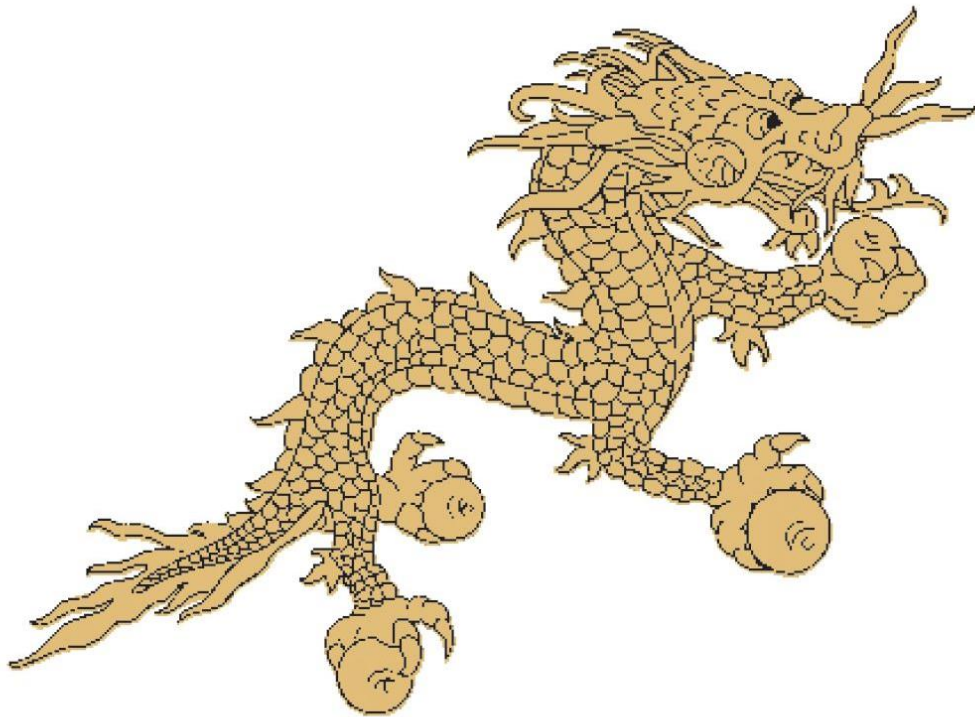




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GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*



**6<sup>th</sup> ANNUAL REPORT**  
**2018**



འཇམ་ལོ་སི་འབྲུག་སྐྱེར་བཅོམ་ཚད་འཛིན།

GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*

----- ISO/IEC 27001:2013 certified -----

## Board of Directors



Aum Sangay Om  
Chairperson



Mrs. Usha Ramaswamy  
Director (GIC Re)



Mr. Deepak Prasad  
Director (GIC Re)



Mr. Pema Tenzin  
Director Promoter



Dasho Thinlay Wangchuk Dorji  
Director (Public)



ཨ་ཇི་ཨའི་སི་འབྲུག་སྐྱེར་བཅོལ་ཚད་འཛིན།

GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*

----- ISO/IEC 27001:2013 certified -----

**Vision**

- ❖ To be the specialized Reinsurance Solution Provider

**Mission**

- ❖ 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.



## Director's Report

To the Members and shareholders

The Directors have the pleasure in presenting the Sixth Annual Report on the working and affairs of GIC-Bhutan Reinsurance Company Limited and the Audited Statement of Accounts for the year ended 31<sup>st</sup> December 2018.

### 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 12<sup>th</sup> 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 increased to Nu. 1.00 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 have been done before 12th August, 2018. Company appointed an independent consultant for subject matter. He submitted his Due diligence report which was submitted to 20<sup>th</sup> meeting of board of Directors'. Board decided to approach regulator for exemption for period of

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minimum 3 years. Accordingly, management approached regulator and exemption has been given till 5<sup>th</sup> September, 2021.

## Financial Results

Particulars	2017	2018
Gross Premium	662.87	871.52
Gross Net Premium	591.13	806.70
Net Earned Premium	511.99	779.25
Net Incurred Claims	370.92	556.14
Net Commission	143.00	216.87
Operating Expenses	16.18	21.75
Exchange Gain/Loss	-0.50	3.42
Underwriting Result	-18.61	-12.09
Investment Income	63.52	73.29

Profit Before Tax	44.91	61.20
Provision for Tax	13.47	18.36
Dividend	15.00	0.00
Profit After Tax	31.44	42.84

Claims Ratio	72.45%	71.37%
Commission Ratio	27.93%	27.83%
Management Exp. Ratio	3.16%	2.79%
Total Expense Ratio	31.09%	30.62%
Combined Ratio	103.63%	101.55%

GIC-Bhutan Re's underwriting approach is a bit conservative. Company started with accepting small lines in treaty as well as facultative, mainly in property and engineering classes. Currently company is writing all classes of business except specialized classes like Liability & Credit. GIC-Bhutan Re also has to consider the small capital backing behind it, though, company has been generating adequate reserves to support the growth. GIC-Bhutan Re would not like to alter our underwriting substantially, as it might disturb our retro programme supported by reputed reinsurers.



GIC-Bhutan Re's business strategy is to be in selected global markets, establish healthy relationships with clients and ensure timely payment of claims. Currently company's main focus is on SAARC region. However, after international rating company is aiming to expand to ASEAN markets, and then to Central Asia, MENA and rest of Africa region with selected countries. Currently company's presence is in 28 countries, mostly from Asia. Apart from Asia GIC-Bhutan Re is in few countries of Oceania, Africa & Europe.

GIC-Bhutan Reinsurance Company Limited is the first and only specialized Reinsurance Company in Bhutan. Company completed 5 years on 5<sup>th</sup> September, 2018. Within five years our Gross Premium grew from Nu 125.04 Mln (USD 1.98 Mln) to Nu 871.52 Mln (USD 12.52 Mln) with CAGR 47.4.5% (44.62% in USD term). Company's Claims Ratio reduced from 116.74% in 2014 to 71.73% in 2018 and Combined Ratio from 177.58% to 101.55%. Achieving break even (Combined Ratio of 100%) within 5 years is one of the mile stone set by the company. In financial year 2019 company is expecting some underwriting profit and Combined Ratio less than 100%. Currently company is operating on Management Expense Ratio of 2.79% which company is planning to reduce to 2.50% in next financial year. In 2018 company's investments are increasing with CAGR 14.62% in Local Currency term and 12.42% in USD term vis-à-vis 2014 with average return on investment around 7%. Company's total assets stands at Nu 2.19 Bln (USD 31.52 Mln.) Assets are increasing with 28.97% in local currency term and CAGR 26.50% in USD term vis-à-vis financial year 2014.

