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GIC-Bhutan Reinsurance Co. Ltd.

Reinsurance with Professionalism, Trust & Reliability



7th ANNUAL REPORT 2019



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GIC-Bhutan Reinsurance Co. Ltd.

Reinsurance with Professionalism, Trust & Reliability

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

Board of Directors



Aum Sangay Om
Director (Chairperson)



Mrs. Usha Ramaswamy
Director (GIC Re)



Mr. Deepak Prasad
Director (GIC Re)



Mr. Pema Tenzin
Director (Promotor)



Mr. DASHO Thinlay Wangchuk Dorji
Director (Public)



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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 Seventh Annual Report of the GIC Bhutan Reinsurance Company's affairs and the Audited Statement of Accounts for the year ended 31st December 2019

About GIC-Bhutan Reinsurance Co. Ltd.

GIC-Bhutan Reinsurance Company Limited 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, promoted by General Insurance Corporation of India (GIC Re) and two Bhutanese promoters. The 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%
Total Share holdings	100%

In accordance to section (8) of the Regulations for the Establishment of Reinsurance in Bhutan under section 202 of the Financial Services Act of Bhutan 2011, the company has to increase its capital from the existing paid up share capital Nu 500million to Nu1000 on completion of its fifth operational year. However, considering the situation and the challenges confronted by the Company the Royal Monetary Authority as the Regulator extended the time line to 5th September 2021.

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Financial Results

Particulars	2018	2019
Gross Premium	871.52	1,179.26
Net Premium	806.70	1,096.03
Earned Premium	779.25	1,063.69
Incurred Claims	556.14	857.74
Commission	216.87	209.63
Operating Expenses	21.75	30.02
Exchange Gain/Loss	3.42	0.92
Underwriting Result	12.09	-34.60
Investment Income	73.29	99.87
Total Investments	1,016.28	1,222.05

Profit Before Tax	61.20	67.09
Provision for Tax	18.36	20.13
Profit After Tax	42.84	46.96
Dividend	0.00	0.00
Transfer to Reserve	42.84	46.96

Claims Ratio	71.37%	80.64%
Commission Ratio	27.83%	19.70%
Management Exp. Ratio	2.79%	2.82%
Total Expense Ratio	30.62%	22.52%
Combined Ratio	101.55%	103.06%

GIC-Bhutan Re continues conservative underwriting approach. Company started with accepting small lines in treaty as well as facultative. Currently company is writing all classes of business except specialized classes like liability, credit and Agriculture etc. GIC-Bhutan Re would like to continue its prudent underwriting approach focusing on selection of good risks.

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GIC-Bhutan Re's business strategy is to be in a selected global market, establish healthy relationships with clients and ensure timely payment of claims. Currently company's main focus is in 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 in selected class of business. Currently company's presence is in 28 countries.

GIC-Bhutan Reinsurance Company Limited is the first and only specialized reinsurance Company in Bhutan. Company completed 6 years on 5th September, 2019. Within six years our gross premium grew from Nu. 125.04 Mln (USD 1.98 Mln) to Nu. 1,179.26 Mln (USD 15.68 Mln) with CAGR 843.10% (44.62% in USD term). Company's claims Ratio reduced from 116.74% in 2014 to 80.64% in 2019 and Combined Ratio from 177.58% to 103.06%. In 2019 company's investments are increasing with CAGR 20.79% 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. 2.38 Bln (USD 31.65 Mln) Assets are increasing with 8.67% in local currency term and CAGR 26.50% in USD term vis-à-vis financial year 2014.

Particulars	2018	2019
Total Assets	2,193.85	2,386.29
Growth Rate	39.31%	8.77%
Net Worth	568.38	454.36
Solvency	1.63	1.78

Total assets in 2019 are Nu 2.38 Bln with growth rate 8.77% against previous year. CAGR of Assets is 137.86% vis-à-vis 2014. Total investments of GIC Bhutan Re in 2019 is Nu. 1.22 Bln. Return on investment is 8.17% creating 1% provision for consortium financing.

Provision for reserves help in maintaining portfolio over year. Maintaining proper and sufficient claims reserve is one of the major challenges and important aspect for any Reinsurance Company. GIC-Bhutan Re as on 31.12.2019 have an OSLR of Nu. 591.70 Mln and IBNR of Nu. 387.26 Mln.

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 & 2019 – In spite of making profit due to local regulations.

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

Capital Infusion

GIC-Bhutan Re will be increasing its capital by 100% by Sept. 2020. As endorsed in 28th Board Meeting and approved in Extra Ordinary General Meeting of Shareholders held on 16th July 2020. The capital Infusion of GIC-Bhutan Reinsurance Co. Ltd is approved through the issue of rights share at the ratio of 1:1.20 at face value of Nu. 10.

Rating

To have business deals with insurers and reinsurers across the globe, rating plays an important role. Even though company is not having international rating it could develop business relationship with insurers and reinsurers from more than 20 countries. Currently GIC-Bhutan Re 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 after "AAA" & "AA".

As we now completed 6 years of operation, Management feels that this is the right time to approach for International Rating. GIC - Bhutan Re is planning to apply for International rating towards the end of 2020 financial year or in the 1st quarter 2021.

With consistent performance over the years and infusion of extra Capital, GIC – Bhutan Re is expecting a decent International Rating. With International Rating, scope of increase in business will be multiple times for GIC - Bhutan Reinsurance Co. Ltd.

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. We are 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 institution of Bhutan having full-fledged Cloud Disaster Recovery Site having backup in France.

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GIC-Bhutan Re is the first company in Bhutan which is fully compliant of Enterprise Risk Management. GIC-Bhutan Re has identified its department wise stress test & disaster (Fire & Earthquake) recovery drill.

GIC Bhutan Re's FDI Partner is GIC of India (GIC RE). GIC Re continuously give strong technical and strategic support, with designated GIC Re official(s) on full time hands to GIC Bhutan Reinsurance company.

With the support from GIC Re, GIC-Bhutan Re has created Robust Reinsurance Risk Management Structure.

Strategy Ahead

GIC Bhutan Re has a good track record since establishment. The business prospects are certainly promising. Premiums have been steadily growing.

Current paid up capital of GIC-Bhutan Re is Nu. 500 Mln. (Approx. USD 7.18 Mln). Company is planning to increase it to Nu. 1 Bln. (Approx. USD 14.37 Mln). 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 2019), 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.

With Rating and Extra Capital we are expecting more business in near future

Bhutan Non-Life Insurance Market

The need for insurance within the country was envisioned 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 in 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. As a result another General Insurance Company, Bhutan Insurance Limited, was given a license by Royal Monetary Authority of Bhutan and started business w.e.f. 20th August 2009.



Bhutan Non-Life Market premium for 2019 is Nu 1.40 Bln. Market registered a nominal Growth rate of 1.13% over previous year.

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 Corporations of Bhutan. Beside the core business of reinsurance.

DISCLOSURE

Restatement of Accounts

- i. These financial statements of GIC Bhutan Reinsurance Co. Ltd, as on 1st Jan, 2018 and 31st December, 2018, are the restated statements, the Company has prepared in accordance with BAS.

As per BAS 8, Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were approved for issue; and
- (b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with BAS if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.



An entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by

- (a) Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Reasons for Restatement:

- a. Trade Receivable (Financial Asset)- Error in Trade Receivable before 1st Jan, 2018 amounting to Nu 1,20,31,810 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- b. Trade Payable (Non-Current Financial Liability)- Error in Trade Payable (Non-Current Financial Liability) before 1st Jan,2018 amounting to Nu 3,62,15,670 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- c. Trade Payable (Current Financial Liability)- Error in Trade Payable (Current Financial Liability) before 1st Jan, 2018 amounting to Nu 11,68,33,125 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- d. Cash and Cash Equivalent- Error in Cash and Cash equivalence before 1st Jan, 2018 amounting to Nu 4,33,696 represents prior period accounting error which must be accounted retrospectively, in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- e. Retained Earnings- Prior Period Error due to above stated reasons amounting to Nu. 16,55,14,301 is adjusted in the Financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- f. Other Current Liability (Current Liability) - Under Other Current liability, suspense account of Nu. 64,82,349.26 as on 1st Jan, 2019 which has been



identified and which pertains to previous year 2018. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.

- g. Revenue from Operations- Premium of Nu. 64,82,349.26 has been identified as income from previous year which was earlier booked under suspense account. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.
- h. Current Tax and Current tax Liability (Current Liability) Premium of Nu. 64,82,349.26 has been identified as income from previous year which was earlier booked under suspense account. Due to which the corresponding tax implications has been adjusted. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.

(Aum Sangay Om)
Chairperson

**CORRIGENDUM****TO THE SCHEDULE 2 & SCHEDULE 10 AND STATEMENT OF FINANCIAL POSITION IN ANNUAL ACCOUNTS FOR THE YEAR 2018 DATED 2ND APRIL, 2019 OF GIC – BHUTAN REINSURANCE CO. LTD., THIMPHU, BHUTAN**

The Financial Statements for the year 2018 dated 2nd April, 2019 were prepared by the management by following “Expected premium income ratio method for computation of premium receivable” and “Gross written premium amount was being netted against the bank deposit amount of net premiums”. Such netting has resulted in over statement of receivables as pointed out by RMA (Bhutan) in course of inspection. It was also observed by RMA that under the proportionate treaties, the accounts were settled on net basis (premium receivable less of commission- claims- fees). As the commission would have been already deducted and UPR already recognized under unearned premium, the liability has been estimated twice in the balance sheet.

As per RMA (Bhutan) observations, premium receivable is required to be re casted by adopting aging analyses method and accordingly the corrections are required to be made in Financial Statement.

Under the facts and circumstances, the Trade Receivables and Trade Payables have been worked out by the management on the basis of change in method of determining the same. Consequently, following corrigendum is being affected in Schedule 2 & Schedule 10 and Statement of Financial Position in Annual Accounts for the year 2018 dated 2nd April, :-

Heads	Original Figure	Modified Figure
Schedule 2 (Trade & Other Receivables – Considered Good).	1,081,184,231.60	594,295,380.07
Schedule 10 (Trade & Other Payables – Balance due to Other Companies (Long Term).	316,381,412.85	160,018,850.45
Schedule 10 (Trade & Other Payables – Balance due to Other Companies (Short Term).	338,920,949.55	8,394,660.43
Statement of Financial Position (Trade & Other Receivables)	1,085,426,329.53	598,537,478.00
Statement of Financial Position (Trade & Other Payables – Long Term)	1,069,041,592.05	912,679,029.65
Statement of Financial Position (Trade & Other Payables – Short Term)	537,517,188.79	206,990,899.67

Incorporating the aforesaid changes, the Financial Statements (annexed herewith) have been re casted giving effect to the change required in schedules 2 and 10.

