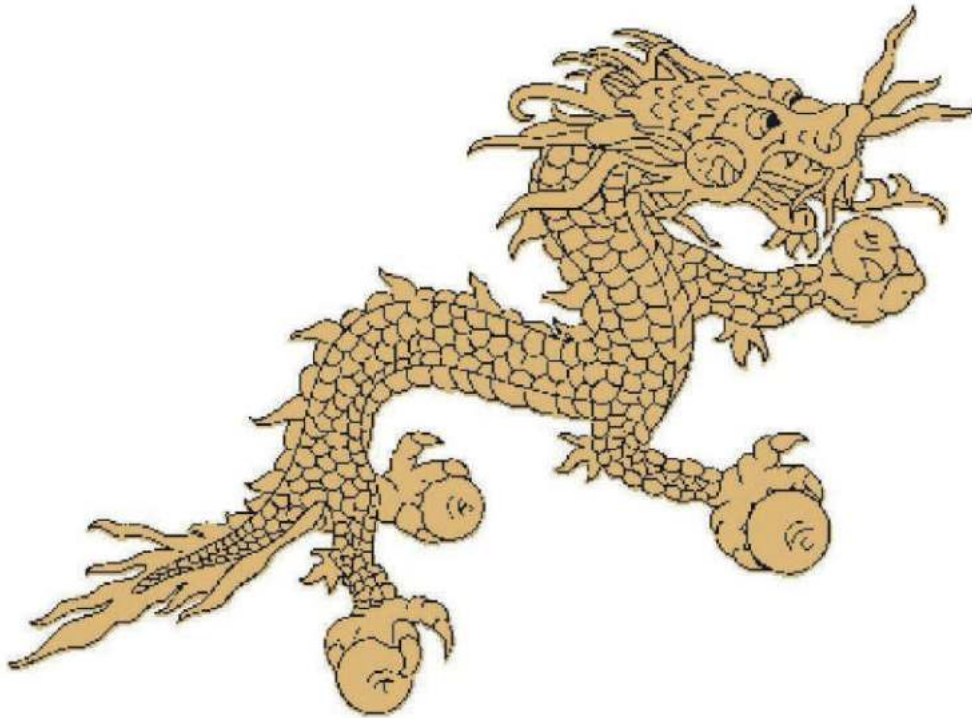




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GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*



# 9<sup>th</sup> ANNUAL REPORT 2021



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GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*

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GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*

----- *An ISO/IEC 27001:2013 Certified Company* -----

### Board of Directors



Aum Damchae Dem  
Chairperson



Dasho Sangay Wangchuk  
Director (Promoter)



Jayashree Ranade  
Director (GIC Re)



Girija Subramanian  
Director (GIC Re)



Singye Namgyal Dorji  
Director (Independent)



Tashi Dawa  
Director (Independent)



Kesang Wangdi  
Chief Executive Officer





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GIC-Bhutan Reinsurance Co. Ltd.

*Reinsurance with Professionalism, Trust & Reliability*

----- *An ISO/IEC 27001:2013 Certified Company* -----

## 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.







## To the Members and Shareholders

The Directors have the pleasure in presenting the ninth Annual Report of the GIC Bhutan Reinsurance Company's affairs and the Audited Statement of Accounts for the year ended 31<sup>st</sup> December 2021.

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 12<sup>th</sup> August 2013 under Financial Services Act 2011. The Company was formally launched on the 5th of September 2013, by the Hon'ble Finance Minister of Bhutan and His Excellency, the Indian Ambassador to Bhutan.

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 paid-up capital of company is Nu 1100 Mln. Shareholding structure of the company is as follows

## Financial Results

Particulars	2020	2021
Gross Premium	1,195.81	1,455.97
Net Premium	1,123.17	1,352.90
Earned Premium	1,052.48	1,294.16
Incurred Claims	669.71	976.54
Commission	248.53	281.73
Operating Expenses	45.79	42.03
Exchange Gain/Loss	-0.99	0.00



<i>Underwriting Result</i>	87.46	-6.14
Investment Income	105.61	177.69
Total Investments	2,411.35	3,033.00

Profit Before Tax	193.07	171.55
Provision for Tax	48.22	42.89
Profit After Tax	144.85	128.66
Dividend	0.00	0.00
Transfer to Reserve	99.21	227.88

Claims Ratio	63.63%	75.46%
Commission Ratio	23.61%	21.77%
Management Exp. Ratio	4.35%	3.25%
Total Expense Ratio	27.96%	25.02%
Combined Ratio	91.60%	100.47%

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.

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 approximately 22 countries.

GIC-Bhutan Reinsurance Company Limited is the first and only specialized reinsurance Company in Bhutan. Company completed 8 years on 5<sup>th</sup> September, 2021. Within Eight years our gross premium grew from Nu. 125.04 Mln in 2014 to Nu. 1,455.97 Mln in 2021. Company's claims Ratio reduced from 116.74% in 2014 to 75.46% in 2021 and Combined Ratio from 177.58% to 100.34%. In 2021 company's investments are





increasing with compound annual growth rate (CAGR) 25.78% with average return on investment around 6.09%.