Particulars	2017	2018
Total Assets	1,574.79	2,193.85
Growth Rate	46.96%	39.31%
Net Worth	540.54	568.38
Solvency	1.86	1.48

Total assets in 2018 is Nu 2.19 Bln with growth rate 39.31% against previous year. CAGR of Assets is 28.97% vis-à-vis 2014. Total investments of GIC-Bhutan Re in 2018 is Nu. 1.01 Bln. Return on investment is 7.21% with Nil Non-Performing Assets (NPA)

Solvency of the company is at threshold. It is because huge provision is made against future liabilities. Company's inward business is registering steep growth. Further company is planning to go for international rating so management started to make extra provision against incurred but not reported claims (IBNR) from financial year 2017 which is straining company's Liability side. This effected in sharp decline in solvency in 2017 and further decline in 2018. However, in financial year 2019 management is trying to infuse extra capital to increase underwriting capacity as well as correct Solvency.

S-O





## Dividend

GIC-Bhutan Re has declared 3% dividend in financial year 2017 i.e. in less than 5 years of operations to build up the confidence of promoters and investors. The success could be attributed to the Team of GIC Bhutan Re, prudent underwriting, focus on specific treaties, cautious facultative underwriting, domestic market profitability and support from the JV partner, GIC Re. Credit also goes to our investment team which has earned decent return on investment and NIL non-performing assets (NPA).

No dividend is declared in 2018

## Rating

To have business deals with insurers and reinsurers across the globe, rating plays an important role. It was a strategic decision of the management of company not to go for rating for first five years. Even though company is not having international rating company could develop business relationship with insurers and reinsurers from more than 28 countries. Currently we have 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 only after "AAA" & "AA". In later half of 2019 company is planning to go for rating from an international rating agency.

## Other Highlights

In five years GIC-Bhutan Re has developed a state of art IT infrastructure. GIC-Bhutan Re is the First Financial Institution of Bhutan to deploy Dual Stack IPv6 Network. GIC-Bhutan Re is the first Financial Institution of Bhutan to own ASN Number, /24 IPv4 & /48 IPv6 addresses from APNIC. GIC-Bhutan Re is also the First Financial Institute of Bhutan having full-fledged Cloud Disaster Recovery Site.

GIC-Bhutan Re is the first and only company in Bhutan which is fully compliant of **Enterprise Risk Management**. GIC-Bhutan Re has identified its department wise Risk Universe and created risk register. Company is also doing periodic department wise stress test & disaster (Fire & Earthquake) recovery drill.

GIC-Bhutan Re is promoted by GIC of India (GIC Re). GIC Re is also giving Strong technical and strategic support. Mr. Vikrant Parate, Chief Executive Officer and Mr. Suman Chandra Danda, Head Reinsurance are deputed from GIC Re to take care of strategic needs as well as technical needs. With the support from GIC Re, GIC-Bhutan Re has created Robust Reinsurance Risk Management Structure.

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## 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 five years has been 47.45%. We are expecting the same growth trend with a balance between top line and bottom line.

Current paid-up capital of GIC-Bhutan Re is Nu 500 Mln. (Appx. USD 7.18 Mln). Company is planning to increase it to Nu. 1 Bln. (Appx. USD 14.37 Mln). Enhancement of capital shall be done before company approaches International Credit Rating in later half of 2019. Enhancement of paid-up capital will increase the financial strength of the company. It will also increase underwriting capacity of company actually offering in market. Considering the underwriting performance (consistent improvement in Underwriting ratios and healthy ratios in financial year 2018), investment performance (Average return on Investment is around 7% with NIL Non-performing Assets) and robust Enterprise Risk Management Structure & IT infrastructure company is expecting a good international rating

## Bhutan Non-Life Insurance Market

The need for insurance within the country was envisioned by our forth king, His Majesty Jigme Singye Wangchuck and hence Royal Insurance Corporation of Bhutan (RICBL) was established on 7<sup>th</sup> January 1975 under the Royal Charter to cater to the life as well as non-life insurance need of the people. With the increased 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. So, another General Insurance company, Bhutan Insurance Limited, was given a license by Royal Monitory Authority of Bhutan and started business w.e.f. 20th August 2009.

Bhutan Non-Life Market premium for 2017 is Nu 1.40 Bln. Market registered a nominal Growth rate of 1.13% over previous year. However, Compounded Annual Growth Rate (CAGR) from year 2010 is 8.46%. Considering the market size of Bhutan, CAGR 8.46% should be an impressive figure. Year over year non-life premium growth rate of Bhutan for 2013, 2014, 2015, 2016 & 2017 was -2.86%, 15.42%, 20.66%, 10.54% & 1.13% respectively. Negative premium growth rate in 2013 is mainly because of steep competition and lowering in rate.

## Investment and Retail Lending Scenario

Currently company is investing only in fixed deposit, bonds and corporate lending through consortium financing. GIC-Bhutan Re is also having overdraft type of arrangement with Royal Insurance Corporation of Bhutan. Beside the core business of reinsurance, we have been perusing to venture into retail lending which gives higher return. Entering into this line of business involves copious amount of work and expenditure which needs

S-O





careful scrutiny to eliminate foreseeable loopholes. We are optimistic that the investment department shall be up and running by financial year 2020. The retail lending business is expected to contribute substantially to the overall investment performance.

**(Aum Sangay Om)**  
**Chairperson**



## INDEPENDENT AUDITORS' REPORT

To The Members of  
GIC-BHUTAN REINSURANCE COMPANY LIMITED  
THIMPU, BHUTAN

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of GIC-Bhutan Reinsurance Company Limited (GIC), which comprise the statement of financial position as at December 31, 2018, 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 31<sup>st</sup> December, 2018;
- b) in the case of the 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 changes 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.



# **M. P. SUREKA & CO.**

CHARTERED ACCOUNTANTS

## **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 judgment, 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.





# **M. P. SUREKA & CO.**

CHARTERED ACCOUNTANTS

## **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 judgment, 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 the 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 Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016.