For M. P. SUREKA & CO.
Chartered Accountants



M. P. SUREKA
Partner

M. No.: 050560

Place: Kolkata
Date: 02.11.2019

GIC-BHUTAN REINSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION

Particulars	Note	Amount in Nu.	
		As on 31-12-2018	As on 31-12-2017
Assets:			
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	-	-
Non-Current Assets -		592,639,475.28	459,278,794.40
Inventories	5	-	-
Trade & Other Receivables	2	598,537,478.00	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
Current Assets -		1,114,329,244.64	1,115,516,326.45
TOTAL ASSETS		1,706,968,719.92	1,574,795,120.85
Equity:			
Share Capital	22	500,000,000.00	500,000,000.00
Reserves		-	-
Retained Earnings		68,378,516.85	40,538,266.93
Total Equities -		568,378,516.85	540,538,266.93
Liabilities:			
Deferred Tax Liabilities	6	252,892.00	211,255.00
Employee Benefit Liabilities	9	348,912.38	568,115.34
Trade & Other Payables	10	912,679,029.65	695,580,052.54
Non-Current Liabilities -		913,280,834.03	696,359,422.88
Bank Overdrafts	8	-	-
Current Tax Liabilities	7	18,318,469.54	13,405,077.34
Trade & Other Payables	10	206,990,899.67	324,492,353.73
Current Liabilities -		225,309,369.21	337,897,431.07
Total Liabilities -		1,138,590,203.24	1,034,256,853.95
TOTAL EQUITY AND LIABILITIES		1,706,968,719.93	1,574,795,120.85

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



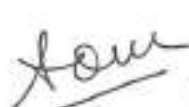
M. P. SUREKA

- Partner

Membership No. 050560



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan

Date: 02/11/2019



Vikrant 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
Continuing Operations:			
Revenue	11	852,540,001.97	575,506,327.85
Direct Expenses	12	(773,003,584.72)	(513,918,567.59)
Gross Profit -		79,536,417.25	61,587,760.26
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		-	-
Results from Operating Activities -		61,200,356.46	44,910,070.90
Finance Income	17	-	-
Finance Cost	18	-	-
Net Finance Costs -		-	-
Profit Before Tax -		61,200,356.46	44,910,070.90
Tax Expenses	19	(18,360,106.54)	(13,473,021.34)
Profit from Continuing Operations -		42,840,249.92	31,437,049.56
Discontinuing Operations:			
Profit/(Loss) from Discontinuing Operations		-	-
Taxes on Discontinuing Operations	19	-	-
Profit/(Loss) from Discontinuing Operations(Net of Tax) -		-	-
Profit For the Year -		42,840,249.92	31,437,049.56
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-		42,840,249.92	31,437,049.56
Earning per Share:			
Basic Earning per Share -	21	0.86	0.63
Diluted Earning per Share -	21	0.86	0.63
Earning per Share - Continuing Operations:			
Basic Earning per Share -	21	0.86	0.63
Diluted Earning per Share -	21	0.86	0.63

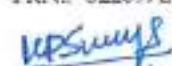
Notes 1 to 31 form integral part of the Financial Statements

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: 02/11/2019



CEO **Vikrant Parate**

Chief Executive Officer

GIC-Bhutan Reinsurance Co. Ltd.



GIC-BHUTAN REINSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

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

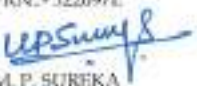
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In terms of our Report of even date:-

For M.P. SUREKA & CO.

Chartered Accountants

FRN:- 322097E

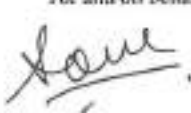

M.P. SUREKA

- Partner

Membership No. (050560)



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan

Date: 02/11/2019



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
Cash Flows from Operating Activities:			
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
		63,092,212.58	45,935,670.90
Changes in:			
- Inventories		-	-
- Trade & Other Receivables		79,317,103.81	(384,802,144.69)
- Trade & Other Payables		99,597,523.05	461,957,864.15
- Employee Benefits (Excluding Actuarial Gain/Loss)		(219,202.96)	102,075.34
Cash Generated from Operating Activities -		241,787,636.47	123,193,465.70
Interest Paid		-	-
Corporate Tax Paid	7	(15,121,387.67)	(5,850,045.91)
Net Cash from Operating Activities -		226,666,248.80	117,343,419.79
Cash Flows from Investing Activities:			
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)
Net Cash from/(used) in Investing Activities -		(186,192,536.99)	(92,226,493.55)
Cash Flows from Financing Activities:			
Proceeds from Issue of Share Capital		-	-
Dividend Paid		(15,000,000.00)	-
Net Cash from/(used) in Financing Activities -		(15,000,000.00)	-
Net Increase/(Decrease) in Cash & Cash Equivalent -		25,473,711.81	25,116,926.24
Opening Balance of Cash & Cash Equivalent		40,104,258.66	14,987,332.42
CLOSING BALANCE OF CASH & CASH EQUIVALENT		65,577,970.48	40,104,258.66

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: 02/11/2019



CEO

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



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

Note - 1

Assets	Costs Carrying Amount (Rs.)				Depreciation Method (Straight Line)				Net Carrying Amount (Rs.)	
	Value at 01.01.2017	Value added During the Year	Depreciation charged during the Year	Value at 31.12.2017	Carrying Amount at 01.01.2017	Depreciation charged during the Year	Depreciation charged during the Year	Value at 31.12.2017	Value at 01.01.2017	Value at 31.12.2017
	A	B	C	D = A+B-C	E	F	G	H = E-F-G	I = H+G	J = I+G
1. Property, Plants & Equipments										
i) Computer Equipments	6,280,457.80	785,337.08	-	7,065,794.88	738,458.73	1,148,205.46	-	1,884,720.99	8,300,085.41	8,852,080.87
ii) Office Equipments	371,452.80	3,091,103.08	-	3,462,555.88	74,858.34	197,449.77	-	272,145.11	3,119,595.89	355,181.80
iii) Furniture & Fixtures	1,035,438.88	146,825.73	-	1,182,264.61	330,363.24	110,273.32	-	440,636.56	1,395,525.24	1,837,070.31
iv) Motor Vehicles	3,559,820.80	-	-	3,559,820.80	1,687,862.44	332,767.06	-	1,443,445.50	2,115,170.92	2,471,527.55
2. Intangible Assets	30,000.00	-	-	30,000.00	30,000.00	-	-	30,000.00	-	-
A. Total Fixed Assets -	12,200,019.15	3,946,445.73	-	16,146,464.90	2,131,224.75	1,891,856.11	-	4,023,080.86	12,123,384.04	16,068,794.40
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
B. Total CWIP -	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A+B) -	12,200,019.15	3,946,445.73	-	16,146,464.90	2,131,224.75	1,891,856.11	-	4,023,080.86	12,123,384.04	16,068,794.40
PREVIOUS YEAR -	4,473,525.60	7,726,493.55	-	12,200,019.15	1,105,424.75	1,825,690.00	-	2,131,224.75	10,068,794.40	3,367,900.85

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 per 31-12-2015	As per 31-12-2017
2. Trade & Other Receivables:		
Security Deposits (House Rent)	270,000.00	210,000.00
A. Total Non-Current Assets -	270,000.00	210,000.00
Trade Receivables (Subject to Confirmation)		
- Considered Good (Insurers)	594,295,380.07	668,816,864.30
Total Debts Considered Good -	594,295,380.07	668,816,864.30
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. Total Current Assets -	598,537,478.00	677,914,581.81
GRAND TOTAL (A+B) -	598,807,478.00	678,124,581.81
3. Investment Properties:		
A. Long Term Investments		
Shareholder's Fund	400,746,632.74	346,671,254.68
Policyholder's Fund	179,499,438.50	102,328,745.32
A. Total Non-Current Assets -	580,246,091.24	449,000,000.00
B. Short Term Investments		
Shareholder's Fund	347,856,140.64	326,843,367.96
Policyholder's Fund	88,180,549.52	58,193,322.20
B. Total Current Assets -	436,036,690.16	385,036,690.16
TOTAL - (A + B)	1,016,282,781.40	834,036,690.16
4. Financial Assets:	-	-
TOTAL -	-	-
5. Inventories:	-	-
TOTAL -	-	-
6. Deferred Tax Assets / (Liabilities):		
Deferred Tax Assets / (Liabilities) [Note-23]		
- On Temporary Timing Difference of Fixed Assets	(252,892.00)	(211,255.00)
CLOSING BALANCE -	(252,892.00)	(211,255.00)
7. Current Tax Assets/(Liabilities):		
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
Add: TDS Credit during the Year	1,725,330.14	2,134,125.09
* Advance Tax Paid during the Year	6,736,510.63	3,715,920.79
	20,922,636.58	16,218,006.63
Less: Adjustments made during the Year	6,745,530.60	3,757,210.82
A. Closing Balance of Advance Tax -	14,177,105.98	12,460,795.81
Provision for Corporate Tax - Opening Balance	13,405,077.34	3,757,210.82
Add: Provision made during the Year	18,318,469.54	13,405,077.34
	31,723,546.88	17,162,288.16
Less: Tax Paid during the Year	6,659,546.74	-
	25,064,000.14	17,162,288.16
Less: Adjustments made during the Year	6,745,530.60	3,757,210.82
B. Closing Balance of Provision -	18,318,469.54	13,405,077.34
NET CURRENT ASSETS/(LIABILITIES) [A-B] -	(4,141,363.56)	(944,281.53)
TOTAL -	-	-



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

Particulars	Amount in Nu.	
	As on 31/12/2015	As on 31/12/2017
8. Cash & Cash Equivalents:		
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
A. Total Cash & Cash Equivalents -	65,577,970.50	40,104,258.66
Bank Overdraft used for Cash Management Purposes	-	-
B. Total Bank Overdrafts -	-	-
CASH & CASH EQUIVALENTS AS PER CASH FLOW (A+B) -	65,577,970.50	40,104,258.66
9. Employee Benefits:		
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
NET EMPLOYEE BENEFIT (ASSETS)/LIABILITIES -	348,912.38	568,115.34
10. Trade & Other Payables:		
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	160,018,850.45	137,161,979.90
A. Total Non-Current Liabilities -	912,679,029.65	695,580,052.54
Balance Due to Other Insurance Companies	8,394,660.43	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. Total Current Liabilities -	206,990,899.67	324,492,353.73
GRAND TOTAL (A+B) -	1,119,669,929.32	1,020,072,406.27



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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
11. Revenue:		
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)
Net Revenue (A)	779,252,788.60	511,988,784.99
Revenue- Others		
Bank Interest (on Investments)	73,287,213.37	63,517,542.86
Revenue Others (B)	73,287,213.37	63,517,542.86
TOTAL (A+B)	852,540,001.97	575,506,327.85
12. Direct Expenses:		
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
TOTAL -	773,003,584.72	513,918,567.59
13. Other Incomes:		
Miscellaneous Receipt	10,652.96	130,000.00
Exchange Gain / (Loss)	3,406,775.54	(628,000.58)
TOTAL -	3,417,428.50	(498,000.58)
14. Employee Benefit Expenses:		
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
TOTAL -	9,509,579.03	8,014,851.75

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
15. Administrative Expenses:		
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	7,080.00
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	39,500.00	-
Vehicle Expenses (Fuel, Repairing & Others)	545,040.43	169,621.15
Travelling Expenses	2,255,379.07	1,890,783.60
TOTAL -	9,928,554.14	6,754,237.03
16. Other Expenses:		
Rating Expenses	423,500.00	385,000.00
Impairment Loss on Trade Receivables (Note-24)	-	-
TOTAL -	423,500.00	385,000.00
17. Finance Incomes:	-	-
TOTAL -	-	-
18. Finance Costs:	-	-
TOTAL -	-	-
19. Tax Expenses:		
Current Tax Expenses	18,318,469.54	13,405,077.34
Deferred Tax Expenses (Note-23)	41,637.00	67,944.00
Earlier Year's Tax Adjustments	-	-
Tax Expenses on Continuing Operations -	18,360,106.54	13,473,021.34
Taxes on Discontinuing Operations	-	-
Taxes on Other Comprehensive Incomes	-	-
TOTAL -	18,360,106.54	13,473,021.34
20. Other Comprehensive Incomes:		
Actuarial Gain/(Loss) on Not Defined Plan (Note-25)	-	-
TOTAL -	-	-
21. Earning Per Share:		
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 31-12-2017		As on 31-12-2018	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
Authorised Share Capital				
Equity Shares	50,000,000	500,000,000.00	50,000,000	500,000,000.00
Issued, Subscribed and Paid-				
Fully paid up Equity Shares	50,000,000	500,000,000.00	50,000,000	500,000,000.00
TOTAL -	50,000,000	500,000,000.00	50,000,000	500,000,000.00
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 31-12-2017	As on 31-12-2018	
1	Bhutanese (74%)	37,000,000	37,000,000	
2	Foreigner (26%)	13,000,000	13,000,000	
TOTAL -		50,000,000	50,000,000	

