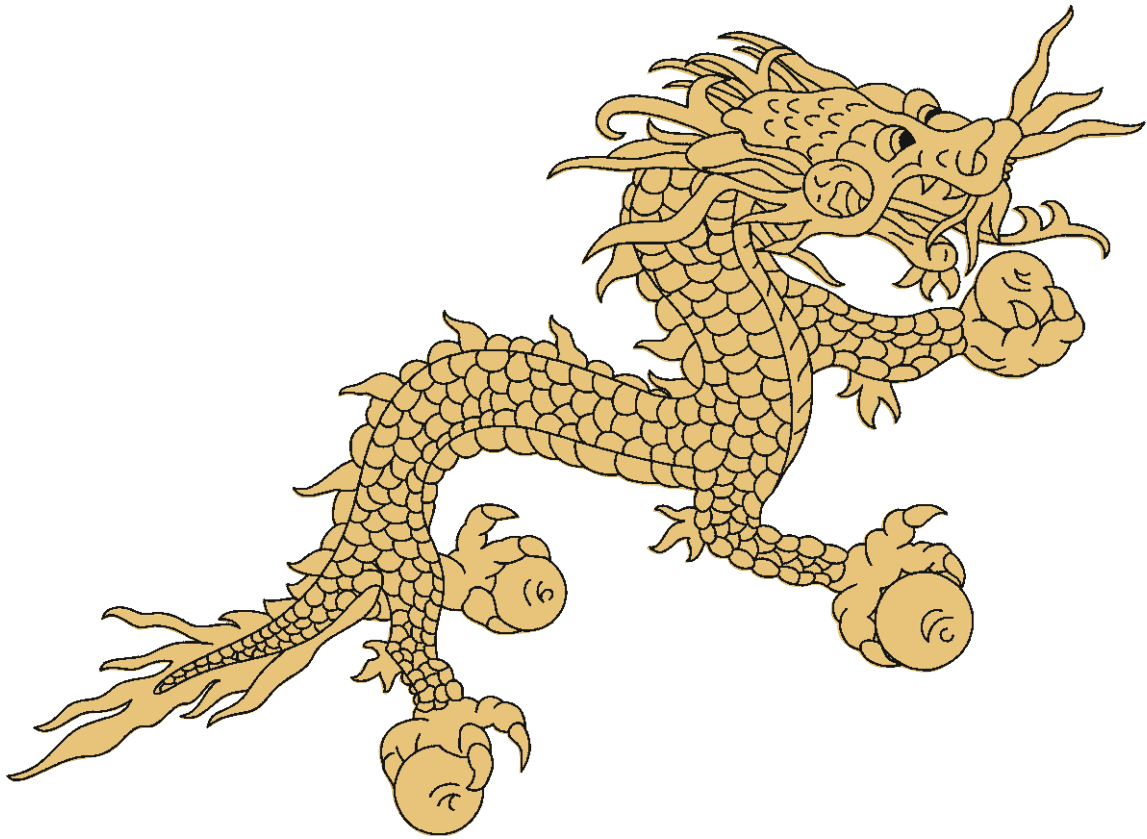




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GIC - Bhutan Reinsurance Co. Ltd.
Reinsurance with Professionalism, Trust & Reliability



5th Annual Report-2017



Board of Directors



Aum Sangay Om
Chairperson



Mr. Y. Ramulu
Director (GIC Re)



Smt. Usha Ramaswamy
Director (GIC Re)



Pema Tenzin
Director (Promoter)



Dasho Thinlay Wangchuk Dorji
Director (Public)



- To be the Specialized Reinsurance Solution Provider



- To be One of Leading Reinsurance Company in the Region
- To Create Value and Make a Difference Through Professional Attitude and Specialized Underwriting
- Build Confidence in Our Partners and Clients
- Contribute Towards Economic Growth



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Director's Report -

To the Members and shareholders

The Directors have the pleasure in presenting the fifth Annual Report on the working and affairs of GIC-Bhutan Reinsurance Company Limited and the Audited Statement of Accounts for the year ended 31st December 2017.

About GIC-Bhutan Reinsurance CO. Ltd.

GIC-Bhutan Reinsurance Company Limited (formerly known as GIC-Bhutan Re Limited, changed its name to GIC-Bhutan Reinsurance Company under the companies Act 2016) was incorporated on 16th May 2013 under the Companies Act 2000 of the Kingdom of Bhutan. Company was licensed to carry on General Reinsurance business on 12th August 2013 under Financial Services Act 2011. The Company was formally launched on the 5th of September 2013, by the Hon'ble Finance Minister of Bhutan and His Excellency, the Indian Ambassador to Bhutan.

Brief Snapshot

GIC-Bhutan Reinsurance Company limited is a Joint Venture Foreign Direct Investment (FDI) company. It is promoted by General Insurance Corporation of India (GIC Re) and two Bhutanese promoters with proven credibility. Initial paid up capital of company is Nu 500 Mln. Shareholding structure of the company is as follows

Public through Initial Public Offer	40%
Local Promoters	34%
GIC of India	26%

The authorized capital for GIC-Bhutan Re is Nu. 500 Mln which should be increase to Nu. 1 Bln within five years of commencement of business as per section (8) Regulations for "Establishment of Reinsurance Business in Bhutan" in pursuant to section 202 of the "Financial Services Act of Bhutan 2011 and shall apply to reinsurance companies to be established in Bhutan. Hike in paid-up capital should be done before 12th August, 2018. Decision will be made in the meeting of Board of Directors after submission of Due diligence report by the independent consultant.

Financial Results

Particulars	2016	2017
Gross Premium	396.76	662.87
Gross Net Premium	351.98	591.03
Net Earned Premium	338.90	511.89
Net Incurred Claims	253.95	370.92



Net Commission	83.28	142.90
Operating Expenses	18.94	16.41
Exchange Gain/Loss	-0.04	-0.50
<i>Underwriting Result</i>	<i>-17.31</i>	<i>-18.83</i>
Investment Income	40.66	63.52
Total Investments	749.54	834.04
Profit Before Tax	23.35	44.68
Provision for Tax	2.47	13.41
Profit After Tax	20.88	31.44
Dividend	0.00	15.00
Transfer to Reserve	20.88	16.28
Claims Ratio	74.93%	72.46%
Commission Ratio	24.57%	27.92%
Management Exp. Ratio	5.59%	3.20%
Total Expense Ratio	30.16%	31.12%
Combined Ratio	105.09%	103.58%

The management has aggressively yet cautiously been penetrating the market necessary for better spread of risks. As of now GIC-Bhutan Re has reached its operations as far as SAARC, ASEAN, MENA, Central Asia, EU & FSU countries. We will still venture to explore into more countries around the world.