Place: Thimphu Bhutan

Date: 02<sup>nd</sup> April 2019

For **M. P. SUREKA & CO.**  
Chartered Accountants  
F.R.N: 322097E



*M. P. Sureka*  
(M. P. Sureka)

Membership No: 050560



**GIC-BHUTAN REINSURANCE COMPANY LIMITED**

Thimphu : Bhutan

**ANNEXURE REFERRED TO OUR AUDIT REPORT OF EVEN DATE  
MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The Company has maintained proper records to show the full particulars including quantitative details and situation of fixed assets. As stated, the management during the year has physically verified the fixed assets of the Company and no material discrepancies between the physical inventory and book records were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The Company has not taken any loans, secured or unsecured from Companies, firms or other parties. The rate of interest and other terms and conditions are not applicable to the Company during the year. The Company has not taken any loan from any company under the same management.
4. The Company has not granted any loans, secured or unsecured to other companies, firms or other parties, and / or to the companies under the same Management.
5. Employees, to whom interest free advances have been given by the Company, are regular in repaying the principal amounts as stipulated.
6. In our opinion and according to the information and explanation given to us during the course of the audit the Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules / regulations and systems and procedures.
7. As informed, Company has a system of getting the best proposals & bids for the purchases and sales of goods & services and assets (wherever is applicable).
  - a. In our opinion, the transactions of purchase and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or their relatives, companies or firms in which the directors are directly or indirectly interested have been made at prices, at which the transactions for similar goods or services have been made with other parties. Such *transactions have been adequately disclosed in the financial statements.*
  - b. The above transactions are not prejudicial to the interest of the shareholders & the Company.
8. According to the records, the Company is generally regular in depositing rates and taxes, duties, royalties and other statutory dues with the appropriate authorities and there were no arrears during the year.
9. According to the best of our knowledge and information and explanations given to us, no undisputed amounts payable in respect of rates, taxes, duties and other statutory deductions were outstanding on the last date of the financial year concerned.





**M. P. SUREKA & CO.**  
CHARTERED ACCOUNTANTS

10. On the basis of information and explanation given and as per test checks, personal expenses (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.





**M. P. SUREKA & CO.**  
CHARTERED ACCOUNTANTS

**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.
3. 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 and last 4<sup>th</sup> Quarter Board Meeting is yet to be held.*

**4. Adherence to Laws, Rules and Regulations:**

The audit of the Company is governed by the Companies Act of Bhutan, 2016, Financial Services Act, 2011. 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.

For **M. P. SUREKA & CO.**  
CHARTERED ACCOUNTANTS  
FRN.: 322097E



*(Signature)*  
**(M. P. SUREKA)**  
Partner  
M. No. 050560

Date: 02/04/2019  
Place: Thimphu, Bhutan

**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
**Thimphu, Bhutan**

**COMPUTATION OF CORPORATE INCOME TAX FOR THE YEAR 2018**

Particulars	Amount Nu.	Amount Nu.
Profit before tax as per P/L Account (BAS)		61,200,356.46
Add:		
Book Depreciation (BAS)	1,891,856.11	1,891,856.11
		63,092,212.58
Less:		
Depreciation as per Income Tax Act	2,030,647.44	2,030,647.44
<b>Net Profit after sett off of last year's losse</b>		<b>61,061,565.13</b>
<b>Tax on Above</b>		<b>18,318,469.54</b>
<b>Less: Taxes Paid earlier</b>		
Tax Deducted at Source (2018)	1,725,330.14	
Advance Tax Paid (2018)	6,736,510.63	
		8,461,840.77
<b>Tax Refundable</b>		<b>9,856,628.77</b>

For GIC- Bhutan Reinsurance Company Ltd.



CEO

**Vikram Parate**  
**Chief Executive Officer**  
**GIC-Bhutan Reinsurance Co. Ltd.**





**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
STATEMENT OF FINANCIAL POSITION

Particulars	Note	Amount in Nu.	
		As on 31-12-2018	As on 31-12-2017
<b>Assets:</b>			
Property, Plants & Equipments	1	12,123,384.04	10,068,794.40
Trade & Other Receivables	2	270,000.00	210,000.00
Investment Property	3	580,246,091.24	449,000,000.00
Financial Assets	4	-	-
Deferred Tax Assets / (Liabilities)	6	-	-
<b>Non-Current Assets -</b>		<b>592,639,475.28</b>	<b>459,278,794.40</b>
Inventories	5	-	-
Trade & Other Receivables	2	1,085,426,329.53	677,914,581.81
Investment Property	3	436,036,690.16	385,036,690.16
Current Tax Assets	7	14,177,105.98	12,460,795.81
Cash & Cash Equivalents	8	65,577,970.50	40,104,258.66
<b>Current Assets -</b>		<b>1,601,218,096.17</b>	<b>1,115,516,326.45</b>
<b>TOTAL ASSETS</b>		<b>2,193,857,571.45</b>	<b>1,574,795,120.85</b>
<b>Equity:</b>			
Share Capital	22	500,000,000.00	500,000,000.00
Reserves		-	-
Retained Earnings		68,378,516.85	40,538,266.93
<b>Total Equities -</b>		<b>568,378,516.85</b>	<b>540,538,266.93</b>
<b>Liabilities:</b>			
Deferred Tax Liabilities	6	252,892.00	211,255.00
Employee Benefit Liabilities	9	348,912.38	568,115.34
Trade & Other Payables	10	1,069,041,592.05	695,580,052.54
<b>Non-Current Liabilities -</b>		<b>1,069,643,396.43</b>	<b>696,359,422.88</b>
Bank Overdrafts	8	-	-
Current Tax Liabilities	7	18,318,469.54	13,405,077.34
Trade & Other Payables	10	537,517,188.79	324,492,353.73
<b>Current Liabilities -</b>		<b>555,835,658.33</b>	<b>337,897,431.07</b>
<b>Total Liabilities -</b>		<b>1,625,479,054.76</b>	<b>1,034,256,853.95</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,193,857,571.45</b>	<b>1,574,795,120.85</b>

Notes 1 to 31 form integral part of the Financial Statements

In terms of our Report of even date-

For M.P. SUREKA & CO.