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



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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
Opening Balance	610,179.51	570,363.46
Interest Income on Fund Assets	44,889.21	39,816.05
Paid into Gratuity Fund by Company	453,992.00	
A. Gratuity Fund Assets at the Year end -	1,109,060.72	610,179.51
Opening Balance	1,178,294.85	1,036,403.46
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. Defined Benefit Obligation at the Year end -	1,457,973.10	1,178,294.85
Net Employee Benefit Assets/(Liabilities) [A-B] -	(348,912.38)	(568,115.34)



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

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	325,019,020.71
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)
Underwriting Result	61,200,356.46	90,813,769.90

27. Related Party Disclosures:

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
	Director/ Associates				
1	Relative / Associates of the Director				
2	Key Managerial Person			Paid in 2018	Paid in 2017
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	Fixed Assets				Depreciating Assets (as per S.O.)				Total (as per S.O.)	
	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014	As at 31.12.2017	As at 31.12.2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Computer Equipments	6,399,457.60	785,337.00	-	2,484,794.66	697,697.04	1,035,438.91	-	1,731,115.95	5,431,638.65	5,701,760.56
Office Equipments	371,483.00	3,411,183.00	-	3,382,665.00	79,766.40	177,784.80	-	248,471.20	3,134,195.80	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	3,559,630.00	-	-	3,559,630.00	1,717,394.75	533,843.00	-	2,251,237.75	1,306,282.35	1,842,225.25
Intangible Assets	30,000.00	-	-	30,000.00	30,000.00	-	-	30,000.00	-	-
A. Total Fixed Assets -	12,300,029.15	3,946,445.75	-	16,146,464.96	2,835,407.64	2,030,647.44	-	4,866,055.08	11,286,409.82	9,364,611.51
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
B. Total CWIP -	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A+B) -	12,300,029.15	3,946,445.75	-	16,146,464.96	2,835,407.64	2,030,647.44	-	4,866,055.08	11,286,409.82	9,364,611.51
PREVIOUS YEAR -	4,473,525.60	7,726,493.55	-	12,300,029.15	1,583,327.87	1,252,079.77	-	2,835,407.64	9,364,611.51	2,898,197.73



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GIC-BHUTAN REINSURANCE COMPANY LIMITED
RATIO ANALYSIS

Particulars	Detail of Calculation	Year 2018	Year 2017
A. Ratios for Assessing Financial Health:			
1. Capital Turnover Ratio	(Sales/Capital Employed)	1.50	1.06
2. Current Ratio	(Current Assets/Current Liabilities)	4.95	3.30
3. Acid Test Ratio / Quick Ratio	(Current Assets other than Inventories/Current Liabilities)	4.95	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	254 Days	424 Days
B. Ratios for Assessing Profitability:			
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%



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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
Net Profit after sett off of last year's losse		61,061,565.13
Tax on Above		18,318,469.54
Less: Taxes Paid earlier		
Tax Deducted at Source (2018)	1,725,330.14	
Advance Tax Paid (2018)	6,736,510.63	
		8,461,840.77
Tax Refundable		9,856,628.77

For GIC- Bhutan Reinsurance Company Ltd.



CEO

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



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AGRAWAL SUBODH & CO.

Chartered Accountants

301, Victory House, 3rd Floor,

1, Ganesh Chandra Avenue, Kolkata – 700 013.

Ph. No. 2225-9430/31/32, Fax. 2225-9431

Email: subodhka@yahoo.com

INDEPENDENT AUDITOR'S REPORT

To,

The Members of

GIC- BHUTAN REINSURANCE COMPANY LIMITED

THIMPU, BHUTAN

1. Report on BAS Financial Statements

We have audited the accompanying financial statements of **GIC- BHUTAN REINSURANCE COMPANY LIMITED** ("GIC") which comprises statement of financial position as at 31st December, 2019 and the statement of comprehensive income, statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. These financial statements are the responsibility of the Management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid BAS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in Bhutan, of the financial position of the Company as at 31st December, 2019, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

3. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as prescribed in section 266 of the Companies' Act of Bhutan 2016. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



4. Emphasis of Matter

As discussed in Note 1 to the financial statements, the 1st January, 2018 and 31st December, 2018 financial statements have been restated to correct misstatement due to error and prior period item. Our opinion is not modified with respect to this matter.

5. 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. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters to be key audit matters for the company to be communicated in audit report.

a. Revenue Recognition:

Key audit matters	Auditor's response
<p>The Company recognises reinsurance premium income based on the statement of accounts or closing statements received from the ceding companies. At the year end, estimates are made for the accounts not received based on the Estimated Premium Income (EPI) agreed upon by both the Company and the Ceding Companies at the time of inception of the treaty or policy slip.</p> <p>Premium estimation is the differential of EPI and the booked premium for the year by the Company.</p> <p>Estimation of Income can be right only if the factors involved are incorporated in the system and extracted correctly from the system.</p>	<p>Our audit procedures on revenue recognition included:</p> <p>Tested the design, implementation and operating effectiveness of key controls over Revenue Recognition.</p> <p>Verified Premium Estimation with the guidelines of the Company and have performed test of controls, test of details and analytical review procedures on estimation of income.</p> <p>Verified EPI from the treaty or policy slip as the case may be and verified Actual Premium booked from Statement of Accounts or Closing statements received from the Cedants of the sample cases.</p>



b. Claim Provisioning:

Key audit matters	Auditor's response
<p>Insurance Claim is the major area of expense for the insurance company. Total claims incurred include paid claims, Outstanding Loss Reserve (OSLR) and Claims Incurred But Not (Enough) Reported (IBN(E)R).</p> <p>The Provision and payment of claims was considered to be one of the areas which required significant auditor attention and was one of the matters of most significance in the financial statements as the quantum involved is significant.</p>	<p>Verified operational guidelines of the Company relating to claim processing, performed test of controls, test of details and analytical review procedures on the outstanding claims. Verified the claim paid and provision on sample basis with payment proof and Preliminary Loss advice received from the Cedant Company and the same is further verified from the surveyor's report.</p> <p>For the claim cases which have been incurred but not reported and cases in which claim has been reported but not enough reported, these cases are captured by the actuary appointed by the Company. The actuarial valuation of liability in respect of Claims Incurred but Not Reported (IBNR) and those Incurred but Not Enough Reported (IBNER) as at 31st December, 2019, is as certified by the Company's Appointed Actuary and we had verified the amounts and the related liability, based on such report.</p>

6. Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, for example, Corporate Overview, Key Highlights, Board of Director's Report, Report on Corporate Governance, Management Discussion & Analysis Report, Business Responsibility Report, etc., but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

Management is responsible for the preparation and presentation of these financial statements that gives true and fair view of the financial position in accordance with the provisions of the Companies Act of Bhutan, 2016 and Generally Accepted Accounting Principles (GAAP) followed in Bhutan. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company and 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.

8. 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 required 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 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.

9. Report on Other Legal and Regulatory Requirements:

As required by Sec 266 of 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", a statement on the matters specified therein to the extent applicable to Company.



10. Other Matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements.

11. 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 was 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 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: KOLKATA

Date: 15th June, 2020

For, Agrawal Subodh and Co.

Chartered Accountants

Firm's Registration No.: 319260E

(CA. Shruti Agarwalla)

Partner

MRN: 307223



ANNEXURE A

GIC-BHUTAN REINSURANCE COMPANY LIMITED

Thimphu: Bhutan

ANNEXURE REFERRED TO IN 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 but fixed assets worth Nu 1,128,994 has been written off. Management has reclassified Office equipment (DC site high availability network) worth Nu. 1,122,393.56 to computer equipment's as it is part of data centre. And office equipment (DR site genuine server operating system) worth Nu 272,506.85 is transferred to intangible asset as it is software. Management have also reclassified assets from computer equipment (Genuine Windows server 2016 standard; mail server installation and setup; Genuine OSwin 10 pro etc.) worth Nu. 330,712.82 into intangible assets.
3. The Company has not taken any loans, secured or unsecured from Companies, firms or other parties. The Company has not taken any loan from any company under the same management. Therefore, terms of which whether prejudicial to the interest of the Company does not arise.
4. The Company has granted loans, secured or unsecured to other Companies, firms or other parties as its investing activity, but company has not granted loans, secured or unsecured to other Companies, firms or other parties to the Companies under the same management as per the management. The terms of loan granted were not prejudicial to the interest of the Company.
5. Employees, to whom interest free advances have been given by the Companies, 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 need to further strengthened 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. It has been observed that the company did not carry out any system audit since its inception. The Management may initiate appropriate system audit for better control.
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).



We have not come across any 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. The management has not reported any transactions has been entered by directors or their relatives, Companies or firms in which the directors are directly or indirectly interested.

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 financial year concerned.
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 for realization 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. need to further strengthened to see that excessive amounts are not lying idle in non-interest-bearing accounts. It is observed that, the company had closing monthly average cash balance of more than 15 Crores throughout the year. 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 activities of Company are ultra-virus the Articles of Association 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. However, during the year the company purchased 89,000 RICBL bonds of Face Value of Nu 1000 each at a premium of Nu. 200 per bond on 30th Oct, 2019. The said bond has coupon rate of 9.5% p.a. payable on 15th Jan of each year till the redemption of bond. The Bond is redeemable at par on 15th Jan, 2021. The Internal rate of Return is (Negative) (-) 1.24%. The Board must record the reason and rational for investment.



16. In our opinion, the budgetary control system in the Company requires further strengthening considering the size of the Company.
17. The details of remunerations / sitting fees paid to the Chairman and Directors are disclosed in Notes to Accounts (29 & 30)
18. According to the information and explanations given to us, the Directives of the Board have been complied with.
19. As reported and 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 company has entered into reasonable agreement with parties to which company has provided loans and advances.
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 manufacturing 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 except:
 - a. Donations worth Nu. 1,00,000 was made on 24th may, 2019 for which board approval is required but not taken for the same whereas donation is not made for the prescribed purpose such as natural calamities, for prevention and preservation of cultural activities in Bhutan or for promotion of sports, educational and scientific activities in Bhutan.
 - b. Audit expenses for restatement of accounts worth Nu. 70,000 was not approved by the board of directors.
 - c. Under section 63 of Financial Services Act, 2011 Financial Institutions shall have two independent Director. The company has appointed only one independent director. Appointment of one independent director is still pending as on date as discussed in 25th Board Meeting held on 5th November, 2019.
23. The requirements relating to provisioning for the non-performing assets including loans and advances in terms of Prudential Regulations of RMA has been complied with.
24. Recognition of interest income in respect of non-performing asset has been deferred in terms of Prudential Regulations of RMA.