Particulars	2020	2021
Total Assets	3,259.93	4,004.15
Growth Rate	36.61%	22.82%
Net Worth	1,199.21	1,327.88
Solvency	1.54	1.86

Note: - Solvency ratio for 2021 is 1.86. Total assets in 2021 are Nu 4.00 Bln with growth rate 22.82% against previous year. Total investments of GIC-Bhutan Re in 2021 is Nu. 3.03 Bln. Average return on investment is 6.09% creating 1.5% 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 31.12.2021 have an OSLR of Nu. 1,207.39 Mln and IBNR of Nu. 470.54 Mln.

### Dividend

GIC Bhutan Re has made profit for FY 2021 mainly through the investment of funds to various FI's. Although the 9<sup>th</sup> AGM had approved for the dividend payment at 10% for FY 2021 after board direction, the dividend was not declared due do directive from RMA on the restriction of dividend payment to all FIs.

### Capital Infusion

GIC-Bhutan Re enhanced its paid-up capital to 100% by raising the capital to Nu. 1100 Mln in Nov. 2020. As endorsed in 28<sup>th</sup> Board Meeting and approved in Extra Ordinary General Meeting of Shareholders held on 16<sup>th</sup> July 2020. The capital Infusion of GIC-Bhutan Reinsurance Co. Ltd was raised 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 Issuer Rating (General Creditworthiness) which is third highest rating after “AAA” & “AA”.

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

GIC-Bhutan Reinsurance Co. Ltd. (GBRL) has a state of art IT Infrastructure. GBRL is the first financial institution of Bhutan to deploy a Dual Stack Network with IPv6 and IPv4. We are one of the few financial institutions of Bhutan owning our own ASN number “**AS137925**” with our own IPv4 (/24) and IPv6 (/48) addresses from APNIC. GBRL is also the first financial institution of Bhutan to have two disaster recovery sites. One is hosted on cloud, located in France and other is local DR site hosted in Bhutan Telecom’s data centre located at Phuntsholing, Bhutan. To manage and monitor the IT infrastructure, GBRL has been using internationally rated, network monitoring & management and log management, opensource tools. GBRL is an ISO:27001 ISMS (Information Security Management System) certified company and holds certificate number “**IS 742090**”

GIC-Bhutan Reinsurance Co. Ltd. is the first company in Bhutan to fully comply with the Enterprise Risk Management (ERM) standards. ERM Department is driven by the ERM policy & procedure and maintains a risk register which has all the risk pertaining to the organization and it is reviewed and updated every quarter through management level ERM committee meeting (MERMC) including all head of departments. The outcome of MERMC meeting and the status of the risk register, is then reported to the board through Board Level ERM committee (BERMC) meeting. Some of the mandates of ERMD are fire evaluation drills, first aid training, disaster recovery drills, business continuity drills, etc.

GIC-Bhutan Re’s Joint venture Partner GIC of India (GIC RE) continuous to provide strong technical and strategic support, with designated GIC Re official(s) on full time hands to GIC Bhutan Reinsurance company.





### **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. 1,100.00 Mln. Enhancement of paid up capital has increased the financial strength of the company, it also increased underwriting capacity of company. With the improvement of underwriting performance over the period, improved investment performance and robust Enterprise Risk Management Structure & IT infrastructure, company is expecting a decent international rating. With that, portfolio diversification and portfolio mix can be achieved.

### **Investment Scenario**

Currently company is investing only in fixed deposit, bonds and corporate lending through consortium financing. However, although there are challenges of limited investment avenues in Bhutan, GIC-Bhutan Re is planning to explore into investment avenues like real estate and more of consortium financing with a view of increasing the ratio of fixed assets, besides the core business of reinsurance. The future opportunity for investment plays a vital role for way ahead of the reinsurance company.

**(Aum Damchae Dem)**  
**Chairperson**



## INDEPENDENT AUDITOR'S REPORT

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

### 1. Qualified Opinion

We have audited the financial statements of **GIC-BHUTAN REINSURANCE COMPANY LIMITED** which comprise the statement of financial position as on December 31, 2021, Income statement and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the corporation of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS/BFRS).

### 2. Basis for Qualified Opinion

Balances due to/from persons or bodies carrying on insurance/reinsurance business, sundry debtors and creditors, are subject to confirmations and/or reconciliations (Refer Note No. 3 and 10). Consequential impact of adjustments, if any, that may arise upon their reconciliations and/or confirmations on revenue accounts, profit and loss account, reserves and surplus and assets and liabilities as on 31-12-2021 is not ascertainable.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Corporation within the meaning of IESBA Code and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### 3. Key Audit Matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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
Premium income is the main source of income of the Company and one of the major areas of concern for correct depiction of financial results as per the Company's over accounting policy described in the significant policies of the Company in respect of recognition of premium income. The mathematical methods use assumptions concerning premiums,	For the purposes of auditing the estimated gross premium, we first evaluated the design of the contribution and estimation process. In that connection, we identified the material key controls and analyzed their design. Based on that analysis, we evaluated the operating effectiveness by testing the effectiveness of the key controls