Chartered Accountants

FRN.:- 322097E

*M.P. Sureka*

M. P. SUREKA

- Partner

Membership No. 050560



For and on behalf of the Board of Directors

*Chairman*

Chairman

Place: Thimphu, Bhutan

Date: 02/04/2019

*Vikram Parate*

**Vikram Parate**  
Chief Executive Officer  
GIC-Bhutan Reinsurance Co. Ltd.





**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
STATEMENT OF COMPREHENSIVE INCOME

Particulars	Note	Amount in Nu.	
		For the Year 2018	For the Year 2017
<b>Continuing Operations:</b>			
Revenue	11	852,540,001.97	575,506,327.85
Direct Expenses	12	(773,003,584.72)	(513,918,567.59)
<b>Gross Profit -</b>		<b>79,536,417.25</b>	<b>61,587,760.26</b>
Other Incomes	13	3,417,428.50	(498,000.58)
Employee Benefits Expenses	14	(9,509,579.03)	(8,014,851.75)
Administrative Expenses	15	(9,928,554.14)	(6,754,237.03)
Other Expenses	16	(423,500.00)	(385,000.00)
Depreciation on Property, Plant & Equipments		(1,891,856.11)	(1,025,600.00)
Amortisation of Intangible Assets		-	-
<b>Results from Operating Activities -</b>		<b>61,200,356.46</b>	<b>44,910,070.90</b>
Finance Income	17	-	-
Finance Cost	18	-	-
<b>Net Finance Costs -</b>		<b>-</b>	<b>-</b>
<b>Profit Before Tax -</b>		<b>61,200,356.46</b>	<b>44,910,070.90</b>
Tax Expenses	19	(18,360,106.54)	(13,473,021.34)
<b>Profit from Continuing Operations -</b>		<b>42,840,249.92</b>	<b>31,437,049.56</b>
<b>Discontinuing Operations:</b>			
Profit/(Loss) from Discontinuing Operations		-	-
Taxes on Discontinuing Operations	19	-	-
<b>Profit/(Loss) from Discontinuing Operations(Net of Tax) -</b>		<b>-</b>	<b>-</b>
<b>Profit For the Year -</b>		<b>42,840,249.92</b>	<b>31,437,049.56</b>
<b>Other Comprehensive Income:</b>			
Other Comprehensive Incomes	20	-	-
Taxes on Other Comprehensive Incomes	19	-	-
<b>Other Comprehensive Income For the Year(Net of Tax) -</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR-</b>		<b>42,840,249.92</b>	<b>31,437,049.56</b>
<b>Earning per Share:</b>			
Basic Earning per Share -	21	0.86	0.63
Diluted Earning per Share -	21	0.86	0.63
<b>Earning per Share - Continuing Operations:</b>			
Basic Earning per Share -	21	0.86	0.63
Diluted Earning per Share -	21	0.86	0.63

Notes 1 to 31 form integral part of the Financial Statements

In terms of our Report of even date-

For M.P. SUREKA & CO.

Chartered Accountants

FRN.:- 322097E



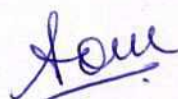
M. P. SUREKA

- Partner

Membership No. 050560



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan

Date: 02/04/2019



CEO **Vikram Parate**

**Chief Executive Officer**  
**GIC-Bhutan Reinsurance Co. Ltd.**





**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
STATEMENT OF CHANGES IN EQUITY

Particulars	Note	Attributable to the Owners of the		Total Equity (Nu.)
		Share Capital	Retained Earnings	
<b>Balance as at 01-01-2017 as BAS (Restated)</b>		500,000,000.00	9,101,217.36	509,101,217.36
<b>Total Comprehensive Income of 2017:</b>				
Profit/(Loss) for the year		-	31,437,049.56	31,437,049.56
Other Comprehensive Incomes		-	-	-
<b>Total Comprehensive Income of 2017 -</b>		-	31,437,049.56	31,437,049.56
<b>Contribution by and Distributions to the Owners of the Company:</b>				
Total -		-	-	-
<b>BALANCE OF 01.01.2018 as BAS (Restated)</b>		500,000,000.00	40,538,266.93	540,538,266.93
<b>Total Comprehensive Income of 2018 :</b>				
Profit/(Loss) for the year		-	42,840,249.92	42,840,249.92
Other Comprehensive Incomes		-	-	-
<b>Total Comprehensive Income of 2018 -</b>		-	42,840,249.92	42,840,249.92
<b>Contribution by and Distributions to the Owners of the Company:</b>				
Dividends -2017		-	(15,000,000.00)	(15,000,000.00)
<b>Total Transactions with Owners of the Co. -</b>		-	(15,000,000.00)	(15,000,000.00)
<b>BALANCE AS AT 31-12-2018 -</b>		500,000,000.00	68,378,516.85	568,378,516.85

Notes 1 to 31 form integral part of the Financial Statements

In terms of our Report of even date-  
For M.P. SUREKA & CO.

Chartered Accountants  
FRN.:- 322097E

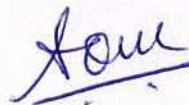


M. P. SUREKA  
- Partner

Membership No. 050560



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan

Date: 02/04/2019



CEO

**Vikrant Parate**  
Chief Executive Officer  
GIC-Bhutan Reinsurance Co. Ltd.





**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
**STATEMENT OF CASH FLOW**

Particulars	Note	Amount in Nu.	
		For the Year 2018	For the Year 2017
<b>Cash Flows from Operating Activities:</b>			
Profit for the Year		42,840,249.92	31,437,049.56
Adjustment for:			
- Depreciation	1	1,891,856.11	1,025,600.00
- Impairment Loss on Trade Receivables	24	-	-
- Net Finance Costs		-	-
- Tax Expenses	20	18,360,106.54	13,473,021.34
		<b>63,092,212.58</b>	<b>45,935,670.90</b>
Changes in:			
- Inventories		-	-
- Trade & Other Receivables		(407,571,747.72)	(384,802,144.69)
- Trade & Other Payables		586,486,374.57	461,957,864.15
- Employee Benefits (Excluding Actuarial Gain/Loss)		(219,202.96)	102,075.34
<b>Cash Generated from Operating Activities -</b>		<b>241,787,636.47</b>	<b>123,193,465.70</b>
Interest Paid		-	-
Corporate Tax Paid	7	(15,121,387.67)	(5,850,045.91)
<b>Net Cash from Operating Activities -</b>		<b>226,666,248.80</b>	<b>117,343,419.79</b>
<b>Cash Flows from Investing Activities:</b>			
Interest Received		-	-
(Purchase)/Redemption of Investment Properties		(182,246,091.24)	(84,500,000.00)
Proceeds from Sale of Property, Plant & Equipment		-	-
Additions of Fixed Assets	1	(3,946,445.75)	(7,726,493.55)
<b>Net Cash from/(used) in Investing Activities -</b>		<b>(186,192,536.99)</b>	<b>(92,226,493.55)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from Issue of Share Capital		-	-
Dividend Paid		(15,000,000.00)	-
<b>Net Cash from/(used) in Financing Activities -</b>		<b>(15,000,000.00)</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent -</b>		<b>25,473,711.81</b>	<b>25,116,926.24</b>
Opening Balance of Cash & Cash Equivalent		40,104,258.66	14,987,332.42
<b>CLOSING BALANCE OF CASH &amp; CASH EQUIVALENT</b>		<b>65,577,970.47</b>	<b>40,104,258.66</b>

Notes 1 to 31 form integral part of the Financial Statements

In terms of our Report of even date-

For M.P. SUREKA & CO.