In 2017 GIC-Bhutan Re registered 67% growth in Gross Premium vis-à-vis 120% growth in 2016 mainly because of conscious underwriting in several markets. Compounded Average Growth Rate (CAGR) of Gross Premium in 2017 vis-à-vis 2014 is 74%. In 2017 Combined Ratio is reduced to 103.58% as against 177.69% in 2014. all other ratios viz. Claims Ratio, Commission Ratio, Management Expense Ratio and Total Expense Ratio are reduced substantially as against financial year 2014.

Particulars	2016	2017
Total Assets	1,067.05	1,573.08
Growth Rate	37%	47%
Net Worth	505.75	522.03
Solvency	4.88	1.86

Total assets in 2017 are Nu 1.57 Bln with growth rate 47% against previous year. CAGR of Assets is 26.59% vis-à-vis 2014. Total investments of GIC-Bhutan Re in 2017 is Nu. 834.04 Mln. Return on investment is 7.62% with **Nil** Non-Performing Assets (NPA)



Dividend

On behalf of Board, I am please to announce dividend of 3% for first time. Although small, this declaration is in line with our projected forecast as per Initial Public Offer prospectus in 2014.

GIC Bhutan Re has declared a dividend in less than 5 years of operations. I attribute this success to the collective efforts of team of GIC Bhutan Re, its prudent underwriting, focus on specific treaties, cautious facultative underwriting, domestic market profitability and support from the JV partner, GIC Re. I also give this credit to our investment team which has earned decent return on investment and nil non-performing assets (NPA).

The support from the two domestic players, Royal Insurance Corporation of Bhutan and Bhutan Insurance Limited was also crucial and time to time guidance our regulator, Royal Monetary Authority of Bhutan contributes to the company's progress too.

Rating

Currently GIC-Bhutan Re has been rated by Credit Analysis and Research Limited of India i.e. CARE Ratings Limited. Our present rating is "A" for Claims Paying Ability which is third highest rating after "AAA" & "AA". In 2018 we are planning to go for rating from an international rating agency.

Strategy Ahead

GIC Bhutan Re has a good track record since establishment. The business prospects are certainly promising. Premiums have been steadily growing. Compounded Average Growth Rate for the past four years has been 74%. We are expecting the same growth trend with a balance between top line and bottom line.

GIC-Bhutan Re's underwriting approach is a bit conservative. We started with accepting small lines in treaty as well as facultative, mainly in property and engineering classes. We also have to consider the small capital backing behind us, though, we have been generating adequate reserves to support the growth. We would not like to alter our underwriting substantially, as, it might disturb our retro programme supported by reputed reinsurers.

Bhutan Non-Life Insurance Market

The need for insurance within the country was envision by our forth king, His Majesty Jigme Singye Wangchuk and hence Royal Insurance Corporation of Bhutan (RICBL) was established on 7th January 1975 under the Royal Charter to cater to the life as well as non-life insurance need of the people. With the increase number of insurance takers, the regulator felt the need for another general insurance company to offer better product and services and also have competitive rates.

Bhutan Non-Life Market premium for 2016 is Nu 1.38 Bln. Growth rate over previous year is 10.54%. Compounded Annual Growth Rate (CAGR) from year 2010 is 14.27%. Considering the market size of Bhutan, CAGR 14.27% should be impressive figure. Year over year non-life premium growth rate of



Bhutan for 2012, 2013, 2014, 2015 & 2016 was 8.70%, -2.86%, 15.42%, 20.66% & 10.54% respectively. Negative premium growth rate in 2013 is mainly because of steep competition and lowering in rate.

Market Statutory Compulsory Cession

Royal Monetary Authority of Bhutan (Regulator for the Financial Sector) vide its regulation for Establishment of Reinsurance Business in Bhutan 2010 in pursuant to section 202 of the Financial Services Act of Bhutan 2011, statute that "all insurance companies must reinsure 20% of every underwritten business premium for every business with a Bhutanese Reinsurance Company". This has not fully been enforced due to certain ambiguity in its interpretations. The matter is being continuously discuss with two insurance companies in consultation with Regulator.

However, from financial year 2016 both companies agreed to cede 7% of all inward business as a compulsory cession to GIC-Bhutan Reinsurance Limited. Percentage shall be gradually increase to commensurate regulation after further discussion and mutual agreement.

Investment and Retail Lending Scenario

Currently company is investing only in fixed deposit and bonds. GIC-Bhutan Re is also having overdraft type of arrangement with Royal Insurance Corporations of Bhutan as well as Bhutan Insurance Limited which is giving better return than FDs and Bonds. Beside the core business of reinsurance, we have been perusing to venture into retail lending which gives higher return. Entering in to this line of business involve copious amount of work and expenditure which needs careful scrutiny to eliminate foreseeable loopholes. We are optimistic that the investment department shall be up and running by financial year 2018. The retail lending business is expected to contribute substantially to the overall investment performance.

(Aum Sangay Om)
Chairperson



Corporate Governance Report

Corporate governance refers to the system of structures, rights, duties, and obligations by which companies are directed and controlled. Governance provides the structure through which companies set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. GIC-Bhutan Re strongly believes in good corporate governance and aims at being a good corporate citizen in the country. It recognizes the significance of effective corporate governance in achieving the trust and confidence of cedents, intermediaries, business partners, regulator, shareholders and other stake holders. GIC-Bhutan Re is aiming to be a fully corporate governance compliant company in the near future. The company follows Guidelines by RMA and other compliance & regulatory bodies regarding corporate governance regulatory framework which was put in place discussed as follows:

BOARD OF DIRECTORS:

GIC-Bhutan Re is governed by a Board of Directors under the guidance of Chairman. As per Article of Incorporation of the Company, Financial Services Act 2011 and Corporate Governance Regulation 2011, Board of GIC-Bhutan Re is having seven number of Directors. Two promotor Directors (who alternately share chairmanship after two years), two directors from GIC of India, a Joint venture partner, one from shareholders and two independent Directors. GIC-Bhutan Re Board has a Non-Executive Chairman. Executive duties are vested to Chief Executive Officer. All the directors except two directors from GIC of India have executed a deed of covenant with the Company.

