18,448	75,176	28,927	116,228
Other insurance receivable	(821)	(3,346)	98,898	397,372
Insurance contract liabilities	(2,032)	(8,280)	127,825	513,600

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**30. RISK MANAGEMENT FRAMEWORK**

**30.1 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.

The Company recognizes the importance of having efficient and effective risk management systems in place. The Company follows the risk management policies, practices and guidelines of the parent company. This is supplemented by a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to the Board of Management and other senior managers.

**30.2 Risk management objectives, policies and processes for management of insurance risk**

The primary insurance activity carried out by the Company is the assumption of risk of loss from persons or organization that are directly subject to the risk. Such risks may relate to life, accident, health, financial or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, underwriting guidelines and authority limits, approval procedures for new products or those exceed set limits, risk diversification, pricing guidelines, reinsurance, approval procedures for reinsurance and monitoring of emerging issues.

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing for significant and relevant exposures.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts.

**30.3 Capital management and regulatory framework**

The insurance regulator specifies the minimum amount and type of capital that must be held by each company in addition to their insurance liabilities. The Company is subject to insurance solvency regulations as required by the Prakas on Solvency Margin for General Insurance Business issued on 20 March 2007.

As provided in Article 56 of the Sub-Decree, the minimum margin of solvency for general insurance business shall be as follows:

- Fifty percent (50%) of the duly registered capital for the initial year of operation;
- KHR 13,300 million if total premium less reinsurance does not exceed KHR 66,500 million in the preceding year;
- Twenty percent (20%) of total premium income if the premium income less reinsurance is between KHR 66,500 million to KHR 332,500 million in the preceding year;
- KHR 66,500 million plus ten percent (10%) of total premium if premium less reinsurance is more than KHR 332,500 million.

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**30. RISK MANAGEMENT FRAMEWORK** (continued)

**30.3 Capital management and regulatory framework** (continued)

The Company has complied with the required margin of solvency based on the following calculations:

	2019		2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
Total premium income	11,641,023	47,087,938	9,896,805	40,032,576
Reinsurance premiums	(4,284,209)	(16,878,176)	(3,783,842)	(15,305,641)
Net premiums	<b>7,356,814</b>	<b>30,209,762</b>	<b>6,112,963</b>	<b>24,726,935</b>
Required solvency margin at KHR 13,300 million	<b>3,282,330</b>	<b>13,300,000</b>	<b>3,288,010</b>	<b>13,300,000</b>
Cash in banks	868,749	3,540,152	834,491	3,352,985
Term deposits with banks	22,587,922	92,045,782	14,562,033	58,510,249
Total bank balances	<b>23,456,671</b>	<b>95,585,934</b>	<b>15,396,524</b>	<b>61,863,234</b>

Further, the Company has embedded in its policies the necessary tests to ensure continuous and full compliance with the said Prakas.

**30.4 Underwriting strategy**

The Company's underwriting strategy seeks diversity to ensure a balanced mix of business portfolio and is based on a large portfolio of similar risks over a number of years and, as such, reduces the variability of the outcome.

**30.5 Reinsurance strategy**

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect its capital, through treaty and facultative reinsurance arrangements. These reinsurance agreements transfer part of the risk and limit the exposure from each insured. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

**31. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS**

**31.1 Insurance risk**

The Company principally underwrites general and life reinsurance contracts with following main classes of business: Life, Fire, Motor, Marine, and other Miscellaneous. Risks under these contracts usually cover within twelve-month duration other than some long-term contracts which may cover up to 3 years or more. The most significant risk arises from adverse development of claims and occurrence of new catastrophic losses. These risks vary significantly in relation to the economic conditions and territories from which the risks are assumed.

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**31. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)**

**31.1 Insurance risk (continued)**

The Company seeks to minimize insurance risk through the reinsurance of a variety of insurance products and applying insurance policies on the limits of insurance, careful calculation of claim provisions and how secured the reinsurance companies are.

Reinsurance risk occurs when the reinsurance companies retain fragile financial positions; therefore, it is difficult to claim from those reinsurers. To reduce this risk, the Company analyzes the financial position and reviews the credit levels of each reinsurance company in its collaboration and reviews each reinsurance company's operations with other reinsurance companies.

**31.1.1 Assumptions and changes in assumptions**

The process used to determine the assumptions is intended to result in estimates of the most likely outcome. The sources of data used as inputs for the assumptions are internal, based on detailed studies that are carried out regularly. The assumptions are checked to ensure that they are consistent with other observable information. There is more emphasis on current trends, and where there is insufficient historical information, prudent assumptions are used.