<p>ultimate loss ratios and run-off patterns, which are based on an expert estimate derived from past experience. The Company recognizes 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 factors Involved are incorporated in the system and extracted correctly from the system.</p>	<p>implemented. Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework. 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. Verified EPI from the treaty or policy slip as the case may be and verified Actual Premium booked from Statement Accounts or Closing statements received from the Cedants of the of the sample cases.</p> <p>We obtained a detailed understanding and evaluated the design and implementation of controls that the Company has established in relation to recognizing premium income. We assessed the control segregation of premium amongst different business segments broadly fire, marine and miscellaneous. Adjustment of Unearned Premium Reserve . In tests of details, we critically reviewed the material assumptions underlying an estimate and asked the Company to explain to us the grounds for such estimates. Based on our audit procedures, we were able to satisfy ourselves that the calculation procedures used by the them to derive the estimated gross premium are appropriate overall.</p>
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**b. Claim Provisioning:**

Key audit matters	Auditor's response
<p>Determining the provision for outstanding claims is subject to uncertainty and judgement, as the provision is largely based on estimates and assumptions. It involves a high degree of subjectivity and complexity. Uncertainties in estimation arise in particular from the occurrence, amount, and speed of settlement of major losses; long-term claims development and special loss scenarios (including third party liability) . We have therefore designated the measurement of the provision for outstanding claims as a key audit matter.</p> <p>Insurance Claim is the major area of expense for the insurance company. Total Incurred claims include paid claims, Outstanding Loss Reserve (OSLR) and Claims Incurred But Not Reported (IBNR).</p>	<p>We have therefore designated the measurement of the provision for outstanding claims as a key audit matter. We also tested the effectiveness of the controls implemented for ensuring the completeness and accuracy of the recognition and measurement of claims.</p> <p>For the purpose of assessing the quality of estimates, we analyzed the actual development of the previous year's provision for outstanding claims based on the run-off results. We applied mathematical and statistical methods to generate our own loss projections for certain segments based on risk considerations. In addition, we compared the reserve level at the end of the reporting period with the previous year's level, and verified adjustments made to it. Assessing the process and related judgments of the Group in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.</p>



	<p>We have 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 (PLA) received from the Cedant Company/brokers and the same is further verified from the surveyors report.</p> <p>Our audit approach is to understand the systems, procedures and control over the claims registered at different operating offices and evaluate the implementation design of these essential elements. We focused on these areas because underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are subject to critical judgement.</p> <p>For the claim cases which has been incurred but not 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) as at 31st December 2021, as certified by the Company's Appointed Actuary and we had verified the amounts and the related liability, based on such report.</p>
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#### 4. 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.





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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards (BAS/BFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

## 6. 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with BAS/BFRS will always detect a material misstatement when it exists. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers Internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our additional responsibilities are provided in **Annexure A**.

## 7. 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 B**", a statement on the matters specified therein to the extent applicable to Company.

## 8. As required by the Act, we report that:

a) We have obtained, except for matters described in the Basis for Qualified Opinion section, all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.



b) Except for the effects of matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, proper books of account as required by law have been kept by the Corporation so far as appear from our examination of the books, proper returns adequate for purpose of our audit have been received,

c) The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.

d) Based on the information, explanation and management representation received during the course of our audit, the company has complied with all the applicable and relevant legal regulatory requirements, except for the effects of the matter described in the 'Basis of Qualified Opinion' paragraph above.

For S. Jaykishan  
Chartered Accountants  
Firm Registration Number: 309005E

*Ritesh Agarwal*



**RITESH AGARWAL**  
Partner  
Membership No. 062410  
Place: Kolkata  
Date: 24<sup>th</sup> May 2022  
UDIN: 22062410AJNVYE4161



## **ANNEXURE A TO AUDITOR'S REPORT**

### **Responsibilities for Audit of Financial Statements**

**(Audit Report of GIC-BHUTAN REINSURANCE COMPANY LIMITED for the year ended on 31<sup>st</sup> December, 2021)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidences that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

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

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

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

**For S. Jaykishan**  
**Chartered Accountants**  
**Firm Registration Number: 309005E**



**RITESH AGARWAL**  
**Partner**  
**Membership No. 062410**  
**Place: Kolkata**  
**Date: 24<sup>th</sup> May 2022**  
**UDIN: 22062410AJNVYE4161**

## **ANNEXURE B**

### **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.

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 was not prejudicial to the interest of the Company.

5. Employees, to whom interest free advances have been given by the Company, are regular in repaying the principal amounts as stipulated.

6.In our opinion and according to the information and explanation given to us during the course of the audit, the company need to establish adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and systems and procedures. 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. is adequate and that excessive amounts are not generally lying idle in non-interest-bearing accounts.

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.

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 (26 and 27).

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.

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 Loan to ICE Beverages Pvt. Ltd has been deferred as approved by 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. 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.

**GENERAL:**

- a. The Corporation adhere to the corporate Governance Guidelines and Regulations as applicable to them.
- b. As observed during the course of audit, the Corporation pursue a prudent and sound financial management practice in managing the affairs of the Corporation.
- c. The financial statements are prepared in accordance with the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d. The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e. The adequate records as specified under Section 228 of the Companies Act of Bhutan, 2016 have been maintained.
- f. The mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
- g. The amount of tax is computed correctly and reflected in the financial statements.

**OTHER REQUIREMENTS:**

**1. Going Concern:**

On the basis of the attached Financial Statements as at 31st December, 2021 and according to the information and explanations given to us, the financial position of the corporation is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

**2. Compliances with the Companies Act of Bhutan, 2016**

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Corporation Officials, the Corporation has generally complied with the provisions of the Companies Act of Bhutan, 2016. Details are given in Exhibit - B to this report.