- * The Board provides overall direction to the business, including projections on the capital requirements, revenue streams, expenses and profitability.
- * It ensures full compliance with the Acts and the regulations framed there under and other statutory requirements applicable to it
- * It addresses conflicts of interest situations
- * It ensures fair treatment of ceding companies and employees
- * It ensures information sharing with and disclosures to stakeholders, including investors, ceding companies, employees, the regulators, consumers, financial analysts and others.
- * It establishes through whistle blowing mechanism an effective channel for encouraging and facilitating employees raising concerns or reporting a possible breach of law or regulations, with appropriate measures to protect against retaliation against reporting employees. (Management is in the process of preparing whistle blowing Policy for the company and for approval of the Board)
- * It provides a conducive environment for developing a corporate culture that recognizes and rewards adherence to ethical standards



Changes in the Composition of the Board during the year:

- * Mr. Sonam Dorji, Independent Director resigned from the Board w.e.f. 21.03.2017
- * Mr. G C Gaylong, Director GIC of India is retired from the service of GIC of India w.e.f. 31.05.2017
- * Chairmanship of the company is handed over from Mr. Pema Tenzin to Aum Sangay Om w.e.f. 06.10.2017
- * Mr. Y Ramulu appointed GIC of India Director w.e.f. 05.10.2017

The Board of Directors as on 31st December, 2017 consists of:

- * Aum Sangay Om - Chairman
- * Pema Tenzin – Promotor Director
- * Mrs. Usha Ramaswamy – Director GIC of India
- * Mr. Y Ramulu – Director GIC of India
- * Mr. Thinley Wangchuk Dorji – Public Director

The statement showing the Board Meetings attended by the Directors are reflected in the table given below:

Name of Directors	Date of Meetings			
	21.03.2017	31.07.2017	06.10.2017	07.12.2017
Mr. Pema Tenzin	Present	Present*	Present	Present
Aum Sanay Om	Present*	Present	Present*	Present
Mr. G. C. Gaylong	Absent	Absent	Retired	-
Mrs. Usha Ramaswamy	Absent	Present	Present	Absent
Mr. Y Ramulu	-	-	Present	Present**
Mr. Thinley Wangchuk Dorji	Present	Present	Absent	Present
Mr. Sonam Dorji	Present	Resigned	-	-

***Proxy, ** Video Conferencing**

COMMITTEES :

Board Level Committees

- * **Risk Committee :** The Risk Committee comprises -
 - Mr. Pema Tenzin (Promoter Director),
 - Mr. Thinley Wangchuk Dorji (Public Director)
 - Director, GIC of India, and
 - Chief Executive Officer.



The Committee serves in an advisory capacity to the Board and ensures that the Company's assets are safeguarded, that there is in place an adequate control framework and material corporate risks are being managed.

- * **Governance Committee :** The Governance Committee comprises -
 - Chairperson,
 - Mr. Thinley Wangchuk Dorji (Public Director),
 - Director, GIC of India, and
 - Chief Executive Officer.

The Corporate Governance Committee is responsible for assisting the Board of Directors of the Company in fulfilling its oversight responsibilities in relation to:

- The Corporation's overall approach to corporate governance;
- The size, composition and structure of the Board and its committees;
- Related party transactions and other matters involving conflicts of interest; and
- Any additional matters delegated to the Corporate Governance Committee by the Board.

- * **Audit Committee :** The Audit Committee comprises
 - Chairperson,
 - Mr. Pema Tenzin (Promoter Director),
 - Director, GIC of India, and
 - Internal Auditor of the Company.

The purpose of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations. Audit Committee also keeps watch on all the financial transactions of the company.

- * **Investment Committee :** The Investment Committee comprises
 - Chairperson,
 - Mr. Thinley Wangchuk Dorji,
 - Chief Executive Officer, and
 - Head Finance & Investment.

Its duty is to exercise prudent stewardship of the financial assets of the System and manage and invest funds in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances. All investment should be done with the approval of investment committee.

Management Level Committees

- * **Management Committees :** The Management Committee comprises -
 - Chief Executive Officer, and
 - All heads of Department.



INDEPENDENT AUDITOR'S REPORT

To The Members of
GIC BHUTAN RE LIMITED
THIMPU, BHUTAN

Report on the Audit of the Financial Statements

Opinion :

We have audited the accompanying financial statements of GIC Bhutan Re Limited (GIC), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements of GIC give the information required by the Companies Act of Bhutan, 2016 in the manner so required and give a true and fair view in conformity with the Bhutanese Accounting Standard as notified by the Accounting and Auditing Standards Board of Bhutan ("AASBB")

- a) in the case of the statement of financial position, of the state of affairs of the Company as at 31st December, 2017;
- b) in the case of statement of comprehensive income, of the financial performance for the year ended on that date;
- c) in the case of the statement of changes in equity, of the change in equity for the year ended on that date; and
- d) in the case of the consolidated statement of cash flows, of the cash flows for the year ended on that date.

Basis for Opinion :

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters :

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Bhutanese Accounting Standard as notified by the Accounting and Auditing Standards Board of Bhutan ("AASBB") read with the Companies Act of Bhutan, 2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements :

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirements :

As required by the Companies Act of Bhutan, 2016 (The Minimum Audit Examination and Reporting



Requirements) issued by the Royal Audit Authority and on the basis of such checks as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure, a statement on the matters specified therein to the extent applicable to the Corporation

As required by the Act, we report that:

- a) we have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purpose of our audit.
- b) in our opinion, proper books of accounts as required by law as stated in the Companies Act of Bhutan, 2016, have been kept by the Company so far as it appears from our examination of those books.
- c) the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows with by this report are in agreement with the books of account;
- d) in our opinion, the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, comply with the Bhatanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016.

Place : Thimpu Bhutan
Date : 26th March 2018



For, S.Guha & Associates
Chartered Accountants
F.R.N : 322493E

(Ca. Sumantra Guha)
Membership No: 055753



(other than those payable under contractual and/or as per customary business practices) were not charged to the Company's account.

11. The Company has not appointed any commission agent.
12. There has been a reasonable system for continuous follow-up of outstanding premiums of the policies and age wise analysis if any.
13. In our opinion and on the basis of information and explanations given to us, the management of liquid resources particularly Cash / Bank etc. is adequate and that excessive amounts are not generally lying idle in non-interest bearing accounts. The Company has not withdrawn any amount leading to avoidable interest burden on the Company.
14. According to the information and explanations given to us, and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful. We have not come across any cases where the Company has ultra virus the Articles of Incorporation of the Company.
15. In our opinion and according to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decisions.
16. In our opinion, the budgetary control system in the Company is require further strengthening considering the size of the Company.
17. The details of remuneration / sitting fees paid to the Chairman and Director are disclosed in Notes to Accounts.
18. According to the information and explanations given to us, the Directives of the Board have been complied with.
19. As reported & observed, officials of the Company are refrained from transmitting any unauthorized price sensitive information which are not publicly available to their relatives / friends / associates or close persons, which would directly or indirectly benefit themselves.
20. As reported proper agreements are executed and that the terms and conditions of loans and advances are reasonable and the same are applied on them.
21. Items specified in the Minimum Audit and Reporting Requirements for Manufacturing, Mining, or Processing companies are not applicable as, the Company is a financial institution and is not engaged in any manufacture and production activity / sale of goods.
22. The Corporation has generally complied with the requirements of Financial Services Act, 2011 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.

COMPUTERISED ACCOUNTING ENVIRONMENT :

1. The Company is maintaining its accounts and other records on computerized system. In our opinion, the organizational and other internal controls are adequate relating to the size and nature of the computer installations.
2. The Company has adequate safeguard measures and back up facilities.