The nature of the business makes it very difficult to predict with certainty the outcome of any particular claim and the ultimate cost. Each notified claim is assessed on a separate case by case basis with due regard to the circumstances, information available from loss adjusters and historical evidence of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The cost of outstanding claims and the IBNR provisions are estimated using a range of statistical methods which extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years and expected loss ratios.

The key methods are:

- ▶ Chain Ladder methods, which use historical paid and incurred loss statistics to estimate the ultimate claim cost;
- ▶ Expected Loss Ratio methods, which use the Company's expectation of the loss ratio and benchmark experience from other emerging markets in Asia;

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- ▶ Changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures); and
- ▶ Economic, legal, political and social trends (resulting in the difference from expected levels of inflation); and
- ▶ Changes in mix of business (resulting fluctuations, including the impact of large losses).



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**31. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS** (continued)

**31.1 Insurance risk** (continued)

**31.1.1 Assumptions and changes in assumptions** (continued)

*Assumptions*

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the paid claims development pattern, incurred claims development pattern and expected loss ratios for the most recent accident years. These are used for assessing the best estimate IBNR by accident year and for the unexpired risk provisions on both a gross and net of reinsurance basis. Claims on all classes of business are not discounted.

**31.1.2 Sensitivities**

The general insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

	2019			
	<i>Change in assumptions</i>	<i>Increase (decrease) in gross liabilities</i>	<i>Increase (decrease) in net liabilities</i>	<i>Increase (decrease) in profit before tax</i>
	US\$	US\$	US\$	US\$
Ultimate loss	10%	334,000	275,000	(275,000)
Ultimate loss	-10%	(334,000)	(275,000)	275,000

**31.2 Financial risks**

Transactions in financial instruments may result in the Company assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

**31.2.1 Market risk**

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices and foreign currency exchange rates.

(i) **Interest rate risk**

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance reserves, are modelled and reviewed regularly. The overall objective of the investment strategy is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

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**31. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS** (continued)

**31.2 Financial risks** (continued)

**31.2.1 Market risk** (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in currency exchange rates in currencies other than the functional currency. Fluctuations in exchange rates between USD, the functional currency and other currencies in which the Company conducts business may affect its financial condition and results of operations. The current risk facing the Company mainly comes from movements in the USD/KHR exchange rates. The Company seeks to limit its exposure to currency risk by minimising its net foreign currency position.

Majority of the Company's financial assets are denominated in USD, the functional currency, which mitigates the foreign currency risk. For assets denominated in other currency, most of them are in KHR.

**31.2.2 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	31 December 2019		31 December 2018	
	US\$	KHR'000 equivalent (Note 2.4)	US\$	KHR'000 equivalent (Note 2.4)
<b>Financial assets</b>				
Insurance receivables	7,142,435	29,105,423	5,367,447	21,566,402
Other assets	48,421	197,316	2,344,297	9,419,385
Investments	24,605,374	100,266,899	15,570,424	62,561,964
Cash in banks	868,430	3,538,852	834,172	3,351,703
<b>Total</b>	<b>32,664,660</b>	<b>133,108,490</b>	<b>24,116,659</b>	<b>96,900,736</b>

*Insurance receivables*

For receivables arising from insurance and reinsurance contracts, none of the Company's receivables due from policyholders are past due.

*Cash in banks*

Cash in banks comprise fixed deposits and other bank accounts with reputable commercial banks. Management does not foresee any significant credit risk from cash in banks and does not expect the banks to fail to meet their obligations.

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**31. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS** (continued)

**31.2 Financial risks** (continued)

**31.2.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

*Exposure to liquidity risk*

The following are the remaining contractual maturities of the non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements. For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