Chartered Accountants

FRN.:- 322097E



M. P. SUREKA

- Partner

Membership No. 050560



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan

Date: 02/04/2019



CEO

**Vikrant Parate**  
**Chief Executive Officer**  
**GIC-Bhutan Reinsurance Co. Ltd.**



## Note - 1

Particulars	Gross Carrying Amount (in Nu.)				Depreciation/Amortisation (in Nu.)				Net Carrying Amount (in Nu.)	
	As on 31-12-2017	Additions in the Year	Deletions in the Year	As on 31-12-2018	As on 31-12-2017	Depreciation for the Year	Adjust. in the Year	As on 31-12-2018	As on 31-12-2018	As on 31-12-2017
	A	B	C	D = A + B - C	E	F	G	H = E + F - G	I = D - H	J = A - E
<b>1. Property, Plants &amp; Equipments:</b>										
i) Computer Equipments	6,399,457.60	785,337.00	-	7,184,794.60	736,460.73	1,148,265.46	-	1,884,726.19	5,300,068.41	5,662,996.87
ii) Office Equipments	371,482.00	3,011,183.00	-	3,382,665.00	74,698.34	197,449.77	-	272,148.11	3,110,516.89	296,783.66
ii) Furniture & Fixtures	1,839,459.55	149,925.75	-	1,989,385.30	202,383.24	190,373.82	-	392,757.06	1,596,628.24	1,637,076.31
iii) Motor Vehicles	3,559,620.00	-	-	3,559,620.00	1,087,682.44	355,767.06	-	1,443,449.50	2,116,170.50	2,471,937.56
<b>2. Intangible Assets</b>	30,000.00	-	-	30,000.00	30,000.00	-	-	30,000.00	-	-
<b>A. Total Fixed Assets -</b>	<b>12,200,019.15</b>	<b>3,946,445.75</b>	<b>-</b>	<b>16,146,464.90</b>	<b>2,131,224.75</b>	<b>1,891,856.11</b>	<b>-</b>	<b>4,023,080.86</b>	<b>12,123,384.04</b>	<b>10,068,794.40</b>
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
<b>B. Total CWIP -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (A+B) -</b>	<b>12,200,019.15</b>	<b>3,946,445.75</b>	<b>-</b>	<b>16,146,464.90</b>	<b>2,131,224.75</b>	<b>1,891,856.11</b>	<b>-</b>	<b>4,023,080.86</b>	<b>12,123,384.04</b>	<b>10,068,794.40</b>
<b>PREVIOUS YEAR -</b>	<b>4,473,525.60</b>	<b>7,726,493.55</b>	<b>-</b>	<b>12,200,019.15</b>	<b>1,105,624.75</b>	<b>1,025,600.00</b>	<b>-</b>	<b>2,131,224.75</b>	<b>10,068,794.40</b>	<b>3,367,900.85</b>

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.



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	As on 31-12-2018	As on 31-12-2017
<b>2. Trade &amp; Other Receivables:</b>		
Security Deposits (House Rent)	270,000.00	210,000.00
<b>A. Total Non-Current Assets -</b>	<b>270,000.00</b>	<b>210,000.00</b>
Trade Receivables (Subject to Confirmation)		
- Considered Good (Insurers)	1,081,184,231.60	668,816,864.30
<b>Total Debts Considered Good -</b>	<b>1,081,184,231.60</b>	<b>668,816,864.30</b>
Deposits for POL	-	820.34
Misc. Advances	4,035,690.50	4,000.00
Misc. Receivables	204,184.92	9,040,674.66
Temporary Advance	2,222.51	52,222.51
<b>B. Total Current Assets -</b>	<b>1,085,426,329.53</b>	<b>677,914,581.81</b>
<b>GRAND TOTAL (A+B) -</b>	<b>1,085,696,329.53</b>	<b>678,124,581.81</b>
<b>3. Investment Properties:</b>		
<b>A. Long Term Investments</b>		
Shareholder's Fund	400,746,632.74	346,671,254.68
Policyholder's Fund	179,499,458.50	102,328,745.32
<b>A. Total Non-Current Assets -</b>	<b>580,246,091.24</b>	<b>449,000,000.00</b>
<b>B. Short Term Investments</b>		
Shareholder's Fund	347,856,140.64	326,843,367.96
Policyholder's Fund	88,180,549.52	58,193,322.20
<b>B. Total Current Assets -</b>	<b>436,036,690.16</b>	<b>385,036,690.16</b>
<b>TOTAL - (A + B)</b>	<b>1,016,282,781.40</b>	<b>834,036,690.16</b>
<b>4. Financial Assets:</b>	-	-
<b>TOTAL -</b>	-	-
<b>5. Inventories:</b>	-	-
<b>TOTAL -</b>	-	-
<b>6. Deferred Tax Assets / (Liabilities):</b>		
Deferred Tax Assets/(Liabilities) [Note-23]		
- On Temporary Timing Difference of Fixed Assets	(252,892.00)	(211,255.00)
<b>CLOSING BALANCE -</b>	<b>(252,892.00)</b>	<b>(211,255.00)</b>
<b>7. Current Tax Assets/(Liabilities):</b>		
Advance Tax - Opening Balance		
- TDS Credit	5,698,696.18	3,564,571.09
- Advance Corporate Tax	6,762,099.63	6,803,389.66
	12,460,795.81	10,367,960.75
<b>Add: TDS Credit during the Year</b>	<b>1,725,330.14</b>	<b>2,134,125.09</b>
" <b>Advance Tax Paid during the Year</b>	<b>6,736,510.63</b>	<b>3,715,920.79</b>
	20,922,636.58	16,218,006.63
<b>Less: Adjustments made during the Year</b>	<b>6,745,530.60</b>	<b>3,757,210.82</b>
<b>A. Closing Balance of Advance Tax -</b>	<b>14,177,105.98</b>	<b>12,460,795.81</b>
Provision for Corporate Tax - Opening Balance	13,405,077.34	3,757,210.82
<b>Add: Provision made during the Year</b>	<b>18,318,469.54</b>	<b>13,405,077.34</b>
	31,723,546.88	17,162,288.16
<b>Less: Tax Paid during the Year</b>	<b>6,659,546.74</b>	<b>-</b>
	25,064,000.14	17,162,288.16
<b>Less: Adjustments made during the Year</b>	<b>6,745,530.60</b>	<b>3,757,210.82</b>
<b>B. Closing Balance of Provision -</b>	<b>18,318,469.54</b>	<b>13,405,077.34</b>
<b>NET CURRENT ASSETS/(LIABILITIES) [A-B] -</b>	<b>(4,141,363.56)</b>	<b>(944,281.53)</b>
<b>TOTAL -</b>	-	-