- Measures taken by the Company to prevent unauthorized access over the computer installation and files are generally appears to be adequate.

GENERAL :

1. GOING CONCERN :

The Company's present operational and financial data prima facie indicate that the Company is healthy and the accounts are prepared on the assumption that the Company is a going concern.

The Company, in our opinion, prima facie seems to be in a position to carry on its business and is not likely to become a sick entity in the foreseeable near future.

2. Ratio Analysis- (Attached Separately)

3. Compliance with the Companies Act of Bhutan, 2016 :

We did not come across any instance of apparent violation of the provisions of the Companies Act of Bhutan, 2016 during the course of the audit except clause no. 14 as above

4. Adherence to Laws, Rules and Regulations :

The audit of the Company is governed by the Companies Act of Bhutan, 2016, Financial Institution Act, 1992. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

The Company has generally complied with the applicable laws, rules and regulations, systems, procedures and practices as informed and explained to us.

Place : Thimpu Bhutan

Date : 26th March 2018



For, S.Guha & Associates

Chartered Accountants

F.R.N : 322493E

(Ca. Sumantra Guha)

Membership No: 055753



FOUR YEAR FINANCIALS :


Particulars	2014	2015	2016	2017
Gross Premium	125.04	179.95	396.76	662.87
Growth Rate		44%	120%	67%
Net Premium	104.66	162.48	351.98	591.03
Net Retaintion (%)	84%	90%	89%	89%
Net Earned Premium	50.48	153.61	338.90	511.89
Net Incurred Claims	58.94	120.86	253.95	370.92
Net Commission	23.17	50.35	83.28	142.90
Operating Expenses	7.59	11.46	18.94	16.41
Exchange Gain/Loss	-	0.04	(0.04)	(0.50)
Underwriting Result	(39.22)	(29.02)	(17.31)	(18.83)
Investment Income	12.24	44.33	40.66	63.52
Total Investments	513.75	581.00	749.54	834.04
Return on Investment	2.38%	7.63%	5.42%	7.62%
Profit Before Tax	(26.98)	15.31	23.35	44.68
Provision for Tax	(8.09)	4.59	2.47	13.41
Profit After Tax	(18.88)	10.72	20.88	31.28
Divident	-	-	-	15.00
Transfer To Resereve	(18.88)	10.72	20.88	16.28
Claims Ratio	116.74%	78.68%	74.93%	72.46%
Commission Ratio	45.90%	32.78%	24.57%	27.92%
Management Exp. Ratio	15.04%	7.46%	5.59%	3.20%
Total Expense Ratio	60.94%	40.24%	30.16%	31.12%
Combined Ratio	177.69%	118.92%	105.09%	103.58%
Total Assets	612.5	778.07	1067.05	1573.08
Growth Rate		27%	37%	47%
Net Worth	467.17	485.74	505.75	522.03
Solvency	20.69	9.09	4.88	1.86



COMPUTATION OF CORPORATE INCOME TAX FOR THE YEAR 2017

Particulars	Amount Nu.	Amount Nu.
Profit before tax as per P/L Account (BAS)		44,910,070.90
Add :		
Book Depreciation (BAS)	1,025,600.00	1,025,600.00
		45,935,670.90
Less :		
Depreciation as per Income Tax Act	1,252,079.77	1,252,079.77
Taxable Profit as per Income Tax Act		44,683,591.13
Less : Last Year's Losses Carried Forward (IT Act)		
Net Profit after sett off of last year's loose		44,683,591.13
Tax on Above		13405077.34
Less : Taxes Paid earlier		
Tax Deducted at Source (2014)	661353.81	
Advance Tax Paid (2014)	571599.42	
Tax Deducted at Source (2015)	2030369.80	
Advance Tax Paid (2015)	166576.69	
Tax Deducted at Source (2016)	872847.48	
Advance Tax Paid (2016)	2308002.73	
CIT 2016	2477280.53	
Tax Deducted at Source (2017)	2134125.09	
Advance Tax Paid (2017)	1238640.26	
		12460795.81
Tax Refundable		944281.53

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E


(Ca. Sumantra Guha)
Partner
Membership No: 055753



For GIC Bhutan RE Ltd.



CEO
Vikrant Parate
Chief Executive Officer
(Officiating)
Bhutan Reinsurance Co. Ltd.



STATEMENT OF FINANCIAL POSITION

Particulars	Note	Amount in Nu.	
		As on 31-12-2017	As on 31-12-2016
Assets :			
Property, Plants & Equipments	1	10068794.40	3367900.85
Trade & Other Receivables	2	210000.00	60000.00
Investment Property	3	449000000.00	375536690.16
Financial Assets	4	-	-
Deferred Tax Assets / (Liabilities)	6	-	-
Non-Current Assets -		459278794.40	378964591.01
Inventories	5	-	-
Trade & Other Receivables	2	67914581.81	293262437.12
Investment Property	3	385036690.16	374000000.00
Current Tax Assets	7	12460795.81	10367960.75
Cash & Cash Equivalents	8	40104258.66	14987332.39
Current Assets		1115516326.45	692617730.26
TOTAL ASSETS		1574795120.85	1071582321.27
Equity :			
Share Capital	22	500000000.00	500000000.00
Reserves		-	-
Retained Earnings		40538266.93	9101217.36
Total Equities -		540538266.93	509101217.36
Liabilities :			
Deferred Tax Liabilities	6	211255.00	143311.00
Employee Benefit Liabilities	9	568115.34	466040.00
Trade & Other Payables	10	695580052.54	377346186.49
Non-Current Liabilities -		696359422.88	377955537.49
Bank Overdrafts	8	-	-
Current Tax Liabilities	7	13405077.34	3757210.82
Trade & Other Payables	10	324492353.73	180768355.63
Current Liabilities -		337897431.07	184525566.45
Total Liabilities -		1034256853.95	562481103.94
TOTAL EQUITY AND LIABILITIES		1574795120.85	1071582321.27

Notes 1 to 31 form Integral part of the Financial Statements.