	31 December 2019			
	Carry amount US\$	Contractual cash flow US\$	Less than 1 year US\$	more than 1 year US\$
<b>Financial liabilities</b>				
Insurance contract liabilities	6,360,689	6,360,689	1,629,087	4,731,602
Insurance and other payables	8,016,626	8,016,626	8,016,626	-
<b>Total</b>	<b>14,377,315</b>	<b>14,377,315</b>	<b>9,645,713</b>	<b>4,731,602</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>58,587,559</b>	<b>58,587,559</b>	<b>39,306,280</b>	<b>19,281,278</b>
	31 December 2018			
	Carry amount US\$	Contractual cash flow US\$	Less than 1 year US\$	more than 1 year US\$
<b>Financial liabilities</b>				
Insurance contract liabilities	4,393,861	4,393,861	810,758	3,583,103
Insurance and other payables	5,503,871	5,503,871	5,503,871	-
<b>Total</b>	<b>9,897,732</b>	<b>9,897,732</b>	<b>6,314,629</b>	<b>3,583,103</b>
<b>KHR'000 equivalent (Note 2.4)</b>	<b>39,769,087</b>	<b>39,769,087</b>	<b>25,372,179</b>	<b>14,464,987</b>

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**32. CONTINGENCIES**

*Legal*

The Company which operates in the insurance industry is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its financial position and results of operations.

*Taxation*

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist and investigation by a number of authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation could be significant.

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**33. UNDERWRITING RESULTS BY SEGMENT**

	31 December 2019							Total US\$	KHR'000 equivalent (Note 2.4)	
	Life US\$	Motor US\$	Fire US\$	Engineering US\$	Marine cargo US\$	Personal accident US\$	Health US\$			Miscellaneous US\$
Gross premiums	619,018	3,865,704	4,693,507	784,496	208,324	798,482	1,652,618	866,844	13,488,993	54,657,400
Premiums ceded to reinsurers	(97,376)	-	(2,617,051)	(654,673)	(108,888)	(343,391)	-	(344,015)	(4,165,394)	(16,878,176)
Change in unearned premiums reserve	(260,265)	(279,988)	(389,343)	(97,952)	(14,364)	(75,582)	31,708	(62,713)	(1,148,499)	(4,653,718)
<b>Net premiums</b>	<b>261,377</b>	<b>3,585,716</b>	<b>1,687,113</b>	<b>31,871</b>	<b>85,072</b>	<b>379,509</b>	<b>1,684,326</b>	<b>460,116</b>	<b>8,175,100</b>	<b>33,125,506</b>
Reinsurance commission	4,232	-	723,152	139,701	30,513	107,078	-	85,626	1,090,302	4,417,904
Profit commission	-	-	467,328	90,487	8,578	54,292	-	51,272	671,957	2,722,770
Total commission	<b>4,232</b>	<b>-</b>	<b>1,190,480</b>	<b>230,188</b>	<b>39,091</b>	<b>161,370</b>	<b>-</b>	<b>136,898</b>	<b>1,762,259</b>	<b>7,140,674</b>
<b>Total underwriting income</b>	<b>265,609</b>	<b>3,585,716</b>	<b>2,877,593</b>	<b>262,059</b>	<b>124,163</b>	<b>540,879</b>	<b>1,684,326</b>	<b>597,014</b>	<b>9,937,359</b>	<b>40,266,180</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**33. UNDERWRITING RESULTS BY SEGMENT (continued)**

	31 December 2019							Total US\$	KHR'000 equivalent (Note 2.4)	
	Life US\$	Motor US\$	Fire US\$	Engineering US\$	Marine cargo US\$	Personal accident US\$	Health US\$			Miscellaneous US\$
<b>UNDERWRITING EXPENSES</b>										
Gross claims paid	(473,976)	(1,283,058)	(707,362)	(31,666)	(16,576)	(278,977)	(1,129,520)	(43,661)	(3,964,796)	(16,065,353)
Claims ceded to reinsurers	107,748	-	398,828	18,571	8,381	151,045	-	17,630	702,203	2,845,327
Change in other insurance contract liabilities	(20,000)	(323,516)	(491,012)	(54,597)	(6,132)	(36,589)	53,042	(13,525)	(892,329)	(3,615,717)
Net claims	(386,228)	(1,606,574)	(799,546)	(67,692)	(14,327)	(164,521)	(1,076,478)	(39,556)	(4,154,922)	(16,835,743)
Commission expense	-	(1,153,682)	(1,364,847)	(229,543)	(59,529)	(235,253)	(484,806)	(250,730)	(3,778,390)	(15,310,036)
Contribution fees	(2,608)	(19,329)	(10,382)	(649)	(497)	(2,276)	(8,263)	(3,828)	(47,832)	(193,815)
<b>Total underwriting expenses</b>	<b>(388,836)</b>	<b>(2,779,585)</b>	<b>(2,174,775)</b>	<b>(297,884)</b>	<b>(74,353)</b>	<b>(402,050)</b>	<b>(1,569,547)</b>	<b>(294,114)</b>	<b>(7,981,144)</b>	<b>(32,339,594)</b>
<b>Underwriting profit (loss)</b>	<b>(123,227)</b>	<b>806,131</b>	<b>702,818</b>	<b>(35,825)</b>	<b>49,810</b>	<b>138,829</b>	<b>114,779</b>	<b>302,900</b>	<b>1,956,215</b>	<b>7,926,586</b>