**3. Adherence to Laws, Rules and Regulations**

Audit of the Corporation is governed by "The Companies Act of Bhutan, 2016" and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act. The Corporation does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances, we are unable to comment on the compliance of the same by the Corporation during the year 2021.

For S. Jaykishan

Chartered Accountants

Firm Registration Number: 309005E

*Ritesh Agarwal*



**RITESH AGARWAL**

Partner

Membership No. 062410

Place: Kolkata

Date: 24<sup>th</sup> May 2022

UDIN: 22062410AJNVYE4161



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

(Amount in Nu.)

Particulars	Note	As on 31.12.2021	As on 31.12.2020
<b>Assets</b>			
Cash and Cash equivalents	1	120,064,397	66,010,125
Other Bank Balances	2	2,376,586,503	1,496,586,503
Trade Receivables	3	832,581,152	751,645,922
Loans and advances	4	540,589,937	710,770,960
Other financial assets	5	116,325,627	54,750,539
Investment	6	-	149,331,611
Property, plant and equipment	8	14,064,626	16,539,110
Intangible assets	8	3,406,666	4,451,453
Other Assets	9	534,010	9,847,398
<b>TOTAL ASSETS</b>		<b>4,004,152,919</b>	<b>3,259,933,621</b>
<b>Financial Liabilities</b>			
Trade Payables	10	960,133,949	843,366,410
Current Tax Liabilities	7	31,664,470	34,940,366
Other Current Liabilities	11	300,970	368,862
Deferred Tax Liabilities	12	530,247	244,666
Provision	13	1,683,637,428	1,181,795,564
<b>Total Liabilities</b>		<b>2,676,267,063</b>	<b>2,060,715,868</b>
<b>Equity</b>			
Share Capital		1,100,000,000	1,100,000,000
Reserves and Surplus		227,885,857	99,217,754
<b>Total Equities</b>		<b>1,327,885,857</b>	<b>1,199,217,754</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,004,152,919</b>	<b>3,259,933,621</b>

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

For S. Jaykishan

Chartered Accountants

FRN: 309005E

CA RITESH AGARWAL

Partner

Membership No: 062410

Date: 24th day of May, 2022

Place: Kolkata



For and on behalf of the Board of Directors

  
Chairman

  
CEO

Kesang Wangdi  
Chief Executive Officer  
GIC Bhutan Reinsurance Co. Ltd





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

(Amount in Nu.)

Particulars	Note	For the year 2021	For the year 2020
<b>INCOME</b>			
Revenue from operations	14	1,294,161,643	1,052,477,229
Other Incomes	15	177,699,230	104,623,327
<b>TOTAL INCOME</b>		<b>1,471,860,873</b>	<b>1,157,100,556</b>
<b>EXPENSES</b>			
Direct Expenses	16	1,258,274,371	918,242,995
Employee Benefit Expenses	17	17,349,588	11,627,904
Other Expenses	18	21,151,025	30,335,473
Depreciation	8	3,528,419	3,822,237
<b>Total expenses</b>		<b>1,300,303,403</b>	<b>964,028,608</b>
Profit Before Tax		171,557,470	193,071,949
<b>Tax Expense</b>			
Current Tax	19	42,603,787	48,258,610
Deferred Tax	19	285,580	(37,681)
<b>Profit for the year</b>		<b>128,668,102</b>	<b>144,851,019</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Incomes		-	-
Taxes on Other Comprehensive Income		-	-
Other Comprehensive Income for the year (Net of Tax)		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>128,668,102</b>	<b>144,851,019</b>
<b>Appropriations</b>			
Balance brought forward from last year		99,217,754	(45,633,265)
<b>Balance carried forward to Balance Sheet</b>		<b>227,885,857</b>	<b>99,217,754</b>
<b>Earning per Share:</b>			
Basic Earning Per Share	20	1.17	1.32
Diluted Earning Per Share	20	1.17	1.32
<b>Earning per Share- Continuing Operation</b>			
Basic Earning Per Share	20	1.17	1.32
Diluted Earning Per Share	20	1.17	1.32

The accompanying notes form an integral part of these financial statements


As per our report of even date attached

For S. Jaykishan  
Chartered Accountants  
FRN: 309005E

CA RITESH AGARWAL  
Partner  
Membership No: 062410  
Date: 24th day of May, 2022  
Place: Kolkata



For and on behalf of the Board of Directors

  
Chairman

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





**GIC -BHUTAN REINSURANCE COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31st December, 2021

**(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,2020	500,000,000	600,000,000	1,100,000,000
For the year ended 31st Dec,2021	1,100,000,000	-	1,100,000,000

**(b) Reserves and Surplus**

	Amount (Nu)		
	Reserves and Surplus	Items of Other Comprehensive Income	Total
	Retained Earnings		
Balance as at 31st Dec, 2020	99,217,754	-	99,217,754
Profit for the year	128,668,102	-	128,668,102
Other Comprehensive Income (net of tax)	-	-	-
Total Comprehensive Income for the year	128,668,102	-	128,668,102
Balance as at 31st Dec, 2021	227,885,857	-	227,885,857