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS**

Particulars	Amount in Nu.	
	As on 31-12-2018	As on 31-12-2017
<b>8. Cash &amp; Cash Equivalents:</b>		
Balances with Banks in		
- Current Accounts (USD)	39,118,254.62	30,105,667.39
- Current Accounts (INR)	18,187,585.08	2,221,864.37
- Current Accounts (Nu)	8,230,332.75	7,742,783.80
	65,536,172.45	40,070,315.56
Cash in Hand	41,798.05	33,943.10
<b>A. Total Cash &amp; Cash Equivalents -</b>	<b>65,577,970.50</b>	<b>40,104,258.66</b>
Bank Overdraft used for Cash Management Purposes	-	-
<b>B. Total Bank Overdrafts -</b>	<b>-</b>	<b>-</b>
<b>CASH &amp; CASH EQUIVALENTS AS PER CASH FLOW (A+B) -</b>	<b>65,577,970.50</b>	<b>40,104,258.66</b>
<b>9. Employee Benefits:</b>		
Defined Benefit Obligation - Gratuity Liability (Note-25)	1,457,973.10	1,178,294.85
Less: Fair Value of Plan Assets - Gratuity Fund (Note-25)	1,109,060.72	610,179.51
<b>NET EMPLOYEE BENEFIT (ASSETS)/LIABILITIES -</b>	<b>348,912.38</b>	<b>568,115.34</b>
<b>10. Trade &amp; Other Payables:</b>		
Liabilities for Expenses (Claim Outstanding) (OSLR)	580,139,450.20	512,514,373.64
Liabilities for IBNR	172,520,729.00	45,903,699.00
Balance Due to Other Insurance Companies	316,381,412.85	137,161,979.90
<b>A. Total Non-Current Liabilities -</b>	<b>1,069,041,592.05</b>	<b>695,580,052.54</b>
Balance Due to Other Insurance Companies	338,920,949.55	159,701,516.60
Un-Earned Income	191,260,123.17	163,817,829.02
Unclaimed Dividend	240,735.00	-
Liability for Audit Fees	150,000.00	100,000.00
Suspense Account	6,482,349.26	49,401.96
Other Liability	2.69	30,000.00
Health Contribution	5,352.60	5,421.47
Bonus Payable	-	687,815.00
Staff Welfare Fund	-	4,684.19
TDS Payable	457,676.52	95,685.49
<b>B. Total Current Liabilities -</b>	<b>537,517,188.79</b>	<b>324,492,353.73</b>
<b>GRAND TOTAL (A+B) -</b>	<b>1,606,558,780.84</b>	<b>1,020,072,406.27</b>



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

Particulars	Amount in Nu.	
	For the Year 2018	For the Year 2017
<b>11. Revenue:</b>		
Gross Re- Insurance Premium Accepted	871,518,531.17	662,871,736.91
Less: Premium on Re- Insurance Ceded	(64,823,448.42)	(71,741,456.44)
Less: Adjustments for change in Reserve for Unexpired Risk	(27,442,294.15)	(79,141,495.48)
<b>Net Revenue (A)</b>	<b>779,252,788.60</b>	<b>511,988,784.99</b>
<b>Revenue- Others</b>		
Bank Interest (on Investments)	73,287,213.37	63,517,542.86
<b>Revenue Others (B)</b>	<b>73,287,213.37</b>	<b>63,517,542.86</b>
<b>TOTAL (A+B)</b>	<b>852,540,001.97</b>	<b>575,506,327.85</b>
<b>12. Direct Expenses:</b>		
Insurance Premium Paid (net)	361,893,359.14	120,145,657.89
Insurance Premium (Claims Outstanding) (net)	67,625,076.55	204,873,362.22
IBNR	126,617,030.00	45,903,699.00
Commission (net)	216,868,119.03	142,995,848.48
<b>TOTAL -</b>	<b>773,003,584.72</b>	<b>513,918,567.59</b>
<b>13. Other Incomes:</b>		
Miscellaneous Receipt	10,652.96	130,000.00
Exchange Gain / (Loss)	3,406,775.54	(628,000.58)
<b>TOTAL -</b>	<b>3,417,428.50</b>	<b>(498,000.58)</b>
<b>14. Employee Benefit Expenses:</b>		
Salary & Wages (Basic)	6,250,255.39	4,894,120.35
Employers Contribution to Provident Fund	531,878.44	290,765.71
Wages	49,000.00	44,000.00
Communication Allowance	82,000.00	44,000.00
House Rent	784,603.00	360,000.00
Arrear Salary	220,000.00	52,902.19
Overtime Allowance	28,745.46	6,150.00
Leave Encashment	433,405.70	486,511.50
Sitting Fees	217,500.00	435,000.00
Training Expenses	59,500.00	133,266.00
Staff Welfare - Group Personal Accident Insurance	25,769.00	24,004.00
Staff Welfare - Gratuity (Note 26)	537,144.04	453,992.00
Salary Allowances	211,440.00	-
Bonus	-	687,815.00
Staff Welfare - Misc.	78,338.00	102,325.00
<b>TOTAL -</b>	<b>9,509,579.03</b>	<b>8,014,851.75</b>

14.1 Gratuity of Nu. 537,144.04 have been provided in these account on the assumption that all the employees ceases to be employed with effect from 01/01/2019. The accumulated provision (as on 31/12/2018) Nu. 537,144.04 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. The same said to be deposited in next financial year.