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**33. UNDERWRITING RESULTS BY SEGMENT (continued)**

	31 December 2018									
	Life	Motor	Fire	Engineering	Marine cargo	Personal accident	Health	Miscellaneous	Total	KHR'000 equivalent (Note 2.4)
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Gross premiums	111,862	3,181,539	4,202,684	499,164	153,875	749,304	1,486,056	1,256,539	11,641,023	47,087,938
Premiums ceded to reinsurers	(55,929)	0	(2,878,183)	(389,426)	(84,535)	(438,021)	-	(438,115)	(4,284,209)	(17,329,625)
Change in unearned premiums reserve	(4,128)	(519,441)	(111,280)	(11,685)	(3,831)	20,617	244,491	(291,937)	(677,194)	(2,739,250)
<b>Net premiums</b>	<b>51,805</b>	<b>2,662,098</b>	<b>1,213,221</b>	<b>98,053</b>	<b>65,509</b>	<b>331,900</b>	<b>1,730,547</b>	<b>526,487</b>	<b>6,679,620</b>	<b>27,019,063</b>
Reinsurance commission	2,562	-	906,628	122,669	26,629	137,977	-	154,197	1,350,662	5,463,428
Profit commission	-	-	178,196	24,110	5,234	27,120	-	27,119	261,779	1,058,896
Total commission	<b>2,562</b>	<b>-</b>	<b>1,084,824</b>	<b>146,779</b>	<b>31,863</b>	<b>165,097</b>	<b>-</b>	<b>181,316</b>	<b>1,612,441</b>	<b>6,522,324</b>
<b>Total underwriting income</b>	<b>54,367</b>	<b>2,662,098</b>	<b>2,298,045</b>	<b>244,832</b>	<b>97,372</b>	<b>496,997</b>	<b>1,730,547</b>	<b>707,803</b>	<b>8,292,061</b>	<b>33,541,387</b>

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**3. UNDERWRITING RESULTS BY SEGMENT (continued)**

	31 December 2018							Total US\$	KHR'000 equivalent (Note 2.4)	
	Life US\$	Motor US\$	Fire US\$	Engineering US\$	Marine cargo US\$	Personal accident US\$	Health US\$			Miscellaneous US\$
<b>UNDERWRITING EXPENSES</b>										
Gross claims paid	(53,759)	(1,066,521)	(461,898)	(101,162)	(5,720)	(279,934)	(1,147,832)	(199,398)	(3,316,224)	(13,414,126)
Claims ceded to reinsurers	26,879	-	307,843	84,408	2,950	161,620	-	41,799	625,499	2,530,143
Change in other insurance contract liabilities	2,045	(10,230)	36,342	7,376	2,214	5,250	44,550	(10,786)	76,761	310,498
Net claims	(24,835)	(1,076,751)	(117,713)	(9,378)	(556)	(113,064)	(1,103,282)	(168,385)	(2,613,964)	(10,573,485)
Commission expense	-	(952,693)	(1,258,469)	(149,472)	(46,077)	(224,375)	(474,075)	(396,247)	(3,501,408)	(14,163,195)
Contribution fees	(280)	(15,908)	(6,623)	(549)	(347)	(1,556)	(7,430)	(4,080)	(36,773)	(148,747)
<b>Total underwriting expenses</b>	<b>(25,115)</b>	<b>(2,045,352)</b>	<b>(1,382,805)</b>	<b>(159,399)</b>	<b>(46,980)</b>	<b>(338,995)</b>	<b>(1,584,787)</b>	<b>(568,712)</b>	<b>(6,152,145)</b>	<b>(24,885,427)</b>
<b>Underwriting profit</b>	<b>29,252</b>	<b>616,746</b>	<b>915,240</b>	<b>85,433</b>	<b>50,392</b>	<b>158,002</b>	<b>145,760</b>	<b>139,091</b>	<b>2,139,916</b>	<b>8,655,960</b>

**EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE**

There have been no other significant events occurring after 31 December 2019 which would require adjustments or disclosures to be made in the financial statements.