In terms of our Report of even date

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E

(Ca. Sumantra Guha)
Partner
Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan
Date : 26-03-2018



STATEMENT OF COMPREHENSIVE INCOME

Particulars	Note	Amount in Nu.	
		As on 31-12-2017	As on 31-12-2016
Continuing Operations :			
Revenue	11	575506327.85	379565123.72
Direct Expenses	12	(513918567.59)	(337232449.71)
Gross Profit -		61587760.26	42332674.01
Other Incomes	13	(498000.58)	(41557.01)
Employee Benefits Expenses	14	(8014851.75)	(6544853.80)
Administrative Expenses	15	(6754237.03)	(7335805.36)
Other Expenses	16	(385000.00)	(59442.00)
Depreciation on Property, Plant & Equipments		(1025600.00)	(453852.70)
Amortisation of Intangible Assets		-	-
Results from Operating Activities		44910070.90	27897163.14
Finance Income	17	-	-
Finance Cost	18	-	-
Net Finance Costs -		-	-
Profit Before Tax -		44910070.90	27897163.14
Tax Expenses	19	(13473021.34)	(4542371.82)
Profit from Continuing Operations -		31437049.56	23354791.32
Discontinuing Operations :			
Profit/(Loss) from Discontinuing Operations		-	-
Taxes on Discontinuing Operations	19	-	-
Profit/(Loss) from Discontinuing Operations (Net of Tax)		-	-
Profit For the Year -		31437049.56	23354791.32
Other Comprehensive Income :			
Other Comprehensive Incomes	20	-	-
Taxes on Other Comprehensive Incomes	19	-	-
Other Comprehensive Income For the Year (Net of Tax) -		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR -		31437049.56	23354791.32
Earning per Share :			
Basic Earning per Share -	21	0.63	0.47
Diluted Earning per Share -	21	0.63	0.47
Earning per Share - Continuing Operations :			
Basic Earning per Share -	21	0.63	0.47
Diluted Earning per Share -	21	0.63	0.47

Notes 1 to 31 form Integral part of the Financial Statements

In terms of our Report of even date -

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E

(Ca. Sumantra Guha)
Partner

Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan

Date : 26-03-2018



STATEMENT OF CHANGES IN EQUITY

Particulars	Note	Attributable to the Owners of the		Total Equity (Nu.)
		Share Capital	Retained Earning	
Balance as at 01-01-2016 as BAS (Restated)		500000000.00	(14253573.96)	485746426.04
Total Comprehensive Income of 2016 :				
Profit/(Loss) for the year		-	2334791.32	23354791.32
Other Comprehensive Incomes-		-	-	-
Total Comprehensive Income of 2016 -		-	23354791.32	23354791.32
Contribution by and Distributions to the Owners of the Company :				
Total -		-	-	-
BALANCE OF 01.01.2017 as BAS (Restated)		500000000.00	9101217.36	509101217.36
Total Comprehensive INcome of 2017 :				
Profit/(Loss) for the year		-	31437049.56	31437049.56
Other Comprehensive Incomes		-	-	-
Total Comprehensive Income of 2017		-	31437049.56	31437049.56
Contribution by and Distribution to the Owners of the Company :				
Total -		-	-	-
BALANCE AS AT 31-12-2017 -		500000000.00	40538266.93	540538266.93

Notes 1 to 31 form integral part of the Financial Statements

In terms of our Report of even date -

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E

(Ca. Sumantra Guha)
Partner
Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan
Date : 26-03-2018



STATEMENT OF CASH FLOW

Particulars	Note	Amount in Nu.	
		for the Year 2017	for the Year 2016
Cash Flows from Operating Activities :			
Profit for the		31437049.56	23354791.32
Adjustment for :			
- Depreciation	1	1025600.00	453852.70
- Impairment Loss on Trade Receivables	24	-	-
- Tax Expenses	20	13473021.34	4542371.82
		45935670.90	28351015.84
Changes in :			
- Inventories		-	-
- Trade & Other Receivables		(384802144.69)	(140564046.90)
- Trade & Other Payables		461957864.15	262656012.67
- Employee Benefits (Excluding Actuarial Gain/Loss)		102075.34	169540.00
Cash Generated from Operating Activities	-	123193465.70	150612521.61
Interest Paid	-	-	-
Corporate Tax Paid	7	(5850045.88)	(6938061.03)
Net Cash from Operating Activities -		117343419.82	143674460.58
Cash flows from Investing Activities :			
Interest Received		-	-
(Purchase) / REdemption of Investment Properties		(84500000.00)	(168534532.00)
Proceeds from Sale of Property, Plant & Equipment		-	-
Additions of Fixed Assets	1	(7726493.55)	(67794.00)
Net Cash from/(used) in Investing Activities -		(92226493.55)	(168602326.00)
Cash Flows from Financing Activities :			
Proceeds from Issue of Share Capital		-	-
Divident Paid		-	-
Net Cash from/(used) in Financing Activities -		-	-
Net Increase/(Decrease) in Cash & Cash Equivalent -		25116926.27	(24927865.42)
Opening Balance of Cash & Cash Equivalent		14987332.42	39915197.84
CLOSING BALANCE OF CASH & CASH EQUIVALENT		40104258.69	14987332.42

Notes 1 to 31 form Integral part of the Financial Statements

In terms of our Report of even date -

For, S. Guha & Associates
 Chartered Accountants
 F.R.N. : 322493E

(Ca. Sumantra Guha)
 Partner
 Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan
 Date : 26-03-2018



SCHEDULES OF PROPERTY, PLANTS & EQUIPMENTS AS PER INCOME TAX ACT

Particulars	Gross Carrying Amount (in Nu.)				Depreciation/Amortisation (in Nu.)				Net Carrying Amount (in Nu.)	
	As on 31-12-2016	Additions in the year	Deletions in the year	As on 31-12-2017	As on 31-12-2016	Depreciation for the Year	Adjust. in the Year	As on 31-12-2017	As on 31-12-2017	As on 31-12-2016
	A	B	C	D=A+B-C	E	F	G	H=E+F-G	I =D-H	J = A-E
1. Property, Plants & Equipments :										
i) Computer Equipments	480123.60	5919334.00	-	6399457.60	191980.73	544480.00	-	736460.73	5662996.87	288142.87
ii) Office Equipments	84890.00	286592.00	-	371482.00	37645.34	37053.00	-	74698.34	296783.66	47244.66
iii) Furniture & Fixtures	318892.00	1520567.55	-	1839459.55	96479.24	105904.00	-	202383.24	1637076.31	222412.76
iv) Motor Vehicles	3559620.00	-	-	3559620.00	749519.44	338163.00	-	1087682.44	2471937.56	2810100.56
2. Intangible Assets	30000.00	-	-	30000.00	30000.00	-	-	30000.00	-	-
A. Total Fixed Assets -	4473525.60	7726493.55	-	12200019.15	1105624.75	1025600.00	-	2131224.75	10068794.40	3367900.85
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
B. Total CWIP -	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A+B) -	4473525.60	7726493.55	-	12200019.15	1105624.75	1025600.00	-	2131224.75	10068794.40	3367900.85
PREVIOUS YEAR -	4405731.60	67794.00	-	4473525.60	651772.05	453852.70	-	1105624.75	3367900.85	3753959.55

a. Depreciation has been computed on Straight Line Method based on Useful Life of the Assets

c. In the opinion of the Management, there is no impairment of the Fixed Assets of the Company, which may require any adjustments.