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS**

Particulars	Amount in Nu.	
	For the Year 2018	For the Year 2017
<b>15. Administrative Expenses:</b>		
Advertisement & Publicity Expenses	181,082.60	120,538.86
Rent, Rates and Taxes	1,800,000.00	1,530,000.00
Fee, Charges & Subscription	1,118,097.73	808,271.37
Electricity Charges	137,997.00	73,881.72
Entertainment Expenses	826,746.46	177,713.40
Repairs & Maintenance	210,118.64	303,294.80
Audit Fees	150,000.00	100,000.00
Actuarial Fees & Expenses	218,789.00	-
Meeting Expenses	62,154.00	54,450.00
Communication Expenses (Tele, Fax & Internet)	605,127.20	509,985.56
Postage & Telegraph	6,540.00	2,080.00
Donation and Subscription	85,000.00	-
Gifts & Presents	46,278.00	73,570.00
General Expenses	84,323.56	52,574.00
Anniversary Expenses	310,716.00	-
Bank Charges	959,998.38	696,385.25
Water & Sewerage Charges	3,453.00	-
Printing and Stationery	262,213.07	191,087.32
Recruitment and Training Expenses	59,500.00	-
Vehicle Expenses (Fuel, Repairing & Others)	545,040.43	169,621.15
Travelling Expenses	2,255,379.07	1,890,783.60
<b>TOTAL -</b>	<b>9,928,554.14</b>	<b>6,754,237.03</b>
<b>16. Other Expenses:</b>		
Rafting Expenses	423,500.00	385,000.00
Impairment Loss on Trade Receivables (Note-24)	-	-
<b>TOTAL -</b>	<b>423,500.00</b>	<b>385,000.00</b>
<b>17. Finance Incomes:</b>	-	-
<b>TOTAL -</b>	-	-
<b>18. Finance Costs:</b>	-	-
<b>TOTAL -</b>	-	-
<b>19. Tax Expenses:</b>		
Current Tax Expenses	18,318,469.54	13,405,077.34
Deffered Tax Expenses (Note-23)	41,637.00	67,944.00
Earlier Year's Tax Adjustments	-	-
<b>Tax Expenses on Continuing Operations -</b>	<b>18,360,106.54</b>	<b>13,473,021.34</b>
Taxes on Discontinuing Operations	-	-
Taxes on Other Comprehensive Incomes	-	-
<b>TOTAL -</b>	<b>18,360,106.54</b>	<b>13,473,021.34</b>
<b>20. Other Comprehensive Incomes:</b>		
Actuarial Gain/(Loss) on Net Defined Plan (Note-25)	-	-
<b>TOTAL -</b>	-	-
<b>21. Earning Per Share:</b>		
A. Absolute No. of Shares	50,000,000	50,000,000
B. Diluted No. of Shares	50,000,000	50,000,000
C. Comprehensive Income for the Year	42,840,249.92	31,437,049.56
D. Income from Continuing Operation for the Year	42,840,249.92	31,437,049.56
Basic Earning per Share (C/A) -	0.86	0.63
Diluted Earning per Share (C/B) -	0.86	0.63
Basic Continuing Earning per Share (D/A) -	0.86	0.63
Diluted Continuing Earning per Share (D/B) -	0.86	0.63



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**

**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS**

**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 31-12-2018		As on 31-12-2017	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
<b>Authorised Share Capital</b>				
Equity Shares	50,000,000	500,000,000.00	50,000,000	500,000,000.00
<b>Issued, Subscribed and Paid-Fully paid up Equity Shares</b>	50,000,000	500,000,000.00	50,000,000	500,000,000.00
<b>TOTAL -</b>	<b>50,000,000</b>	<b>500,000,000.00</b>	<b>50,000,000</b>	<b>500,000,000.00</b>

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

Sl. No.	Name of the Shareholders	No. of Shares	
		As on 31-12-2018	As on 31-12-2017
1	Bhutanese (74%)	37,000,000	37,000,000
2	Foreigner (26%)	13,000,000	13,000,000
<b>TOTAL -</b>		<b>50,000,000</b>	<b>50,000,000</b>

**23. Calculation of Deferred Tax:**

- a. Detail calculation for Deferred Tax are as follows:

Particulars	As per BAS	As per IT Act	Temporary Timing Diff.	Deferred Tax Liabilities
<b>As on 31.12.2017:-</b>				
1 WDV of Fixed Assets	10,068,794.40	9,364,611.51	(704,182.90)	(211,255.00)
<b>A. Deferred Tax Assets/(Liabilities) -</b>				<b>(211,255.00)</b>
<b>As on 31.12.2018:-</b>				
1 WDV of Fixed Assets	12,123,384.04	11,280,409.82	(842,974.22)	(252,892.00)
<b>B. Deferred Tax Assets/(Liabilities) -</b>				<b>(252,892.00)</b>
<b>(Increase)/Decrease in DTL [B-A] -</b>				<b>(41,637.00)</b>



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**

**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS**

**24. Impairment Loss on Trade Receivables:**

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

**25. Employee Benefits:**

Particulars	As on 31-12-2018	As on 31-12-2017
<b>Opening Balance</b>	<b>610,179.51</b>	<b>570,363.46</b>
Interest Income on Fund Assets	44,889.21	39,816.05
Paid into Gratuity Fund by Company	453,992.00	-
<b>A. Gratuity Fund Assets at the Year end -</b>	<b>1,109,060.72</b>	<b>610,179.51</b>
<b>Opening Balance</b>	<b>1,178,294.85</b>	<b>1,036,403.46</b>
Service Cost	537,144.04	453,992.00
Interest Cost on Obligation	44,889.21	39,816.05
Benefits paid directly by the Co. during the year	(302,355.00)	(351,916.66)
<b>B. Defined Benefit Obligation at the Year end -</b>	<b>1,457,973.10</b>	<b>1,178,294.85</b>
<b>Net Employee Benefit Assets/(Liabilities) [A-B] -</b>	<b>(348,912.38)</b>	<b>(568,115.34)</b>



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**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 Informations(Business Segment):-**

Figures in Nu.

Particulars	2018	2017
Gross Premium	871,518,531.17	662,871,736.91
Retro Premium	64,823,448.42	71,741,456.44
Net Premium	806,695,082.75	591,130,280.47
Change in UPR	27,442,294.15	79,141,495.48
Earned Premium	779,252,788.60	511,988,784.99
Bank Interest Recd. on Investments	73,287,213.37	63,517,542.86
Net Incurred Claims	556,135,465.69	325,019,020.11
Net Commission	216,868,119.03	142,995,848.48
Operating Expenses	21,753,489.28	16,179,688.78
Other Income	3,417,428.50	(498,000.58)
<b>Underwriting Result</b>	<b>61,200,356.46</b>	<b>90,813,769.90</b>

**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 Transactions/Loan Facility	Outstanding as on 31.12.2018	Outstanding as on 31.12.2017
	<b>Director/ Associates</b>				
1	<b>Relative / Associates of the Director</b>				
2	<b>Key Managerial Person</b>			<b>Paid in 2018</b>	<b>Paid in 2017</b>
a	Chief Executive Officer		Remuneration & Benefits	1,860,000.00	1,235,000.00
			Sitting Fees	44,100.00	75,000.00
b	Other Directors / Managers		Sitting Fees	173,400.00	360,000.00

**28. Management Expenses:**

Management expenses include:

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

Particulars	2018 (Amt. in Nu.)	2017 (Amt. in Nu.)
Remuneration	1,860,000.00	1,235,000.00
Directors sitting fees	44,100.00	75,000.00

b) Audit Related:

Particulars	2018 (Amt. in Nu.)	2017 (Amt. in Nu.)
Audit fees and expenses	150,000.00	100,000.00

**29. Subsequent Events:**

The Board of Directors has proposed a final dividend in respect of the financial year ended December 31, 2018, amounting to **Nu. NIL**. These financial statements do not reflect this dividend payable.