The accompanying notes form an integral part of these financial statements



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GIC - BHUTAN REINSURANCE COMPANY LIMITED		
CASH FLOW STATEMENT		
(Amount in Nu.)		
Particulars	For the year ended 2021	For the year ended 2020
<b>Cash Flow from Operating Activities:</b>		
Profit before tax for the period	17,15,57,470	19,30,71,949
Fixed assets written off	4,54,646	0
Deferred Tax	2,85,580	-37,681
<b>Profit before tax and extra-ordinary items</b>	<b>17,17,26,536</b>	<b>19,30,34,268</b>
<b>Adjustment for: -</b>		
Income from Investing Activity	-17,76,99,230	-10,56,09,233
Depreciation	35,28,419	38,22,237
<b>Cash flow before working capital changes</b>	<b>-24,44,275</b>	<b>9,12,47,271</b>
<b>Changes in Working Capital:</b>		
<b>Current Assets</b>		
Change in trade receivables	-8,09,35,230	12,72,08,617
Change in Loan & Advances	17,01,81,023	13,65,00,000
Change in other Financial Assets	-6,15,75,088	-9,01,533
Change in Other Current assets	93,13,388	12,90,067
<b>Current Liabilities</b>		
Change in Trade Payables	11,67,67,539	-9,06,61,747
Change in Other Current Liabilities	-67,892	-3,78,464
Change in Short term Provision	50,18,41,864	20,00,46,131
<b>Cash Generated from operating activities</b>	<b>65,30,81,329</b>	<b>46,43,50,341</b>
Corporate Tax Paid	4,55,94,103	2,84,06,273
<b>Net Cash From Operating Activities</b>	<b>60,74,87,225</b>	<b>43,59,44,069</b>
(Purchase) / Sales of Properties, Plant & Equipment	-4,63,794	-91,26,065
Net change in Fixed Deposit	-88,00,00,000	-1,13,36,95,936
Net Change in Investment	14,93,31,611	96,36,823
(Increase)/Decrease in Loan & Advances	0	-20,08,44,635
Income from Investment	17,76,99,230	10,56,09,233
<b>Net Cash from / (used) in Investing Activities</b>	<b>-55,34,32,953</b>	<b>-1,22,84,20,580</b>
Issue/(Redemption) of Share Capital	0	60,00,00,000
<b>Net Cash from / (used) in Financing Activities</b>	<b>0</b>	<b>60,00,00,000</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>5,40,54,272</b>	<b>-19,24,76,511</b>
<b>Opening Balance of Cash and cash equivalents</b>	<b>6,60,10,125</b>	<b>25,84,86,636</b>
<b>Closing Balance of Cash and cash equivalents</b>	<b>12,00,64,397</b>	<b>6,60,10,125</b>

The accompanying notes form an integral part of these financial statements

As per our report of even date attached  
For S. Jaykishan  
Chartered Accountants  
FRN: 309005E

  
CA RITESH AGARWAL  
Partner

Membership No: 062410  
Date: 24th day of May, 2022  
Place: Kolkata



For and on behalf of the Board of Directors

  
Chairman

CEO

  
Kesang Wangdi  
Chief Executive Officer  
GIC Bhutan Reinsurance Co. Ltd





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

(Amount in Nu)

1. Cash and cash equivalents	As on 31-12-2021	As on 31-12-2020
<b>Balances with bank in current account</b>		
<b>in foreign currency</b>		
Druk PNB Bank Ltd.		
- USD account (Account no.-110280001117)	38,634,092	46,101,459
- INR account (Account no.-110280001126)	65,464,529	8,122,749
<b>in local currency</b>		
Druk PNB Bank Ltd (Account no.-110210009454)	14,122,845	11,346,999
Bhutan Development Bank Ltd.(Account no.-000127140024)	800	1,000
Bhutan National Bank Ltd.(Account no.-0100115941001)	1,590,353	237,973
Bank Of Bhutan Ltd.(Account no.-100922114)	203,460	146,098
T bank Ltd.(Account no.-77711015702001)	7,327	6,199
	<b>120,023,407</b>	<b>65,962,478</b>
<b>Cash in hand</b>	<b>40,990</b>	<b>47,647</b>
<b>Grand Total</b>	<b>120,064,397</b>	<b>66,010,125</b>

2. Other bank balances	As on 31-12-2021	As on 31-12-2020
<b>(i) in fixed deposit accounts</b>		
Druk PNB Bank Ltd.	941,500,000	511,500,000
Bhutan Development Bank Ltd.	50,000,000	50,000,000
T bank Ltd.	350,000,000	100,000,000
Bank Of Bhutan Ltd.	460,000,000	460,000,000
Bhutan National Bank Ltd.	575,000,000	375,000,000
<b>(ii) in unpaid dividend account</b>		
	86,503	86,503
<b>Grand Total</b>	<b>2,376,586,503</b>	<b>1,496,586,503</b>

3. Trade receivables	As on 31-12-2021	As on 31-12-2020
Unsecured, considered good	832,581,152	751,645,922
<b>Grand Total</b>	<b>832,581,152</b>	<b>751,645,922</b>



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**GIC - BHUTAN REINSURANCE COMPANY LIMITED**  
**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)**  
**(Amount in Nu.)**