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E

(Ca. Sumantra Guha)
Partner
Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan
Date : 26-03-2018



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	As on 31-12-2017	As on 31-12-2016
2. Trade & Other Receivables :		
Security Deposits (House Rent)	210000.00	60000.00
A. Total Non-Current Assets -	210000.00	60000.00
Trade Receivables (Subject to Confirmation)		
- Considered Good (Insurers)	668816864.30	278218392.78
Total Debts Considered Good -	668816864.30	278218392.78
Unearned Premium (Retro)	-	14773457.49
Deposits for POL	820.34	25820.34
Misc. Advances	4000.00	240244.00
Misc. Receivables	9040674.66	-
Temporary Advance	52222.51	4522.51
B. Total Current Assets -	677914581.81	293262437.12
GRAND TOTAL (A+B) -	678124581.81	293322437.12
3. Investment Properties :		
A. Long Term Investments		
Shareholder's Fund	346671254.68	322763458.04
Policyholder's Fund	102328745.32	52773232.12
A. Total Non-Current Assets -	449000000.00	375536690.16
B. Short Term Investments		
Shareholder's Fund	326843367.96	314461439.56
Policyholder's Fund	58193322.20	59538560.44
B. Total Current Assets -	385036690.16	374000000.00
TOTAL - (A+B)	834036690.16	749536690.16
4. Financial Assets :	-	-
TOTAL -	-	-
Inventories :	-	-
TOTAL -	-	-
6. Deferred Tax Assets / (Liabilities) :		
Deferred Tax Assets / (Liabilities) [Note-23]		
- On Temporary Timing Difference of Fixed Assets	(211255.00)	(143311.00)
CLOSING BALANCE -	(211255.00)	(143311.00)
7. Current Tax Assets/(Liabilities) :		
Advance Tax - Opening Balance		
- TDS Credit	354571.09	2691723.61
- Advance Corporate Tax	6803389.66	738176.11
	10367960.75	3429899.72
Add : TDS Credit during the Year	2134125.09	872847.48
" Advance Tax Paid during the Year	3715920.79	6065213.55
	16218006.63	10367960.75
Less : Adjustments made during the Year	3757210.82	-
A. Closing Balance of Advance Tax -	12460795.81	10367960.75
Provision for Corporate Tax - Opening Balance	3757210.82	-
Add : Provision made during the Year	13405077.34	3757210.82
	17162288.16	3757210.82
Less : Adjustments made during year	3757210.82	-
B. Closing Balance of Provision -	13405077.34	3757210.82
NET CURRENT ASSETS/(LIABILITIES) [A-B] -	(944281.53)	6610749.93
TOTAL -	-	-





NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	As on 31-12-2017	As on 31-12-2016
8. Cash & Cash Equivalents :		
Balances with Banks in		
- Current Accounts (USD)	30105667.39	2652808.19
- Current Accounts (INR)	222186437	10696828.62
- Current Accounts (Nu)	7742783.80	1608581.08
	40070315.56	14958217.89
Cash in Hand	33943.10	29114.50
A. Total Cash & Cash Equivalents -	40104258.66	14987332.39
Bank Overdraft used for Cash Management Purposes (Secured by Hypothecation of Stocks and book debts and charge on all the assets of the Company)		
B. Total Bank Overdrafts -	-	-
CASH & CASH EQUIVALENTS AS PER CASH FLOW (A+B)	40104258.66	14987332.39
9. Employee Benefits :		
Defined Benefit Obligation - Gratuity Liability (Note -25)	1178291.85	1036403.46
Less : Fair Value of Plant Assets - Gratuity Fund (Note-25)	610179.51	570363.46
NET EMPLOYEE BENEFIT (ASSETS)/LIABILITIES -	568115.34	466040.00
10. Trade & Other Payables :		
Liabilities for Expenses (Claim Outstanding) (OSLR)	512514373.64	307641011.42
Liabilities for IBNR	45903699.00	-
Balance Due to Other Insurance Companies	137161979.90	69705175.07
A. Total Non-Current Liabilities -	695580052.54	377346186.49
Balance Due to Other Insurance Companies	159701516.60	95854629.27
Un-Earned Income	163817829.02	84676333.54
Liability for Audit Fees	100000.00	100000.00
Suspense Account	49401.96	49401.96
Other Liability	30000.00	30000.00
Health Contribution	5421.47	4660.00
Bonus Payable	687815.00	-
Staff Welfare Fund	4684.19	-
TDS Payable	95685.49	53330.86
B. Total Current Liabilities -	324492353.73	180768355.63
GRAND TOTAL (A+B) -	1020072406.27	558114542.12





NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	As on 31-12-2017	As on 31-12-2016
11. Revenue		
Gross Re-Insurance Premium Accepted	662871736.91	396762713.95
Less : Premium on Re-Insurance Ceded	(71741456.44)	(44780998.86)
Less : Adjustments for changes in Reserve for Unexpired Risk	(79141495.48)	(13077736.89)
Net Revenue (A)	511988784.99	338903978.20
Revenue - Others		
Bank Interest (on Investments)	63517542.86	40661145.52
Revenue Others (B)	63517542.86	40661145.52
TOTAL (A+B)	575506327.85	379565123.72
12. Direct Expenses:		
Insurance Premium Paid (net)	120145657.89	94629782.29
Insurance Premium (Claims Outstanding) (net)	204873362.22	159324806.93
IBNR	45903699.00	-
Commission (net)	142995848.48	83277860.49
TOTAL -	513918567.59	337232449.71
13. Other Incomes :		
Miscellaneous Receipt	130000.00	-
Exchange Gain / (Loss)	(628000.58)	(41557.01)
TOTAL -	(498000.58)	(41557.01)
14. Employee Benefit Expenses :		
Salary & Wages (Basic)	4894120.35	4383560.00
Employers Contribution to Provident Fund	290765.71	357596.80
Wages	44000.00	30313.00
COmmunication Allowance	44000.00	64000.00
House Rent	360000.00	360000.00
Arrear Salary	52902.19	103660.00
Aovertime Allowance	6150.00	-
Leave Encashment	486511.50	189000.00
Sitting Fees	435000.00	390000.00
Training Expenses	133266.00	-
Staff Welfare - Group Personal Accident Insurance	24004.00	18003.00
Staff Welfare - Gratuity (Note 26)	453992.00	466040.00
Bonus	687815.00	-
Seed Fund to SWF	-	150000.00
Staff Welfare - Misc.	102325.00	32681.00
TOTAL -	8014851.75	6544853.80

14.1. Gratuity of Nu. 453992.00 have been provided in these account on the assumption that all the employees cease to be employed with effect from 01/01/2018. The accumulated provision (as on 31/12/2017) Nu. 568115.34 have not yet been deposited into a separate account with other financial institution as per the provision of the Income Tax Act of the Kingdom of Bhutan 2001.





NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	As on 31-12-2017	As on 31-12-2016
20. Other Comprehensive INcomes :		
Actuarial Gain / (Loss) on Net Defined Plan (Note-25)	-	-
TOTAL -	-	-
21. Earning Per Share :		
A. Absolute No. of Shares	50000000	50000000
B. Diluted No. of Shares	50000000	50000000
C. Comprehensive Income for the Year	31437049.56	23354791.32
D. Income from Continuing Operation for the Year	31437049.56	23354791.32
Basic Earning per Share (C/A)-	0.63	0.47
Diluted EArning per Share (C/B)	0.63	0.47
Basic Continuing Earning per Share (D/A)	0.63	0.47
Diluted Continuing Earning per Share (D/B)	0.63	0.47

22. Share Capital :

a. The Company had only one class of shares to as equity shares having a par value Nu. 10.00 holder of equity shares is entitled to one vote per share. Details are as follows.

Particulars	As on 31-12-2017		As on 31-12-2017	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
Authorised Share Capital				
Equity Shares	50000000	500000000.00	50000000	500000000.00
Issued, Subscribed and Paid-				
Fully paid up Equity Shares	50000000	500000000.00	50000000	500000000.00
TOTAL -	50000000	500000000.00	50000000	500000000.00

b. List of shares in the Company held by it's associates are as follows,

Sl. No.	Name of Share Holders	No. of Shares	
		As on 31-12-2017	As on 31-12-2016
1.	Bhutanese (74%)	37000000	37000000
2.	Foreigner (26%)	13000000	13000000
TOTAL -		50000000	50000000

23. Calculation of Deferred Tax :

a. Detail calculation for Deferred Tax are as follows :

Particulars	As per BAS	As per IT Act	Temporery Timing Diff.	Deferred Tax Liabilities
As on 31-12-2016				
1. WDV of Fixed Assets	3367900.85	2890197.73	(477703.13)	(143311.00)
A. Deferred Tax Assets/(Liabilites) -				(143311.00)
As on 31-12-2017				
1. WDV of Fixed Assets	10068794.40	9364611.51	(704182.90)	(211255.00)
B. Deferred Tax Assets/(Liabilities) -				(211255.00)
C. (Increase/Decrease in DTL [(B-A) -				(67944.00)



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

24. Impairment Loss on Trade Receivables :

As per accounting polity of the Company an amount of Nu. NIL has been provided as Impairment Loss on Trade Receivables.

25. Employee Benefits :

Particulars	Amount in Nu.	
	As on 31-12-2017	As on 31-12-2016
Opening Balance	570363.46	239748.70
Interest Income on Fund Assets	39816.05	34114.76
Paid into Gratuity Fund by Company	-	296500.00
A. Gratuity Fund Assets at the Year end -	610179.51	570363.46
Opening Balance	1036403.46	536248.70
Service Cost	453992.00	466040.00
Interest Cost on Obligation	39816.05	34114.76
Benefits paid directly by the Co. during the year	(351916.66)	-
B. Defined Benefit Obligation at the Year end -	1178294.85	1036403.46
Net Employee Benefit Assets/(Liabilities (A-B) -	(568115.34)	(466040.00)

26. Segment Reporting :

a. Identification of Reportable Segments :-

The operational segments are identified by the Management based on the nature of activities. Financial information about each of the operating activities segments is sent to the Board.

b. Primary Segment Information (Business Segment) :-

Particulars	Figures in Nu.	
	2017	2016
Gross Premium	662871736.91	396762713.95
Retro Premium	71741456.44	44780997.86
Net Premium	591130280.47	351981715.09
Change in UPR	79141495.48	13077736.89
Earned Premium	511988784.99	338903978.20
Bank Interest Recd. on Investments	63517542.86	40661145.52
Net Incurred Claims	370922719.11	253954589.22
Net Commission	142995848.48	83277860.49
Operating Expenses	16179688.78	14393953.86
Other Income	(498000.58)	(41557.01)
Underwriting Result	44910070.90	27897163.14



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

27. Related Party Disclosure :

Particulars of the transactions with the Directors and their relatives as per provisions of the Companies Act of Bhutan 2016:

Sl. No.	Name	Nature of Relationship	Nature of Transaction/ Loan Facility	Outstanding as on 31-12-2017	Outstanding as on 31-12-2016
Director / Associates					
1.	Relative / Associates of the Director				
a.	RICBL	ED	Fixed Deposits	NA	268536690.16
2	Key Managerial Person				
a.	Chief Executive Officer		Remuneration	1235000.00	1375000.00
			Sitting Fees	75000.00	45000.00
b	Other Directors / Managers		Sitting Fees	360000.00	390000.00

28. Management Expenses :

Management expenses include :

a) Managerial remuneration paid or payable to the Chief Executive Officer :

Particulars	2017 (Amt. in Nu.)	2016 (Amt. in Nu.)
Remuneration	1235000.00	1375000.00
Directors sitting fees	75000.00	45000.00

b) Audit Related :

Particulars	2017 (Amt. in Nu.)	2016 (Amt. in Nu.)
Audit fees and expenses	100000.00	100000.00

29. Subsequent Events :

The Board of Directors has proposed a final dividend in respect of the financial year ended December 31, 2017, amounting to Nu. 15000000.00. These financial statements do not reflect this dividend payable.





SCHEDULES OF PROPERTY, PLANTS & EQUIPMENTS AS PER INCOME TAX ACT

Particulars	Gross Block (in Nu.)				Depreciation/Amortisation (in Nu.)				Net Block (in Nu.)	
	As on 31-12-2016	Additions in the year	Deletions in the year	As on 31-12-2017	As on 31-12-2016	Depreciation for the Year	Adjust. in the Year	As on 31-12-2017	As on 31-12-2017	As on 31-12-2016
	A	B	C	D=A+B-C	E	F	G	H=E+F-G	I =D-H	J = A-E
Computer Equipments	480123.60	5919334.00	-	6399457.60	181876.48	515820.56	-	697697.04	5701760.56	298247.12
Office Equipments	84890.00	286592.00	-	371482.00	35664.00	35102.40	-	70766.40	300715.60	49226.00
Furniture and Fixture	318892.00	1520567.55	-	1839459.55	152335.65	167213.81	-	319549.46	1519910.09	166556.35
Motor Vehicles	3559620.00	-	-	3559620.00	1183451.75	533943.00	-	1717394.75	1842225.25	2376168.25
Intangible Assets	30000.00	-	-	30000.00	30000.00	-	-	30000.00	-	-
A. Total Fixed Assets -	4473525.60	7726493.55	-	12200019.15	1583327.87	1252079.77	-	2835407.64	9364611.51	2890197.73
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
B. Total CWIP	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A+B) -	4473525.60	7726493.55	-	12200019.15	1583327.87	1252079.77	-	2835407.64	9364611.51	2890197.73
PREVIOUS YEAR -	4405731.60	67794.00	-	4473525.60	920512.44	662676.43	-	1583188.87	2890336.73	3485219.16