25. The company has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
26. The Company, in general, has the system for carrying out proper analysis before permitting re-phasing/ rescheduling of. on the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, re-phasing has generally not been permitted in respect of non-performing loans.
27. Additional loan is not granted to those who have defaulted payment of previous advances.
28. Trade receivable balance confirmation has been received from around 42% Nu 0.3355 billions and Trade Payable balance confirmation has been received from around 52% Nu 0.3474 billions. The management should try to get the confirmation of 100% of receivable or payable at any particular point of time.

29. Computerized Accounting Environment

- a. The company has developed a customized software system for maintenance of accounts.
- b. According to information and explanations provided to us, back-up is stored in Server which is located at a place separate from the Head office. The back-up, and other safeguard measures appear to be adequate.
- c. The operational controls are found adequate to ensure correctness and validity of input data and output information.
- d. As explained to us, the measures taken by the company to prevent unauthorized access over the computer installation and files are being upgraded to be considered adequate.
- e. We shall recommend that system audit need to be done as the software is installed for the first time to see that there is no bug and all the features are working as desired.

30. General

- a. A. Going concern concept the Company's present operational and financial data indicate that the company is healthy and the accounts are prepared on the assumption that going concern concept is applicable. The company, in our opinion shall continue and maintain its operation in the foreseeable near future.
- b. Adherence to Laws, rules and regulation Audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of the audit is limited to examination and review of the financial statements as produced to us by the management.
- c. As Section 8 of the Regulation for Establishment of Reinsurance Business in Bhutan, GIC Bhutan Reinsurance Co Ltd needs to increase the minimum paid up capital from



Nu. 500 million to 1 billion. The company was not able to fulfill the requirement and has requested RMA to grant extension for same for three years. RMA through letter no. RMA/DFRS/57/2018-2019/3232 dated 1st Jan, 2019 granted time extension for 3 years till 5th September, 2021 with condition that company will not issue any dividend to its shareholder until capital is raised to minimum requirement of NU. 1 billion.

- d. During the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation and we are unable to state that the company has been complying with other applicable laws (other than Companies Act of Bhutan, 2016 and Financial Services Act of Bhutan 2011, the Income tax Act of Kingdom of Bhutan, 2001) rules and regulations, system procedures and practices. The company is in the process of complying with the Corporate Governance Rules and Regulations 2018.

Place: KOLKATA

Date: 15th June, 2020

For, Agrawal Subodh and Co.

Chartered Accountants

Firm's Registration No.: 307223

(CA. Shruti Agarwalla)

Partner

MRN:307223



GIC - BHUTAN REINSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION

Particulars	Note	Amount in Nu.		
		As on 31.12.2019	As on 31.12.2018	As on 01.01.2018
Assets				
1. Non-Current Assets				
a) Property, Plants & Equipments	2	10,190,495	11,520,164	10,068,794
b) Intangible	2	5,496,339	608,210	-
c) Financial Assets				
(i) Investment	3A	423,468,788	514,382,781	334,536,690
(ii) Other Non-current Assets	5	8,423,863	270,000	210,000
Total Non-Current Assets		447,579,385	526,676,155	344,815,485
2. Current assets				
a) Financial Assets				
(i) Trade Receivables	6	878,854,538	582,263,570	656,785,055
(ii) Investment	3B	396,441,071	382,000,000	379,500,000
(iii) Cash & Cash Equivalent	7	258,573,140	65,144,275	39,670,563
(iv) FD with bank	9	402,135,068	120,000,000	120,000,000
c) Other Current assets	10	2,713,602	4,243,098	9,097,718
Total Current Assets		1,938,720,319	1,153,646,843	1,205,053,336
TOTAL ASSETS		2,386,299,707	1,680,326,108	1,549,868,821
Equity				
Share Capital	21	500,000,000	500,000,000	500,000,000
Other Equity		454,366,735	407,401,859	138,976,034
Total Equities		954,366,735	907,401,859	638,976,034
Liabilities				
1. Non-Current Liabilities				
a) Financial Liability				
(i) Trade Payables	11	1,294,207,574	948,894,700	731,795,723
(b) Deferred Tax Liabilities	12	281,347	252,892	211,255
c) Provision	13	2,771,006	348,912	568,115
Total Non-Current Liabilities		1,297,261,827	949,496,505	732,575,093
2. Current Liabilities				
a) Financial Liability				
(i) Trade Payables	14	617,886,011	316,487,909	440,352,471
(ii) Other Current Financial Liability	15	-	-	15,000,000
b) Current Tax Liabilities	8	15,125,709	6,085,068	944,232
c) Other Current Liabilities	16	1,879,425	853,757	973,008
Total Current Liabilities		634,671,145	323,427,744	457,269,760
Total Liabilities		1,931,932,972	1,272,924,249	1,189,844,853
TOTAL EQUITY AND LIABILITIES		2,386,299,707	1,680,326,108	1,549,868,821

Notes 1 to 33 form integral part of the Financial Statements.
For, Agrawal Subodh & Co.
Chartered Accountants
Firm's Registration No.: B192606

(CA. Shrusi Agarwalla)
Partner
Membership No: 307225



For and on behalf of the Board of Directors

Chairman

Place: Thimphu, Bhutan
Date: 15th June, 2020

Kesang Wangdi
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 2019	Restated For the year 2018
INCOME			
Revenue from operations	17	1,063,685,072	785,735,138
Other Incomes	18	100,799,077	76,704,642
TOTAL INCOME		1,164,484,149	862,439,780
EXPENSES			
Direct Expenses	19	1,067,369,713	773,003,585
Employee Benefit Expenses	20	11,279,086	9,351,579
Other Expenses	21	15,892,096	10,510,054
Depreciation	2	2,850,576	1,891,856
Total expenses		1,097,391,470	794,757,074
Profit Before Tax		67,092,679	67,682,706
Tax Expense			
Current Tax	22	20,098,348	20,263,174
Deferred Tax	22	29,455	41,637
Profit for the year		46,964,875	47,377,894
Other Comprehensive Income			
Other Comprehensive Incomes		-	-
Taxes on Other Comprehensive Incomes		-	-
Other Comprehensive Income for the year (Net of Tax)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,964,875	47,377,894
Earning per Share:			
Basic Earning Per Share	23	0.94	0.86
Diluted Earning Per Share	23	0.94	0.86
Earning per Share- Continuing Operation			
Basic Earning Per Share	23	0.94	0.86
Diluted Earning Per Share	23	0.94	0.86

Notes 1 to 33 form integral part of the Financial Statements
For, Agrawal Subodh & Co.
Chartered Accountants
Firm's Registration No.:319260E

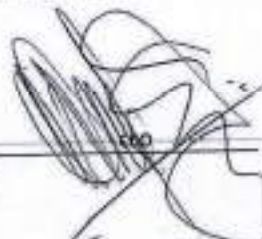

(CA. Shrut Agarwala)
Partner
Membership No: 307223



For and on behalf of the Board of Directors


Chairman

Place: Thimphu, Bhutan
Date : 15th June, 2020


CEO

Kesang Wangdi
Chief Executive Officer
GIC Bhutan Reinsurance Co.



GIC -BHUTAN REINSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December, 2019

(a) Equity Share capital

	Amount (Nu)		
	Balance at the beginning of the year	Changes in equity share capital during the year	Balance at the end of the year
For the year ended 31st Dec, 2018	500,000,000	0.00	500,000,000
For the year ended 31st Dec, 2019	500,000,000	0.00	500,000,000

(b) Other Equity

	Reserves and Surplus	Items of Other Comprehensive Income	Total
	Retained Earnings		
Balance as at 1st Jan, 2018 (before Restatement)	25,538,267		25,538,267
Restatement in Trade Receivable	(12,031,810)		(12,031,810)
Restatement in Trade Payable	(153,048,795)		(153,048,795)
Restatement in Bank account	(433,696)		(433,696)
Balance as at 1st Jan, 2018 (restated)	(139,976,034)	-	(139,976,034)
Profit for the year Before restatement	42,840,249	-	42,840,249
Other Comprehensive Income (net of tax)	-	-	-
Restated Profit	4,537,645	-	4,537,645
Total Comprehensive Income for the year	47,377,894	-	47,377,894
Balance as at 31st Dec, 2018 (restated)	(92,598,141)	-	(92,598,141)
Balance as at 1st Jan, 2019 (restated)	(92,598,141)	-	(92,598,141)
Profit for the year	46,964,875	-	46,964,875
Other Comprehensive Income (net of tax)	-	-	-
Total Comprehensive Income for the year	46,964,875	-	46,964,875
Balance as at 31st Dec, 2019	(45,633,265)	-	(45,633,265)

As per our report of even date attached
For **Agarwal Subodh & Co**
Chartered Accountants
Firm's Registration Number - 319260E

(CA. Shruti Agarwalla)
Membership No. 307223
Partner



For and on behalf of the Board of Directors

Chairman

CEO

Place: Thimphu, Bhutan

Date: 15th June, 2020

Kesang Wangdi
Chief Executive Officer
GIC Bhutan Reinsurance Co. Ltd.

GIC - BHUTAN REINSURANCE COMPANY LIMITED

Cash flow Statement

	2019	Restated for 2018
Cash Flow from Operating Activities:		
Profit before tax for the period	46,964,875	67,682,706
Fixed assets written off	1,128,994	
Deferred Tax	29,455	41,637
Profit Before Tax and extra ordinary items	48,123,325	67,724,343
Adjustment for: -		
Income from Investing Activity	99,874,738	73,287,213
Depreciation	2,850,576	1,891,856
Tax Expense	20,098,348	20,263,174
	(28,802,488)	230,890,930
Changes in Working Capital:		
current assets	(295,062,472)	79,377,104
Current liabilities	652,372,345	79,143,718
Employee Benefits (Excluding Actuarial Gain / Loss)		
Cash Generated from Operating Activities	357,309,873	158,520,822
Corporate Tax Paid	9,039,641	5,141,787
Net Cash From Operating Activities	348,270,232	153,379,035
(Purchase) / Redemption of Investment Properties	49,492,567	(182,246,091)
(Purchase)/ Redemption of Fixed Deposit	(270,000,000)	
Addition of Fixed Assets	(7,542,922)	(3,946,446)
income from Investment	73,208,986	73,287,213
Net Cash from / (used) in Investing Activities	(154,841,368)	(112,905,324)
Net Cash from / (used) in Financing Activities		(15,000,000)
Net Increase / (Decrease) in Cash & Cash Equivalents	193,428,865	25,473,712
Opening Balance of Cash & Cash Equivalent	65,144,275	39,670,563
Closing Balance of Cash & Cash Equivalent	258,573,140	65,144,275
	258,573,140	65,144,275

For, Agarwal Subodh & Co.
Chartered Accountants
Firm's Registration No. 319260E

(CA. Shruti Agarwalla)
Membership No. 307223
Partner



For and on behalf of the Board of Directors

[Signature]

Chairman

Place: Thimphu, Bhutan
Date : 15th June, 2020

[Signature]
CFO
Kesang Wangdi
Chief Executive Officer
GIC Bhutan Reinsurance Co. L

GIC -BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

1. Restatement of Accounts

(i) These financial statements of GIC Bhutan Reinsurance Co. Ltd, as on 1st Jan, 2018 and 31st December, 2018, are the restated statements, the Company has prepared in accordance with BAS.