Particulars	As on 31-12-2021	As on 31-12-2020
<b>4. Loans and Advances</b>		
<b>- considered good</b>		
<b>A. Non Current</b>		
<b>Unsecured</b>		
Bhutan Insurance Ltd.	150,000,000	150,000,000
Tbank-subordinate Debt	35,000,000	35,000,000
Ice Beverages	219,701,941	219,701,941
Nubri Capital Pvt Ld	50,000,000	50,000,000
<b>Secured</b>		
Loans to employees against hypothecation of Vehicles	887,996	1,069,019
<b>Total Fund</b>	<b>455,589,937</b>	<b>455,770,960</b>
<b>a. Shareholders Fund</b>	<b>180,402,712</b>	<b>220,095,651</b>
<b>b. Policy holder Fund</b>	<b>275,187,225</b>	<b>235,675,309</b>
<b>A. Total Non-Current Financial Assets</b>	<b>455,589,937</b>	<b>455,770,960</b>
<b>B. Current</b>		
<b>Unsecured</b>		
Bhutan Insurance Ltd.	30,000,000	180,000,000
Nubri Capital Pvt. Ltd.	50,000,000	70,000,000
Micro Finance Bhutan Pvt. Ltd.	5,000,000	5,000,000
<b>Total Fund</b>	<b>85,000,000</b>	<b>255,000,000</b>
<b>a. Shareholders Fund</b>	<b>33,657,966</b>	<b>123,141,657</b>
<b>b. Policy holder Fund</b>	<b>51,342,034</b>	<b>131,858,343</b>
<b>B. Total Current Financial Assets</b>	<b>85,000,000</b>	<b>255,000,000</b>
<b>Grand Total</b>	<b>540,589,937</b>	<b>710,770,960</b>

<b>5. Other financial assets</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
Interest accrued on fixed deposits	93,691,012	39,331,005
Interest accrued on other investments	22,634,615	15,419,535
<b>Grand Total</b>	<b>116,325,627</b>	<b>54,750,539</b>



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

Particulars	Amount in Nu.	
	As on 31-12-2021	As on 31-12-2020
<b>6. Investment</b>		
Long Term Investments		
RICBL Bond	-	149,331,611
<b>Total</b>	-	<b>149,331,611</b>

**3. 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 Dec, 2021	At Amortised cost	Non Current		Current	Total
<b>Financial Assets</b>					
<b>Investments</b>					
Bonds	-	-	-	-	-
Other Investment	540,589,937	455,589,937	85,000,000	540,589,937	540,589,937
	540,589,937	455,589,937	85,000,000	540,589,937	540,589,937
<b>Other Financial Assets</b>					
Trade Receivables	832,581,152	-	832,581,152	832,581,152	832,581,152
Cash & Cash Equivalent	120,064,397	-	120,064,397	120,064,397	120,064,397
Fixed Deposit with bank	2,376,586,503	-	2,376,586,503	2,376,586,503	2,376,586,503
Other Financial Assets	116,325,627	-	116,325,627	116,325,627	116,325,627
	3,445,557,680	-	3,445,557,680	3,445,557,680	3,445,557,680
<b>Financial Liability</b>					
Trade Payable	960,133,949	-	960,133,949	960,133,949	960,133,949
	960,133,949	-	960,133,949	960,133,949	960,133,949



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<b>A. FINANCIAL RISK MANAGEMENT</b>
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.
<b>Risk Management Framework</b>
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.
<b>a)Credit Risk</b>
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>b)Liquidity Risk</b>
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.
<b>c)Market Risk</b>
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
<b>a. Interest rate risk</b>
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>b. Currency Risk</b>
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.
<b>d) Operational Risk</b>
This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational failures could result indirect consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company. While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks. the Company's Risk Management team assesses all foreseeable risk involved in its operation and they develop and implementation plans to control those identified operational risk. these action plans recommended by the team are to manage the operational risk in the following areas:
- Requirements for having appropriate segregation of duties including the independent authorization of transactions;
- 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 and procedures to address the risks identified;
- 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>B. CAPITAL MANAGEMENT</b>
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.



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

(Amount in Nu.)

<b>7. Current Tax Assets / (Liabilities)</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
<b>A. Current Tax Assets</b>		
Advance Tax - Op Balance	15,233,494	6,917,344
Add: TDS Credit during the year at source	4,957,363	2,693,763
Add: Advance Tax paid during the year	7,897,204	12,539,731
	<b>28,088,061</b>	<b>22,150,837</b>
Less: Adjustments made during the year	15,233,494	6,917,344
<b>A. Closing balance of Current Tax Assets</b>	<b>12,854,567</b>	<b>15,233,494</b>
<b>B. Current Tax Liability</b>		
Provision for Corporate Tax - Op Balance	50,173,859	22,043,053
Add: Provision made during the year	42,603,787	48,258,610
	<b>92,777,647</b>	<b>70,301,663</b>
Less: Tax Paid During the Year	33,025,117	18,579,762
Less: Adjustments made during the year	15,233,493	1,548,042
<b>B. Closing balance of current tax Liability</b>	<b>44,519,037</b>	<b>50,173,859</b>
<b>Net Current Asset / (Liabilities) [A - B]</b>	<b>(31,664,470)</b>	<b>(34,940,366)</b>

<b>9. Other Assets</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
<b>Current Assets</b>		
Prepaid Expenses	62,719	738,538
Advance for expenses	257,331	125,981
Miscellaneous Receivables	3,960	619,016
Amount receivable from RICBL	-	8,153,863
<b>Total</b>	<b>324,010</b>	<b>9,637,398</b>
<b>Non-Current</b>		
Security Deposits (House Rent)	210,000	210,000
<b>Total</b>	<b>210,000</b>	<b>210,000</b>
<b>Grand Total</b>	<b>534,010</b>	<b>9,847,398</b>