RATIO ANALISYS

Particulars	Details of Calculations	Year 2017	Year 2016
A Ratios for Assessing inancial Health :			
1. Capital Turnover Ratio	(Sales/Capital Employed)	1.06	0.75
2. Current Ratio	(Current Assets/Current Liabilities)	3.30	3.75
3. Acid Test Ratio / Quick Ratio	(Current Assets other than Inventories/Current Liabilities)	3.30	3.75
4. Inventory Turnover Ratio	(Sales/Average Inventory)	Not Applicable	Not Applicable
5. Fixed Assets Turnover Ratio	(Sales/Fixed Asset)	57.16	112.70
6. Debtors Turnover Ratio	(Gross Debtors / Sales) x 365	424 Days	268 Days
B. Ratios for Assessing Profitability :			
1. Return on Investments	(Profit after Tax / Capital Employed)	5.82%	4.59%
2. Net Profit Ratio	(Net Profit/Sales) x 100	7.80%	7.35%
3. Operating Expense Ratio	(All Expenses excluding Finance Cost) / Sales X 100	91.93%	92.52%



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

30. Significant Accounting Policies:

A. Reporting Entity:

The principal activities of GIC Bhutan Re Limited (the "Company" or "GIC.") cover all significant operations that have taken place within Bhutan.

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is Thimphu, Bhutan.

The Company was incorporated on 16th May 2013 vide registration no. U20130516THI0406, where the foreign investors hold 26% shareholding of the Company. The Company has taken following the Trade License No.

License No.	Nature of Activity
1029965	General Reinsurance Business

These financial statements relate to the year ended 31st December, 2017.

B. Basis of Preparation:

The financial statements of the Company have been prepared in accordance with Bhutanese Accounting Standards. The statements have been prepared under the accrual, historical cost and going concern conventions.

The preparation of financial statements in conformity with BAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Fixed Assets:** critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.
- Actuarial Valuation of Employee Benefits:** expected uptake of the gratuities used in the valuation. The functional currency of preparation is the Bhutanese Ngultrum.

C. Application of Bhutanese Accounting Standards:

The Financial Statements have been prepared in line with Bhutanese Accounting Standards. The summarised impact of the introduction of BAS is:

- The Company has presented Statements of Comprehensive Income and Changes in Equity as required by BAS 1. These statements show information that was previously disclosed in the schedules to the financial statements.
- Depreciation has been calculated using the useful life of fixed assets, rather than using rates applicable for Income Tax purposes. The impact of this in 2017 is increase of the Net profit before tax by Nu. 226,479.77 (Nu. 208,823.74 in 2016)



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

D. Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

E. Foreign Currency Translation:

- a) Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.
- b) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income.

F. Property, Plant and Equipment:

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Depreciation on other acquired assets during the year is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (evaluated by the management), as follows:

Plant and machinery and other equipment	6 years
Furniture and fixtures	10 years
Computers and office equipment	6 years
Vehicles	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Comprehensive Income/(Loss) as the case may be, in the income statement.

G. Intangible Assets:

Computer Software & Logo etc.- Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 6 years or others as per estimates made by the management. If the



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

company decides to proceed and market the product, development costs will be amortised over the expected profitable period of marketing the product, not exceeding 5 years. Other development costs are expensed immediately if the decision is made not to proceed to market the product

I. Receivables and Advances:

Receivables and Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's Receivables and Advances comprise "Trade & Other Receivables", "Financial Assets", and "Cash & Cash Equivalents" in the Statement of Financial Position (Note-2, 4, and 8).

J. Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

K. Trade & Other Receivables:

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

L. Cash & Cash Equivalents:

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts

M. Trade & Other Payables:

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

N. Current and Deferred Income Tax:

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other Comprehensive Income. In this case, the tax is also recognised in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted at the Statement of Financial Position date in Bhutan. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

O. Employee Benefits:

a) Retirement Benefits

Defined Contribution Scheme -

Employees belong to a defined contribution Benefit plan managed by a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined Benefit Scheme - The Company makes retirement payments based on the final salary and years of service. The Gratuity is accrued on the basis of valuation done by the management itself presuming that all employees cease to be employed as of the year end. The scheme is not funded by the Bank.

b) Other Benefits

Other benefits such as leave encashment etc. are accrued at year end without actuarial valuation.

P. Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for net of discounts, returns and taxes. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

Various provisions have been made based on industry policy of Reinsurance business.

Premium Income is recognised on assumption of risk and has been taken as base calculation on the basis as under:

- Facultative Business	:	Time Line Premium Income.
- Non Proportionate Treaty Business	:	Gross Estimated Premium Income.
- Proportionate Treaty Business	:	70% of Gross Estimated Premium Income.
- Other Reinsurance Business	:	As per terms of the Reinsurance Contract.

Premium received / receivable for succeeding accounting period have been recognised as **Unearned Premium** on the basis of time apportionment.

Premium Receivable represents the amount of receivable as per term of premium payments warranty contracts with brokers. Any subsequent revision to or cancellation of premium are recognised in the year in which they occur.



NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Q. Brokerage & Commission:

Brokerage & Commission has been taken as expenditure as per terms of the policy and calculated on the basis of premium received for different types of Insurance.

R. Outstanding Loss Reserve:

Outstanding Loss Reserve represents the provision for liabilities in respect of claims lodged with the Company. The provision for the amount of loss has been taken on the basis of intimation for claim received by the Company up to the date of finalisation of accounts. This reserve will be appropriately adjusted whenever the claim is finally settled.

S. Reinsurance Ceded:

Re Insurance Cession are accounted for on actual or estimated wherever actual are not available.

T. Events After Balance Date:

The Board of Directors has proposed a dividend for the financial year 2017 of Nu. 15,000,000.00, which is subject to approval of the members in the forthcoming Annual General Meeting.

U. Comparative Information:

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison. 2016 comparative information has been updated to comply with the introduction of Bhutanese Accounting Standards.

b. The Company has received / paid following foreign currency during the year under different heads:

Inflows:

Insurance Premium Received	USD	1,316,127.95	Received
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Outflows:

Insurance Premium Paid	USD	1,139,019.40	Paid
Brokerage paid	USD	2,154.53	Paid
Travelling Expenses	USD	7,800.00	Paid
Bank Charges	USD	2,397.82	Paid
Fees Charges & Subscription	USD	2,727.90	Paid

c. Confirmation from the respective parties relating to Accounts receivables, Accounts Payables being not available, these are stated at their respective book balance.

For, S. Guha & Associates
Chartered Accountants
F.R.N. : 322493E

(Ca. Sumantra Guha)
Partner
Membership No: 055753



For and on behalf of the Board of Directors

Chairman

CEO

Plate : Thimphu, Bhutan
Date : 26-03-2018



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GIC-Bhutan Re Family



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GIC - Bhutan Reinsurance Co. Ltd.
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