As per BAS 8, Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were approved for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with BAS if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

An entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

(ii) The following reconciliations provides the effect of restatement on Financial position as on 1st Jan, 2018 and 31st Dec, 2018

- a. Restatement of Financial Position as on 1st Jan, 2018
- b. Restatement of Financial Position as on 31st Dec, 2018
- c. Restatement of Comprehensive Income for the period ending on 31st Dec, 2018

a. Restatement of Financial Position as on 1st Jan, 2018

Particulars	Amount in Nu		
	As on 01.01.2018	Effects of Restatement	Restated As on 01.01.2018
Assets	-	-	-
1. Non-Current Assets	-	-	-
a) Property, Plants & Equipment's	10,068,794	-	10,068,794
b) Intangible	-	-	-
c) Financial Assets	-	-	-
(i) Investment	334,536,690	-	334,536,690
(ii) Other Non-current Assets	210,000	-	210,000
Total Non-Current Assets	344,815,484	-	344,815,484
2. Current assets	-	-	-
a) Financial Assets	-	-	-
i) Trade Receivables	668,816,864	(12,031,810)	656,785,055
ii) Investment	379,500,000	-	379,500,000
iii) Cash & Cash Equivalents	40,104,259	(433,696)	39,670,563



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iv) FD with bank	120,000,000	-	120,000,000
c) Other Current assets	9,097,718	-	9,097,718
Total Current Assets	1,217,518,841	-	1,205,053,335
TOTAL ASSETS	1,562,334,325	-	1,549,868,819
Equity	-	-	-
Share Capital	500,000,000	-	500,000,000
Retained Earnings	25,538,267	(165,514,301)	-139,976,034
Total Equities	525,538,267	-	360,023,966
Liabilities	-	-	-
1. Non-Current Liabilities	-	-	-
a) Financial Liability	-	-	-
ii) Trade Payables	695,580,053	36,215,670	731,795,723
b) Deferred Tax Liabilities	211,255	-	211,255
c) Provision	568,115	-	568,115
Total Non-Current Liabilities	696,359,423	-	732,575,093
2. Current Liabilities	-	-	-
a) Financial Liability	-	-	-
i) Trade Payables	323,810,946	116,833,125	440,644,071
ii) Other Current Financial Liability	15,000,000	-	15,000,000
b) Current Tax Liabilities	944,282	-	944,282
c) Other Current Liabilities	973,008	-	973,008
Total Current Liabilities	340,728,236	-	457,561,361
Total Liabilities	1,036,796,058	-	1,189,844,853
TOTAL EQUITY AND LIABILITIES	1,562,334,325	-	1,549,868,819

Reasons for Restatement:

- a. **Trade Receivable (Financial Asset)**- Error in Trade Receivable before 1st Jan, 2018 amounting to Nu 1,20,31,810 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- b. **Trade Payable (Non-Current Financial Liability)**- Error in Trade Payable (Non-Current Financial Liability) before 1st Jan, 2018 amounting to Nu 3,62,15,670 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- c. **Trade Payable (Current Financial Liability)**- Error in Trade Payable (Current Financial Liability) before 1st Jan, 2018 amounting to Nu 11,68,33,125 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- d. **Cash and Cash Equivalent**- Error in Cash and Cash equivalence before 1st Jan, 2018 amounting to Nu 4,33,696 represents prior period accounting error which must be accounted retrospectively, in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- e. **Retained Earning**- Prior Period Error due to above stated reasons amounting to Nu. 16,54,14,401 is adjusted in the Financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.

b. Restatement of Financial Position as on 31st Dec, 2018

Particulars	Amount in Nu		
	As on 31.12.2018	Effects of Restatement	Restated As on 31.12.2018
Assets			
1. Non-Current Assets	-	-	-
a) Property, Plants & Equipment's	11,520,164	-	11,520,164
b) Intangible	603,220	-	603,220



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c) Financial Assets	-	-	-
(i) Investment	514,282,781	-	514,282,781
(ii) Other Non-current Assets	270,000	-	270,000
Total Non-Current Assets	526,676,165	-	526,676,165
2. Current assets	-	-	-
a) Financial Assets	-	-	-
i) Trade Receivables	594,295,380	(12,031,810)	582,263,570
ii) Investment	382,000,000	-	382,000,000
iii) Cash & Cash Equivalents	65,577,970	(433,696)	65,144,275
iv) FD with bank	120,000,000	-	120,000,000
c) Other Current assets	4,242,098	-	4,242,098
Total Current Assets	1,166,115,448	-	1,153,649,943
TOTAL ASSETS	1,692,791,613	-	1,680,326,108
Equity	-	-	-
Share Capital	500,000,000	-	500,000,000
Retained Earnings	68,378,517	(160,976,656)	-92,598,139
Total Equities	568,378,517	-	407,401,861
Liabilities	-	-	-
1. Non-Current Liabilities	-	-	-
a) Financial Liability	-	-	-
ii) Trade Payables	912,679,030	36,215,670	948,894,700
b) Deferred Tax Liabilities	252,892	-	252,892
c) Provision	348,912	-	348,912
Total Non-Current Liabilities	913,280,834	-	949,496,504
2. Current Liabilities	-	-	-
a) Financial Liability	-	-	-
i) Trade Payables	199,654,784	116,833,125	316,487,909
ii) Other Current Financial Liability	0	-	-
b) Current Tax Liabilities	4,141,364	1,944,704	6,086,068
c) Other Current Liabilities	7,336,115	(6,482,349)	853,766
Total Current Liabilities	211,132,263	-	323,427,743
Total Liabilities	1,124,413,097	-	1,272,924,247
TOTAL EQUITY AND LIABILITIES	1,692,791,613	-	1,680,326,108

Reasons for Restatement:

- Trade Receivable (Financial Asset)**- Error in Trade Receivable before 1st Jan, 2018 amounting to Nu 1,20,31,810 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Trade Payable (Non-Current Financial Liability)**- Error in Trade Payable (Non-Current Financial Liability) before 1st Jan, 2018 amounting to Nu 3,62,15,670 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Trade Payable (Current Financial Liability)**- Error in Trade Payable (Current Financial Liability) before 1st Jan, 2018 amounting to Nu 11,68,33,125 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Cash and Cash Equivalent**- Error in Cash and Cash equivalence before 1st Jan, 2018 amounting to Nu 4,33,696 represents prior period accounting error which must be accounted retrospectively, in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Retained Earning**- Prior Period Error due to above stated reasons amounting to Nu. 16,55,14,301 is adjusted in the Financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.



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f. **Other Current Liability (Current Liability)** - Under Other Current liability, suspense account of Nu. 64,82,349.26 as on 1st Jan, 2019 which has been identified and which pertains to previous year 2018. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.

g. **Current Tax and Current tax Liability (Current Liability)** - Premium of Nu. 64,82,349.26 has been identified as income from previous year which was earlier booked under suspense account. Due to which the corresponding tax implications has been adjusted. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.

c. **Restatement of Comprehensive Income for the period ending on 31st Dec, 2018**

Particulars	As on 31.12.2018	Effects of Restatement	Restated As on 31.12.2018
INCOME			
Revenue from operations	779,252,788	6,482,349	785,735,138
Other Incomes	76,704,642	-	76,704,642
TOTAL INCOME	855,957,430	-	862,439,780
EXPENSES			
Direct Expenses	773,003,585	-	773,003,585
Employee Benefit Expenses	9,351,579	-	9,351,579
Other Expenses	10,510,054	-	10,510,054
Depreciation	1,891,856	-	1,891,856
Total expenses	794,757,074	-	794,757,074
Profit Before Tax	61,200,356	6,482,349	67,682,706
Tax Expense			
Current Tax	18,318,470	1,944,704	20,263,174
Deferred Tax	41,637	-	41,637
Profit for the year	42,840,249	4,537,645	47,377,894
Basic Earning Per Share	0.86		0.95
Diluted Earning Per Share	0.86		0.95
Earning per Share- Continuing Operation			
Basic Earning Per Share	0.86		0.95
Diluted Earning Per Share	0.86		0.95

Reasons for Restatement:

- Trade Receivable (Financial Asset)**- Error in Trade Receivable before 1st Jan, 2018 amounting to Nu 1,20,31,810 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Trade Payable (Non-Current Financial Liability)**- Error in Trade Payable (Non-Current Financial Liability) before 1st Jan, 2018 amounting to Nu 3,62,15,670 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Trade Payable (Current Financial Liability)**- Error in Trade Payable (Current Financial Liability) before 1st Jan, 2018 amounting to Nu 11,68,33,125 represents prior period accounting error which must be accounted retrospectively in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Cash and Cash Equivalent**- Error in Cash and Cash equivalence before 1st Jan, 2018 amounting to Nu 4,33,696 represents prior period accounting error which must be accounted retrospectively, in the financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Retained Earning**- Prior Period Error due to above stated reasons amounting to Nu. 16,55,14,301 is adjusted in the Financial Statements. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by accounting error.
- Other Current Liability (Current Liability)** - Under Other Current liability, suspense account of Nu. 64,82,349.26 as on 1st Jan, 2019 which has been identified and which pertains to previous year 2018. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.



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g. **Revenue From Operations**- Premium of Nu. 64,82,349.26 has been identified as income from previous year which was earlier booked under suspense account. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.

h. **Current Tax and Current tax Liability (Current Liability)** - Premium of Nu. 64,82,349.26 has been identified as income from previous year which was earlier booked under suspense account. Due to which the corresponding tax implications has been adjusted. Consequently, the Company has adjusted all comparative amounts in Financial Statement Effected by prior period item.



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GIC-BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

2. Property Plants & Equipments as per IFRS (Useful Life)

Particulars	Gross Carrying Amount (in Nu.)			Depreciation / Amortisation (in Nu.)			Net Carrying Amount (in Nu.)	
	As on 31-12-2018	Additions in the year	Deletions in the year	As on 31-12-2018	Depreciation for the year	Adjust. in the year	As on 31-12-2019	As on 31-12-2018
	A	B	C	D = A + B + C	E	F	G	H = E + F + G
1. Property Plants & Equipments								
(i) Computer Equipments	7,944,375	1,041,940	401,584	8,584,731	1,852,625	1,396,727	139,057	3,110,296
(ii) Office Equipments	1,923,815	428,853	634,772	1,717,896	208,199	241,968	69,738	380,429
(iii) Furniture & Fixtures	1,989,385	117,417	445,921	1,660,882	392,757	158,955	124,487	477,226
(iv) Motor Vehicles	3,559,620	-	-	3,559,620	1,443,449	355,962	-	1,799,411
(v) Gym Equipment	-	385,262	-	385,262	-	20,533	-	20,533
2. Intangible Assets	729,270	5,569,450	-	6,298,720	126,050	676,430	-	802,481
As on 31-12-2018	16,146,465	7,542,922	1,462,277	25,151,664	4,023,081	2,850,576	333,282	6,540,375
GRAND TOTAL (A)	16,146,465	7,542,922	1,462,277	25,151,664	4,023,081	2,850,576	333,282	6,540,375
PREVIOUS YEAR	12,200,019	3,946,446	-	16,146,465	2,131,225	1,891,856	-	4,023,081
Particulars	Gross Carrying Amount (in Nu.)			Depreciation / Amortisation (in Nu.)			Net Carrying Amount (in Nu.)	
	As on 1-01-2018	Additions in the year	Deletions in the year	As on 31-12-2018	As on 01-01-2018	Depreciation for the year	Adjust. in the year	As on 31-12-2018
	A	B	C	D = A + B + C	E	F	G	H = E + F + G
1. Property Plants & Equipments								
(i) Computer Equipments	6,399,458	785,337	-	7,184,795	736,461	1,148,265	-	1,884,726
(ii) Office Equipments	371,482	3,011,183	-	3,382,665	74,698	197,450	-	272,148
(iii) Furniture & Fixtures	1,839,460	149,926	-	1,989,385	202,383	190,374	-	392,757
(iv) Motor Vehicles	3,559,620	-	-	3,559,620	1,087,682	355,767	-	1,443,450
2. Intangible Assets	30,000	-	-	30,000	30,000	-	-	-
As on 1-01-2018	12,200,019	3,946,446	-	16,146,465	2,131,225	1,891,856	-	4,023,081
GRAND TOTAL (A)	12,200,019	3,946,446	-	16,146,465	2,131,225	1,891,856	-	4,023,081
PREVIOUS YEAR	12,200,019	3,946,446	-	16,146,465	2,131,225	1,891,856	-	4,023,081