<b>10. Trade payables (Current Financial Liability)</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
Net Reserve	(13,973,199)	26,547,080
Sundry Creditors	619,056,538	521,396,038
Un-Earned Premium Reserve (UPR)	353,030,741	294,291,193
Actuarial Fees Liability	145,500	145,500
Outstanding Expense	1,728,869	841,099
Audit Fees Liability	145,500	145,500
<b>Grand Total</b>	<b>960,133,949</b>	<b>843,366,410</b>



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GIC -BHUTAN REINSURANCE COMPANY LIMITED

NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)  
8. Property plant and equipment as per BAS (Useful Life)

Particulars	Gross Carrying Amount (in Nu.)			Depreciation / Amortisation (in Nu.)		Net Carrying Amount (in Nu.)	
	As on 31-12-2020	Additions in the year	Deletions in the year	As on 31-12-2021	Depreciation for the year	As on 31-12-2021	As on 31-12-2020
	A	B	C	D = A + B - C	E	F	G
1. Property plant and equipment							
i) Computer Equipments	12,203,823	383,459		12,587,282	4,691,991	2,037,961	7,511,832
ii) Office Equipments	2,070,760	11,000		2,081,760	687,619	341,328	1,383,141
iii) Furniture & Fixtures	1,939,272	69,335		2,008,607	604,333	199,379	1,334,939
iv) Motor Vehicles	8,296,139	-	454,646	7,841,493	2,418,802	805,286	5,877,337
v) Gym Equipment	424,462	-		424,462	89,916	70,744	334,546
vi) Electronic Equipment	120,000	-		120,000	22,685	30,000	97,315
Total property, plant and equipment	25,054,455	463,794	454,646	25,063,603	8,515,345	3,484,697	15,539,110
2. Intangible Assets							
A. Total Fixed Assets	6,298,720	-		6,298,720	1,847,267	1,044,787	4,451,453
Capital Work-in-Progress	31,353,175	463,794	454,646	31,362,323	10,362,612	4,529,483	20,990,563
B. Total CWIP	-	-	-	-	-	-	-
GRAND TOTAL (A + B)	31,353,175	463,794	454,646	31,362,323	10,362,612	4,529,483	20,990,563
PREVIOUS YEAR 2020	22,227,110	9,126,065	-	31,353,175	6,540,375	3,822,237	15,686,735





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

(Amount in Nu.)

<b>11. Other Current Liability</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
Office Rent Payable	-	190,000
Unclaimed Dividend	84,390	84,390
TDS Payable	216,580	94,472
<b>Grand Total</b>	<b>300,970</b>	<b>368,862</b>

<b>12. Deferred Tax Liabilities</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
- On Temporary Timing difference of Fixed Assets	530,247	244,666
<b>Grand Total</b>	<b>530,247</b>	<b>244,666</b>

<b>13. Provisions</b>	<b>As on 31-12-2021</b>	<b>As on 31-12-2020</b>
Claims Outstanding (OSLR)	1,207,398,748	729,530,548
IBNR	470,546,914	448,333,883
<b>Total OSLR and IBNR</b>	<b>1,677,945,662</b>	<b>1,177,864,431</b>
<b>Employee Benefit Liabilities</b>		
Defined Benefit Obligation (Gratuity Liability)	2,198,998	1,753,026
Less: Fair Value of Plan Assets - Gratuity Fund	1,393,226	1,117,423
<b>Net Employee Benefit Liabilities</b>	<b>805,772</b>	<b>635,603</b>
Provision For Bonus	1,590,465	-
Provision For NPA	3,295,529	3,295,529
<b>Grand Total</b>	<b>1,683,637,428</b>	<b>1,181,795,564</b>

<b>14. Revenue from operations</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Gross Re-Insurance Premium Accepted	1,455,970,308	1,195,811,493
Less: Premium on Re-Insurance Ceded	(103,069,117)	(72,644,028)
Less: Adjustment for Change in Un-Earned Premium Reserve	(58,739,548)	(70,690,236)
<b>Grand Total</b>	<b>1,294,161,643</b>	<b>1,052,477,229</b>

<b>15. Other Income</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Miscellaneous Receipt	-	(986,643)
Income From Bond	3,444,786	203,014
Effective Interest Rate Expense	(331,611)	(1,181,823)
Income from other Investment	174,586,054	106,588,043
Exchange Gain	-	737
<b>Grand Total</b>	<b>177,699,230</b>	<b>104,623,327</b>



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

(Amount in Nu.)