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GIC-BHUTAN REINSURANCE COMPANY LIMITED

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 31-12-2017	Additions in the Year	Deletions in the Year	As on 31-12-2018	As on 31-12-2017	Depreciation for the Year	Adjs in the Year	As on 31-12-2018	As on 31-12-2018	As on 31-12-2017
	A	B	C	D = A + B - C	E	F	G	H = E + F - G	I = D - H	J = A - E
Computer Equipments	6,399,457.60	785,337.00	-	7,184,794.60	697,697.04	1,033,438.91	-	1,731,135.95	5,453,658.65	5,701,760.56
Office Equipments	371,482.00	3,011,183.00	-	3,382,665.00	70,766.40	177,704.80	-	248,471.20	3,134,193.80	300,715.60
Furniture and Fixture	1,839,459.55	149,925.75	-	1,989,385.30	319,549.46	285,560.73	-	605,110.19	1,384,275.11	1,519,910.09
Motor Vehicles	3,559,620.00	-	-	3,559,620.00	1,717,394.75	533,943.00	-	2,251,337.75	1,308,282.25	1,842,225.25
Intangibal Assets	30,000.00	-	-	30,000.00	30,000.00	-	-	30,000.00	-	-
<b>A. Total Fixed Assets -</b>	<b>12,200,019.15</b>	<b>3,946,445.75</b>	<b>-</b>	<b>16,146,464.90</b>	<b>2,835,407.64</b>	<b>2,030,647.44</b>	<b>-</b>	<b>4,866,055.08</b>	<b>11,280,409.82</b>	<b>9,364,611.51</b>
Capatl Work-in-Progress	-	-	-	-	-	-	-	-	-	-
<b>B. Total CWIP -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (A+B) -</b>	<b>12,200,019.15</b>	<b>3,946,445.75</b>	<b>-</b>	<b>16,146,464.90</b>	<b>2,835,407.64</b>	<b>2,030,647.44</b>	<b>-</b>	<b>4,866,055.08</b>	<b>11,280,409.82</b>	<b>9,364,611.51</b>
<b>PREVIOUS YEAR -</b>	<b>4,473,525.60</b>	<b>7,726,493.55</b>	<b>-</b>	<b>12,200,019.15</b>	<b>1,583,327.87</b>	<b>1,252,079.77</b>	<b>-</b>	<b>2,835,407.64</b>	<b>9,364,611.51</b>	<b>2,890,197.73</b>



**GIC-BHUTAN REINSURANCE COMPANY LIMITED**

**RATIO ANALYSIS**

Particulars	Detail of Calculation	Year 2018	Year 2017
<b>A. Ratios for Assessing Financial Health:</b>			
1 Capital Turnover Ratio	(Sales/Capital Employed)	1.50	1.06
2 Current Ratio	(Current Assets/Current Liabilities)	2.88	3.30
3 Acid Test Ratio / Quick Ratio	(Current Assets other than Inventories/Current Liabilities)	2.88	3.30
4 Inventory Turnover Ratio	(Sales/ Average Inventory)	Not Applicable	Not Applicable
5 Fixed Assets Turnover Ratio	(Sales/Fixed Asset)	70.32	57.16
6 Debtors Turnover Ratio	(Gross Debtors/Sales) X 365	463 Days	424 Days
<b>B. Ratios for Assessing Profitability:</b>			
1 Return on Investments	(Profit after Tax /Capital Employed)	7.54%	5.82%
2 Net Profit Ratio	(Net Profit/Sales) X 100	7.18%	7.80%
3 Operating Expense Ratio	(All Expenses excluding Finance Cost)/Sales X 100	93.00%	91.93%





## GIC-BHUTAN REINSURANCE COMPANY LIMITED

### NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

#### 30. Significant Accounting Policies:

##### A. Reporting Entity:-

The principal activities of GIC-Bhutan Reinsurance Company 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 16<sup>th</sup> 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 31<sup>st</sup> December, 2018.

##### 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.
- 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 2018 is increase of the Net profit before tax by Nu. 138,791.33 (Nu. 2226,479.77 in 2017).



## GIC-BHUTAN REINSURANCE COMPANY LIMITED

### 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.





## GIC-BHUTAN REINSURANCE COMPANY LIMITED

### NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

#### 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. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

#### H. Research and Development Costs:-

Research costs are recognised as an expense in the year in which they are incurred. Development costs are only capitalised if a potentially profitable product has been found and management has given approval to further develop the product.

If the 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.



## GIC-BHUTAN REINSURANCE COMPANY LIMITED

### NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

#### 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 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.





## GIC-BHUTAN REINSURANCE COMPANY LIMITED

### NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

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 : 90% 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.

#### 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 2018 of Nu. NIL, 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. 2017 comparative information has been updated to comply with the introduction of Bhutanese Accounting Standards.



**GIC-BHUTAN REINSURANCE COMPANY LIMITED**  
**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS**

**31. Notes on Accounts:**

a. Quantitative Information in respect of service sector companies as under:

<u>Service Rendered</u>	<u>Gross Income (Nu.)</u>
Reinsurance Service	871,518,531.17

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

**Inflows:**

Insurance Premium Received	USD 1,007,541.18	Received
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**Outflows:**

Insurance Premium Paid	USD 804,816.90	Paid
Bank Charges	USD 4,153.86	Paid
Travelling Expenses	USD 4,960.00	Paid
Fees Charges & Subscription	USD 2,588.00	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 **M. P. SUREKA & CO.**

Chartered Accountants

Firm's Registration No.- 322097E



**M. P. SUREKA**

- Partner

Membership No. 050560



For and on behalf of the Board of Directors



Chairman

CEO

Place: Thimphu, Bhutan

Date: 02/04/2019

**Vikrant Parate**  
**Chief Executive Officer**  
**GIC-Bhutan Reinsurance Co. Ltd.**







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**GIC-Bhutan Reinsurance Co. Ltd.**

*Reinsurance with Professionalism, Trust & Reliability*