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GIC - BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

Particulars	Amount in Nu		
	As on 31-12-2019	As on 31-12-2018	As on 01-01-2018
3. Investment			
A. Long Term Investments			
RICBL Bond	164,465,420	60,000,000	20,000,000
Bank-subordinate Debt	35,224,384		
Ice Beverages	223,778,984	219,701,941	220,000,000
Nubri Capital Pvt Ltd		100,000,000	89,000,000
RICBL Tsentshel		5,536,690	5,536,690
Bhutan One Pvt Ltd		129,044,150	
Total Fund	423,468,788	514,282,781	334,536,690
a. Shareholders Fund	141,342,296	176,992,768	115,153,824
b. Policy holder Fund	282,126,493	337,290,013	219,382,866
A. Total Non-Current Financial Assets	423,468,788	514,282,781	334,536,690
B. Short Term Investments			
RICBL/D	121,500,000	121,500,000	121,500,000
BIL	203,276,712	260,500,000	258,000,000
Nubri Capital Pvt Ltd	71,667,260		
Total Fund	396,443,973	382,000,000	379,500,000
a. Shareholders Fund	132,322,152	131,467,045	130,631,041
b. Policyholder Fund	264,121,821	250,532,955	248,868,959
B. Total Current Financial Assets	396,443,973	382,000,000	379,500,000
Grand Total	819,912,761	896,282,781	714,036,690

The company purchased during the year 89,000 RICBL bonds of Face Value of Nu 1000 each at a premium of Nu. 200 per bond on 30th Oct, 2019. The said bond has coupon rate of 9.5% p.a. payable on 15th Jan of each year till the redemption of bond. The Bond is redeemable at par on 15th Jan, 2021. As Per BAS 109 RICBL Bond is Financial Instrument and the interest of Financial Instrument is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. The internal rate of return is -1.24%. The company has thus recorded effective interest expense due to the said transaction of Nu. 2,11,703. The value of bond at end of year is nu. 98,968,434



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4. Financial Instruments
Fair Value Measurement

Financial Instruments by Category and hierarchy

The Company uses following hierarchy for determining and disclosing the fair value of financial instruments by Valuation technique

Level 1: Quoted (Unadjusted) Prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value are observable either directly or indirectly

Level 3: Techniques which use inputs have a significant effect on the recorded fair value that are not based on observable market data

Financial Assets and Liabilities as at 31st Jan, 2019	Non Current	Current	Fair Value Through Other Comprehensive Income				Carried at Amortised cost			
			Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets										
Investments										
Bonds	20,000,000.00								20,000,000.00	20,000,000.00
Other Investment	604,036,690.16	379,500,000.00							1,073,536,690.16	1,073,536,690.16
	714,036,690.16	379,500,000.00								
Other Financial Assets										
Trade Receivables		656,785,054.60							656,785,054.60	656,785,054.60
Cash & Cash Equivalent		39,670,562.70							39,670,562.70	39,670,562.70
Fixed Deposit with bank		120,000,000.00							120,000,000.00	120,000,000.00
Other Financial Assets	210,000.00								210,000.00	210,000.00
	210,000.00	816,455,617.30							816,665,617.30	816,665,617.30
Financial Liabilities										
Trade Payable	440,352,470.62	731,795,722.90							731,795,722.90	731,795,722.90
Other Financial Liabilities	15,000,000.00									
	455,352,470.62	731,795,722.90							731,795,722.90	731,795,722.90
Financial Assets and Liabilities as at 31st Dec, 2019	Non Current	Current	Fair Value Through Other Comprehensive Income				Carried at Amortised cost			
			Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets										
Investments										
Bonds	60,000,000.00								60,000,000.00	60,000,000.00
Other Investment	836,282,781.40	382,000,000.00							1,218,282,781.40	1,218,282,781.40
	896,282,781.40	382,000,000.00							1,278,282,781.40	1,278,282,781.40
Other Financial Assets										
Trade Receivables		582,263,570.28							582,263,570.28	582,263,570.28
Cash & Cash Equivalent		65,144,274.54							65,144,274.54	65,144,274.54



Fixed Deposit with bank	-	120,000,000.00	-	-	-	-	-	-	-	120,000,000.00	120,000,000.00	120,000,000.00
Other Financial Assets	270,000.00	-	-	-	-	-	-	-	-	270,000.00	270,000.00	270,000.00
Financial Liabilities	270,000.00	767,407,844.82	-	-	-	-	-	-	-	767,407,844.82	767,407,844.82	767,407,844.82
Trade Payable	948,894,700.14	316,487,908.79	-	-	-	-	-	-	-	1,265,382,608.93	1,265,382,608.93	1,265,382,608.93
	948,894,700.14	316,487,908.79	-	-	-	-	-	-	-	1,265,382,608.93	1,265,382,608.93	1,265,382,608.93
Financial Assets and Liabilities as at 31st Dec, 2019												
	Net Current	Current	Fair Value Through Other						Carried at Amortised cost			
			Level 1	Level 2	Level 3	Trade	Level 1	Level 2	Level 3	Total	Total	Total Amount
Financial Assets												
Investments												
Bonds	164,465,420.36	-	-	-	-	-	-	-	-	164,465,420.36	164,465,420.36	164,465,420.36
Other Investment	655,447,340.38	356,443,972.60	-	-	-	-	-	-	-	1,051,891,312.99	1,051,891,312.99	1,051,891,312.99
	819,912,760.74	356,443,972.60	-	-	-	-	-	-	-	1,216,356,733.34	1,216,356,733.34	1,216,356,733.34
Other Financial Assets												
Trade Receivables	-	878,854,538.33	-	-	-	-	-	-	-	878,854,538.33	878,854,538.33	878,854,538.33
Cash & Cash Equivalent	-	258,573,139.77	-	-	-	-	-	-	-	258,573,139.77	258,573,139.77	258,573,139.77
Fixed Deposit with bank	-	402,135,068.49	-	-	-	-	-	-	-	402,135,068.49	402,135,068.49	402,135,068.49
Other Financial Assets	8,423,863.16	3,519,562,746.60	-	-	-	-	-	-	-	8,423,863.16	8,423,863.16	8,423,863.16
	8,423,863.16	3,519,562,746.60	-	-	-	-	-	-	-	1,547,986,609.76	1,547,986,609.76	1,547,986,609.76
Financial Liabilities												
Trade Payable	1,294,207,573.54	617,666,011.45	-	-	-	-	-	-	-	1,911,873,584.99	1,911,873,584.99	1,911,873,584.99
	1,294,207,573.54	617,666,011.45	-	-	-	-	-	-	-	1,911,873,584.99	1,911,873,584.99	1,911,873,584.99



A. FINANCIAL RISK MANAGEMENT

Overview the Company has exposure to the following risks from its use of financial instruments

- a) Credit risk
- b) Liquidity risk
- c) Market risk
- d) Operational risk.

This note presents information about the Company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

Risk Management Framework

The management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

a) Credit Risk

Credit risk is counter-party default risk, and includes the risk of failure of financial institutions with which the Company has placed deposits/investments to meet obligations. It also includes the risk of default by cedant on premium receivable, default by loan clients and failure of employees to meet loans provided by the Company. In addition to strict limits on single counterparty exposure, the Company follows a prudent credit policy which limits its investments to high-grade corporate credit in line with the investment policy and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis, and any deviations require special approval. The Company's investment approach is also guided and monitored by BIL Management as per BIL policies on investment.

b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liability. The Company maintains portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company to mitigate the liquidity risk has maintained short term deposits.

c) Market Risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors including currency, equity price and interest rate. The current uncertainties in the local and international markets and investment climate have increased the degree of impact of market risk to the Company. The Company Risk Management policy covers risk associated with the financial assets and financial liabilities such as interest rate risks and credit risks

a. Interest rate risk

The risk of interest rate volatility adversely affects the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The Company monitors its interest rate risk on a monthly basis by analyzing the movement in the interest rate sensitive asset duration, the allocation to interest rate sensitive assets, and the sensitivity of interest rate movements on the solvency margin. Any movement in the reference rates could have an impact on the Company's cash flows as well as cost.



b. Currency Risk

Currency risk the risk of fluctuation of fair values or future cash flows of a financial instrument due to change in exchange rates is referred to as currency risk. The Company's principal transactions are carried on in Bhutanese's as well as other currencies. The foreign exchange risk arises primarily with respect to the US Dollar and other currency denominated assets maintained in order to honor liabilities of foreign currency denominated insurance policies sold in the ordinary course of business. However, Receivables and Payables were recorded on Bhutanese currency after converting them with exchange rates at the reporting date.

d) Operational Risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the

- Requirements for having appropriate segregation of duties including the independent
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation including reinsurance where this is cost effective.

B. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity share-holders of the Company. The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and other stake holders.



GIC - BHUTAN REINSURANCE COMPANY LIMITED
NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

5. Other Non- Current Financial Assets			
Security Deposits (House Rent)	270,000	270,000	210,000
RICBL	8,153,863		
Grand Total	8,423,863	270,000	210,000

6. Trade Receivable			
- Considered Good	878,854,538	582,263,570	656,785,055
Grand Total	878,854,538	582,263,570	656,785,055

7. Cash & Cash Equivalents			
Balances with Banks in Druk PNB			
- Current Account (USD)	94,366,629	39,118,255	30,105,667
- Current Account (INR)	84,366,877	18,187,585	2,221,864
- Current Account (NU.)	79,716,898	7,554,788	7,067,239
Dividend Account 110210018992 with Druk PNB	89,143	240,849	240,849
BDBL	1,000	1,000	1,000
BoB A/c	1,000		
T Bank A/c	1,543		
	258,543,091	65,102,476	39,636,620
Cash in Hand	30,049	41,798	33,943
Grand Total	258,573,140	65,144,275	39,670,563

8. Current Tax Assets / (Liabilities)			
A. Current Tax Assets			
Advance Tax - Op Balance	14,177,106	12,460,796	10,367,961
Add: TDS Credit during the year at source	1,547,811	1,725,330	2,134,125
Add: Advance Tax paid during the year	-	6,736,511	3,715,921
	15,724,917	20,922,637	16,218,007
Less: Adjustments made during the year	8,807,574	6,745,531	3,757,711
A. Closing balance of Current Tax Assets	6,917,344	14,177,106	12,460,296
B. Current Tax Liability			
Provision for Corporate Tax - Op Balance	20,263,174	13,405,077	3,757,711
Add: Provision made during the year	20,098,348	20,263,174	13,405,077
	40,361,522	33,668,252	17,162,788
Less: Tax Paid During the Year	9,510,896	6,659,547	
Less: Adjustments made during the year	8,807,574	6,745,531	3,757,711
B. Closing balance of current tax Liability	22,043,053	20,263,174	13,404,577
Net Current Asset / (Liabilities) [A - B]	(15,125,709)	(6,086,068)	(944,282)

9. FD with bank			
OPNB	240,000,000	-	-
BDBL	70,000,000	120,000,000	120,000,000



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Bank	80,000,000	-	-
Accrued Interest	12,135,068	-	-
Grand Total	402,135,068	120,000,000	120,000,000

10. Other Current Assets			
Prepaid Insurance	19,788	-	-
Misc. Advances	2,588,191	4,035,691	4,000
Festival advance	103,400	-	-
Misc. Receivables	-	204,185	9,040,675
Deposit for POL	-	-	820
Temporary Advance	2,223	2,223	52,223
Grand Total	2,713,601	4,242,098	9,097,718

11. Trade Payables (Non-Current Financial Liability)			
Claims Outstanding (OSLR)	501,700,379	580,130,450	512,514,174
IBNR	387,268,198	172,520,729	45,903,699
Balance due to Other Companies	315,230,047	196,234,521	173,377,650
Grand Total	1,294,207,574	948,894,700	731,795,723

12. Deferred Tax Liabilities			
- On Temporary Timing difference of Fixed Assets	282,347	252,892	211,255
- On Temporary Timing Difference of Preoperative Expenses			
- On Allowance of Impairment Loss			
- On Employee Benefit Expenses			
Grand Total	282,347	252,892	211,255

13. Provisions			
Defined Benefit Obligation (Gratuity Liability)	2,110,895	1,457,973	1,178,295
Less: Fair Value of Plan Assets - Gratuity Fund	1,536,009	1,109,061	610,180
Net Employee Benefit Liabilities	574,887	348,912	568,115
Provision For NPA	2,197,019		
Grand Total	2,771,906	348,912	568,115

14. Trade payable (Current Financial Liability)			
Net Reserve	30,496,941	-	-
Balance due to Other Insurance companies	363,568,113	125,227,786	276,534,642
Un-Earned Income	223,600,957	191,260,123	163,817,829
Grand Total	617,666,011	316,487,909	440,352,471

15. Other Financial Current Liability			
Dividend			15,000,000
Grand Total			15,000,000



16. Other Current Liability			
Liability for Audit Fees	150,000	150,000	100,000
Actuarial Fees Liability	77,799	-	-
Suspense Account	-	-	49,402
Unclaimed Dividend	87,030	240,735	-
Other Liability	-	3	30,000
Health Contribution	6,396	5,353	5,421
Telephone Fax and Internet payable	47,557	-	-
Provident Fund Payable	1,421,731	-	-
GIS Payable	20,942	-	-
SWF	5,277	-	4,684
Bonus	-	-	687,815
TDS Payable	62,693	457,677	95,685
Grand Total	1,879,425	853,767	973,008

17. Revenue from operations			
Gross Re-Insurance Premium Accepted	1,179,256,654	878,000,880	667,871,737
Less: Premium on Re-Insurance Ceded	(83,230,748)	(64,823,448)	(71,741,456)
Less: Adjustment for Change in Reserve for Unexpired Risk	(32,340,834)	(27,442,294)	(29,141,495)
Grand Total	1,063,685,072	785,735,137	511,988,785

18. Other Incomes			
Miscellaneous Receipt	2,519	10,653	130,000
Income From Bond	11,196,986	5,700,000	-
Effective Interest Rate Expense	(211,703)	-	-
Income from other Investment	88,889,454	67,587,213	63,517,543
Exchange Gain / Loss	921,820	3,406,776	(628,001)
Grand Total	100,799,077	76,704,642	63,019,542

19. Direct Expenses			
Claims Paid	631,425,860	361,893,359	120,145,658
Insurance Premium (Change in OSLR)	11,569,879	67,625,077	204,873,362
Change in IBNR	214,747,469	126,617,030	45,903,699
Other Expenses	3,139,713	-	-
Commission	206,486,792	216,868,119	142,995,848
Grand Total	1,067,369,713	773,003,585	513,918,567

20. Employee Benefit Expenses			
Salary and Wages (Basic)	6,642,684	6,250,255	4,894,120
Employers Contribution to PF	507,740	531,878	290,766
Wages	184,910	49,000	44,000
Communication Allowance	186,400	82,000	44,000
House Rent	800,000	784,603	360,000
Arrear Salary	149,542	220,000	52,902
Overtime Allowance	45,592	28,745	6,150



Leave Encashment	549,027	433,406	486,512
Training Expenses	72,350	119,000	133,266
Staff Welfare - Group Personal Accident	50,958	25,769	24,004
Post Service Benefit	310,000	-	-
Staff Welfare - Gratuity	615,864	537,144	453,992
Bonus	-	-	687,815
HRA	289,665	-	-
Conveyance Allowance	288,000	-	-
Salary Allowance	193,820	211,440	-
Staff Welfare - Misc	392,534	78,338	102,325
Grand Total	11,279,086	9,351,579	7,579,852

21. Other Expenses			
Advertisement & Publicity Expenses	300,140	181,083	120,539
Gym Rent	120,000	-	-
Rent, Rates & Taxes	1,800,000	1,800,000	1,530,000
Fee, Charges & Subscription (General)	734,256	1,118,098	728,271
Fee, Charges & Subscription (IT)	894,502	-	-
Electricity Charges	163,399	137,997	73,882
Entertainment Expenses	312,263	826,746	177,713
Repairs & Maintenance	30,992	210,119	303,295
Audit Fees	200,000	150,000	180,000
Audit Expenses	20,000	-	-
Meeting Expenses	57,700	62,154	54,450
Provision for NPA	2,197,019	-	-
Current Tax Asset-2018	41,638	-	-
Telephone Fax & Internet	613,243	605,127	509,986
Postage & Telegraph	5,425	6,540	2,080
Donation and Subscription	100,000	85,000	-
Gifts & Presents	-	46,278	73,570
General Expenses	106,937	84,324	52,574
Office Expenses	210,661	-	-
Fixed Asset Written off	1,128,994	-	-
Penalty	3,927	-	-
Sitting Fees	397,500	217,500	435,000
Anniversary Expenses	30,655	310,716	-
Insurance of Fixed Assets	17,881	-	-
Bank Charges	1,128,847	959,998	696,585
Water & Sewerage Charges	7,180	3,453	-
Printing and Stationery	343,631	262,213	191,087
Actuarial Fees & Expenses	249,542	218,789	-
Vehicle Expenses	361,320	545,040	169,621
Travelling Expenses	2,364,462	2,255,379	1,890,784
Exchange Rate Difference	1,484,131	-	-
Rating Expenses	465,850	423,500	385,000
Grand Total	15,892,096	10,510,054	7,574,236



GIC -BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

24. Share Capital:

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

Particulars	As on 31-12-2019		As on 31-12-2018	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
Authorised Share Capital Equity Shares	50,000,000	500,000,000.00	50,000,000	500,000,000.00
Issued,Subscribed and Paid-Fully paid up Equity Shares	50,000,000	500,000,000.00	50,000,000	500,000,000.00
TOTAL	50,000,000	500,000,000.00	50,000,000	500,000,000.00

- 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 31-12-2019	As on 31-12-2018
1	Bhutanese (74%)	17,000,000	17,000,000
2	Foreigner(26%)	13,000,000	13,000,000
TOTAL		50,000,000	50,000,000

25. 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 Liability
As on 31-12-2018				
1 WDV of Fixed Assets	12,123,384.04	11,280,409.82	(842,974.22)	(252,892.00)
A. Deferred Tax Assets/(Liabilities)-				(252,892.00)
As on 31-12-2019				
1 WDV of Fixed Assets	15,686,734.56	14,745,576.37	(941,158.20)	(282,347.46)
A. Deferred Tax Assets/(Liabilities)-				(282,347.46)
(Increase)/Decrease in DTL(B-A) -				(29,455.46)



GIC -BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

26. 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		
27. Employee Benefits:		
Particulars	As on 31-12-2019	As on 31-12-2018
Opening Balance	1,109,061	610,180
Interest Income on Fund Assets	78,036	44,889
Paid into Gratuity Fund by Company	348,912	453,992
A. Gratuity Fund Assets at the Year end-	1,536,009	1,109,061
Opening Balance	1,441,971	1,178,295
Service Cost	615,864	537,144
Interest Cost on Obligation	78,036	44,889
Benefits paid directly by the Co. during the year	(40,977)	(302,355)
B. Defined Benefit Obligation at the Year end-	2,110,895	1,457,973
Net Employee Benefit Assets/(Liabilities)[A-B]	(574,887)	(348,912)

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GIC - BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)

28. Segment Reporting:

a. Identification of Report 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):-

Figures in NU.

Particulars	2019	2018
Gross Premium	1,179,256,654	878,000,880
Retro Premium	83,230,748	64,823,448
Net Premium	1,096,025,906	813,177,432
Change in UPR	32,340,834	27,442,294
Earned Premium	1,063,685,072	785,735,137
Net Incurred Claims	857,783,207	556,135,466
Net Commission	209,626,505	216,868,119
Operating Expenses	30,021,758	21,753,489
Other Income	924,339	3,417,429
Underwriting Result	(32,782,658)	(5,604,508)

29. Related Party Disclosure:

Particular of the transactions with the Directors and their relatives as per provisions of the Companies Act Of Bhutan 2019:

Sl. No.	Name	Nature of Relationship	Nature of Transactions/Loan Facility	Outstanding As on 31.12.2019	Outstanding As on 31.12.2018
	Director/Associates of the Director				
1	Relative /Associates of the Director				
2	Key Managerial Person			2019	2018
a	Chief Executive Officer		Remuneration & Benefits	1,751,774	1,860,000
			Sitting Fees	75,000	44,100
b	Others Directors/Managers		Sitting Fees	322,500	178,400

30. Management Expenses:

management expenses includes:

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

Particulars	2019 (amt. in Nu.)	2018 (amt. in Nu.)
Remuneration	1,751,774	1,860,000
Directors Sitting Fees	75,000	44,100

Audit Related:

Particulars	2019 (amt. in Nu.)	2018 (amt. in Nu.)
Audit fees and expenses	220,000	150,000

31. Subsequent Events:

The board of Directors has proposed a final dividend in respect of the financial year ended December 31, 2019 amounting to NU.NIL. These Financial statements do not reflect this dividend payable.



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GIC-BHUTAN REINSURANCE COMPANY LIMITED

Thimphu: Bhutan

COMPUTATION OF CORPORATE INCOME TAX FOR THE YEAR 2019

Particulars	Amount NU.	Amount NU.
Profit before tax as per P/L Account (BAS)		67,092,679
ADD:		
Book Depreciation (BAS)	(2,850,576)	
		(2,850,576)
		64,242,102
Less		
Depreciation as per Income Tax Act	2,615,478	
		2,615,478
NET Profit after Sett off of last Year's losse		61,626,624
Tax on Above		20,098,348
Less :Taxes Paid Earlier		
Tax Deducted at Source(2019)	9,510,896	
Advance Tax Paid (2019)	0	
		9,510,896
Tax payable		10,587,452

For GIC-Bhutan Reinsurance Compant LTD

CEO



Kesang Wangdi
Chief Executive Officer
GIC Bhutan Reinsurance Co. Ltd




GIC -BHUTAN REINSURANCE COMPANY LIMITED
RATIO ANALYSIS

Particulars	Detail of Calculation	Year 2019	Year 2018
A. Ratios for Assessing Financial Health:			
1. Capital Turnover Ratio	(Revenue from Operation/Capital Employed)	2.34	1.93
2. Current Ratio	(Current Assets/ Current Liabilities)	3.05	3.57
3. Acid Test Ratio/ Quick Ratio	(Current Assets other than Inventories/ Current Liabilities)	3.05	3.57
4. Fixed Assets Turnover Ratio	(Revenue from Operations/Fixed Asset)	67.81	64.81
5. Debtors Turnover Ratio	(Gross Debtors/Sales) X 365	301.58	270.48
B. Ratios for Assessing Profitability			
1. Return on Investments	(Profit after tax/ Capital Employed)	10.34%	11.63%
2. Net Profit Ratio	(Net Profit/Sales) X 100	4.42%	6.03%
3. Operating Expenses Ratio	(All Expenses excluding Finance Cost) / Sales x 100	2.55%	2.48%



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Schedule of Property Plants & Equipments as per Income Tax Act

Particulars	Statement of Property Assets & Liabilities as per Schedule III of the Act									
	Grand Opening, As at (Rs.)				Depreciation / Amortisation in Rs.				As at 31-12-2018	
	As at 31-12-2018	As at 31-12-2019	As at 31-12-2020	As at 31-12-2021	As at 31-12-2018	As at 31-12-2019	As at 31-12-2020	As at 31-12-2021	As at 31-12-2018	As at 31-12-2021
1. Property Rights & Equipments										
(i) Computer Equipments	7,344,375	1,041,940	601,544	8,594,751	3,725,327	1,357,013	2,973,328	5,612,811		6,224,248
(ii) Office Equipments	3,825,815	420,053	514,773	3,311,896	393,817	238,155	489,872	1,720,824		1,732,898
(iii) Furniture & Fixtures	3,890,285	117,417	485,821	2,895,682	605,110	358,955	764,268	8,584,275		1,384,275
(iv) Motor Vehicles	3,359,130			3,359,610	2,251,138	155,563	7,687,310	952,320		1,308,262
(v) Other Equipments		385,762		385,762		38,479	54,439	390,782		
2. Intangible Assets	720,270	5,560,620		6,280,710	303,584	626,013	730,487	5,588,323		426,686
3. Capital Asset	15,196,945	7,541,922	1,665,777	23,227,110	9,893,925	2,125,478	7,481,534	14,795,570		11,283,818
Capital Work-in-Progress										
4. Total Cost	16,916,625	7,643,922	1,665,777	22,227,110	4,895,855	2,455,499	7,481,534	14,795,570		11,710,534
5. Depreciation	12,380,149	8,066,446		36,146,665	2,835,438	2,030,947	4,666,955	11,290,420		9,354,632
6. Net Book Value	4,536,476	(422,524)	1,665,777	(14,919,555)	2,060,417	424,552	2,814,580	3,505,150		2,355,902

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32. SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

1. REPORTING ENTITY:

The principal activities of GIC Bhutan Reinsurance Co. Ltd (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. U20130516TH0406, where the foreign investors hold 26% shareholding of the Company. The Company has taken following Trade License

License No. Nature of Activity

1029965 General Reinsurance Business

These financial statements relate to the year ended 31st December, 2019.

The Company is listed in Royal Stock Exchange of Bhutan

2. BASIS OF PREPARATIONS:

2.1 Basis of Preparation

The Balance Sheet and the Profit and Loss Account are drawn up in accordance with the Regulation for Establishment of Reinsurance Business in Bhutan, 29th Financial Service Act of Bhutan, 2011 and the Bhutanese Accounting Standard as notified by the Accounting and Auditing Standards Board of Bhutan ("AASBB"). The financial statements also conform to the stipulation specified under the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002. The said statements are prepared on historical cost convention and on accrual basis except as otherwise stated and conform to the statutory provisions and practices prevailing in the General Insurance Industry in India and Bhutan.

2.2 Correction of prior period errors and change in accounting policy

a. Correction of prior period

These financial statements of GIC Bhutan Reinsurance Co. Ltd, as on 1st Jan, 2018 and 31st December, 2018, are the restated statements, the Company has prepared in accordance with BAS.

As per BAS 8, Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) Was available when financial statements for those periods were approved for issue; and

(b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with BAS if they contain either material errors or immaterial errors made intentionally to achieve a particular



presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

An entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

2.3 FUNCTIONAL CURRENCY

The functional currency of preparation is the Bhutanese Ngultrum.

3. APPLICATION OF BHUTANESE ACCOUNTING STANDARDS:

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

- a) 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.
- b) The Corporation has complied with relevant Bhutanese Accounting Standards, RMA guidelines in preparation of its financial statements

4. 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.

5. REINSURANCE BUSINESS:

5.1 Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the Balance Sheet date, revenue and expenses for the year ended and disclosure of contingent liabilities as of the Balance Sheet date. The estimates and assumptions used in accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in



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the Financial Statements are included in the following notes.

- A) IBNR
- B) Unearned Premium
- C) Employee Benefit

5.2 Reinsurance Revenues

Premium is accounted based on accounts rendered by ceding companies upon receipt of accounts. At the year end, estimates are made for accounts not yet received, based on available information and current trends. 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 recognizes 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 recognized on assumption of risk and has been taken as base calculation on the basis as under:

- Facultative Business	:	Time Line Premium Income.
- Non-Proportional 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 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 recognized in the year in which they occur.

5.3 Reserve for Unearned Premium (UPR)

The UPR provisions are made as under:

- a) Premium received / receivable for succeeding accounting period have been recognized as **Unearned Premium** on the basis of time apportionment.
- b) Reserve for Unexpired Risk in respect of General reinsurance business is apportioned on basis of unexpired and expired days of the insurance Contract.

5.4 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.

5.5 Reinsurance Ceded:

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

5.6 Outstanding Claims

a) OSLR (Outstanding Loss Reserve)

Estimated liability for outstanding claims in respect of Reinsurance business carried out in Bhutan is based on advices received as of different dates up to the date of finalization of claim figures in the books for submission of the data to the "Appointed Actuary" and wherever such advices are not received, on estimates based on available information, current trends, past underwriting



experience of the management and actuarial estimation bases.

b) IBNR (Incurred But Not Reported)

Provision for claims incurred but not reported (IBNR) is made as certified by the appointed actuary based on accepted actuarial methods.

5.7 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.

5.8 Trade Payables:

Trade payables are initially recognized 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.

5.9 Trade Receivables:

Trade receivables are initially recognized 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.

5.10 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.

6. FOREIGN CURRENCY TRANSACTIONS.

- a) Revenue transactions in foreign currencies are converted at the daily rate of exchange on the day accounts are received and transactions are booked. The rates have been taken from XE.COM
- b) Monetary items such as receivables, payables and balances in bank accounts held in foreign currencies are converted using the closing rates of exchange at the balance sheet date.
- c) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Income.



7. FINANCIAL INSTRUMENTS

7.1. Initial recognition

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

7.2. Subsequent measurement

Non-derivative financial instruments

(i) Financial assets carried at amortized cost

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

(iv) Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

8. PROPERTY PLANT AND EQUIPMENT

- a) Property, Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such Cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be



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replaced at intervals, the company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. No decommissioning liabilities are expected to be incurred on the assets of plant and equipment.

- b) 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 recognized within 'Comprehensive Income/(Loss)' as the case may be, in the income statement.

c) **Intangible Assets:**

Intangible Assets representing software are recorded at its acquisition price and are amortized over their estimated useful life on a straight-line basis, commencing from the date the assets are available for use. The management has estimated the useful life for such software as six years. The useful life of the asset is reviewed by the management at each Balance Sheet date.

d) **Impairment of Assets:**

Fixed assets are reviewed for impairment at the end of the year whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset. There is no impairment of assets in current financial year.

8. INVESTMENTS:

- a) Prudential norms prescribed by Royal Monetary Authority of Bhutan are followed in regard to:
1. Revenue recognition;
 2. Classification of assets into performing and non-performing; and
 3. Provisioning against performing and non-performing assets.
- b) Purchases and Sales of bonds, debentures and Government securities are accounted for on the date of settlement.
- c) The cost of investments includes premium on acquisition, Securities Transaction Tax, Goods & Service tax and their related expenses.
- d) Income from fixed deposits is accounted when accrued.
- e) All debts securities including Government securities have been measured at amortized cost.



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9. CURRENT AND DEFERRED INCOME TAX:

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in Other Comprehensive Income. In this case, the tax is also recognized 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. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 realized or the deferred income tax liability is settled.

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

10. EMPLOYEE BENEFITS:

a) Retirement Benefits

Defined Contribution Scheme –

Employees Retirement Benefits belongs 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 Company.

b) Other Benefits

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

11. EARNINGS PER SHARE

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

12. CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the indirect method. Interest received, interest paid and dividend received are classified as operating cash flows while dividends paid



is classified as financing cash flow. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

13. COMMITMENTS AND CONTINGENCIES

Contingencies are possible assets or obligations that arise from a past event and would be concerned only with the occurrence or non-occurrence of uncertain future event, which are beyond the Company's control.

14. EVENTS AFTER BALANCE SHEET DATE:

The Board of Directors has not proposed dividend for the financial year 2019.

15. COMPARATIVE INFORMATION:

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.



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33. NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS

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

Inflows:

Insurance Premium Received	USD	1,168,618.62	Received
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Outflows:

Insurance Claims	USD	154,943.90	Paid
Insurance Premium (Retro)	USD	207,534.89	Paid
Travelling Expenses	USD	5,900.00	Paid
Bank Charges	USD	4,077.09	Paid
Fees Charges & Subscription	USD	1,498.00	Paid

B. PROPERTY PLANT AND EQUIPMENT

- a. In the year 2019, fixed assets worth of Nu. 1,128,994.00 has been written off as these assets were not helping in driving future economic value for the company.
- b. Management have reclassified Office equipment (DC site high availability network) worth Nu. 1,122,393.56 to computer equipment's as it is part of data centre. And office equipment (DK site genuine server operating system) worth Nu 272,506.85 is transferred to intangible asset as it is software.
- c. Management have reclassified assets from computer equipment (Genuine Windows server 2016 standard; mail server installation and setup; Genuine OS win 10 pro etc.) worth Nu. 330,712.82 to intangible assets.

C. INVESTMENT**Provision against non-performing loans**

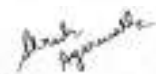
The company had made provision of Nu.2,197,019 towards Ice Beverage loan account which has been computed as per the RMA Prudential Guideline

- D. The company has not entered into any contract with directors in which director has direct or indirect material interest.

E. SITTING FEES

Directors of the company has been paid Nu. 225,000 as sitting fees during the year

For, Agrawal Subodh & Co.
Chartered Accountants
Firm's Registration No.:319260E


(CA. Shruti Agarwalla)
Partner

Membership No: 307223



For and on behalf of the Board of Directors



Chairman

Place: Thimphu, Bhutan
Date: 15th June, 2020




CEO
Kesang Wangdi
Chief Executive Officer
GIC Bhutan Reinsurance Co. Ltd



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GIC-Bhutan Reinsurance Co. Ltd.

Reinsurance with Professionalism, Trust & Reliability