<b>16. Direct Expenses</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Claims Paid	476,459,931	470,827,620
Insurance Premium (Change in OSLR)	477,868,200	137,821,220
Change in IBNR	22,213,031	61,065,685
Other Expenses	5,084,617	4,077,316
Commission	276,648,592	244,451,154
<b>Grand Total</b>	<b>1,258,274,371</b>	<b>918,242,995</b>

<b>17. Employee Benefit Expenses</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Salary and Wages	14,340,559	10,147,157
Contribution to Fund	802,765	569,570
Staff Welfare Expenses	225,269	911,176
Training Expenses	280,000	-
Bonus	1,700,995	-
<b>Grand Total</b>	<b>17,349,588</b>	<b>11,627,904</b>

<b>18. Other Expenses</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Advertisement & Publicity Expenses	213,106	240,248
General Expenses	486,437	707,041
Office Rent	2,985,000	2,050,000
Office Guest House Rent	480,000	560,000
Fee, Charges & Subscription (General)	637,112	846,960
Fee, Charges & Subscription (IT)	3,898,708	2,243,408
Electricity Charges	194,026	187,348
Entertainment Expenses	87,154	326,460
Repairs & Maintenance	149,784	98,232
Audit Fees	150,000	150,000
Audit Expenses	-	289,702
Meeting Expenses	121,404	140,846
General Provisions (NPA)	-	1,098,510
Telephone Fax & Internet	1,064,151	1,060,063
Previous Year Tax Expenses	-	343,381
Sitting Fees	763,000	377,500
Anniversary Expenses	28,980	-
Insurance of Fixed Assets	10,400	18,245
Bank Charges	903,453	1,092,138
Brokerage	-	420,000
Corporate Social Responsibility	101,995	3,710,000
Printing and Stationery	492,038	264,661
Actuarial Fees & Expenses	300,000	422,626
Vehicle Expenses	488,598	275,115
Travelling Expenses	461,230	1,252,101
Foreign Exchange Fluctuation	1,872,953	11,395,039
Rating Expenses	3,338,850	465,850
ISO Certification & Audit Fees	1,371,000	-
Loss on Sale of Asset	251,646	-
Contribution to GCSC - Capital Fund	300,000	300,000
<b>Grand Total</b>	<b>21,151,025</b>	<b>30,335,473</b>



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

(Amount in Nu.)

<b>19. Tax Expense</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
Current Tax Expenses	42,603,787	48,258,610
Deffered Tax Expenses (Note 22)	(285,580)	(37,681)
Tax expenses on Continuing Operations	42,318,207	48,220,929
Taxes on Discontinuing Operations		
Taxes on Comprehensive Income		
<b>Grand Total</b>	<b>42,318,207</b>	<b>48,220,929</b>

<b>20. Earnings per share</b>	<b>For the year 2021</b>	<b>For the year 2020</b>
A. Absolute No. of Shares	110,000,000	110,000,000
B. Diluted No of Shares	110,000,000	110,000,000
C. Comprehensive Income for the year	128,668,102	144,851,019
D. Income from Continuing operation for the year	128,668,102	144,851,019
Basic Earnings Per Share	1.17	1.32
Diluted Earnings Per Share	1.17	1.32
Basic Continuing Earnings Per Share	1.17	1.32
Diluted Continuing Earnings Per Share	1.17	1.32



**GIC -BHUTAN REINSURANCE COMPANY LIMITED**

**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)**

**21. Share Capital:**

- a. The Company had only one class of shares to as 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 31-12-2021		As on 31-12-2020	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
Authorised Share Capital Equity Shares	500,000,000	5,000,000,000	500,000,000	5,000,000,000
Issued,Subscribed and Paid-Fully paid up Equity Shares	110,000,000	1,100,000,000	110,000,000	1,100,000,000
<b>TOTAL-</b>	<b>110,000,000</b>	<b>1,100,000,000</b>	<b>110,000,000</b>	<b>1,100,000,000</b>

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

Sl.NO	Name of the Shareholders	No. of Shares	
		As on 31-12-2021	As on 31-12-2020
1	Bhutanese (74%)	81,400,000	81,400,000
2	Foreigner(26%)	28,600,000	28,600,000
<b>TOTAL-</b>		<b>110,000,000</b>	<b>110,000,000</b>

**22. Calculation of Deferred Tax**

- a. Detailed calculation for Deferred Tax are as follows

Particulars	As per BAS	As per IT Act	Temporary Timing Diff.	Deferred Tax Liability/asset
<u>As on 31-12-2020</u>				
1 WDV of Fixed Assets	20,990,563	20,011,897	(978,666)	(244,666)
<b>A. Deferred Tax Assets/(Liabilities)-</b>				<b>(244,666)</b>
<u>As on 31-12-2021</u>				
1 WDV of Fixed Assets	17,471,292	15,350,306	(2,120,986)	(530,247)
<b>A. Deferred Tax Assets/(Liabilities)-</b>				<b>(530,247)</b>
<b>(Increase)/Decrease in DTL[B-A] -</b>				<b>(285,580)</b>



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

**23. 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

**24. Employee Benefits:**

Particulars	AS on 31-12-2021	AS on 31-12-2020
<b>Opening Balance</b>	1,117,423	1,536,009
Interest Income on Fund Assets	78,481	73,194
Paid into Gratuity Fund by Company	635,603	574,887
Gratuity Claimed by Company	(438,280)	(1,066,667)
<b>A. Gratuity Fund Assets at the Year end-</b>	<b>1,393,226</b>	<b>1,117,423</b>
<b>Opening Balance</b>	1,753,026	2,110,895
Service Cost	805,772	635,603
Interest Cost on Obligation	78,481	73,194
Benefits paid directly by the Company during the year	(438,280)	(1,066,667)
<b>B. Defined Benefit Obligation at the Year end-</b>	<b>2,198,998</b>	<b>1,753,026</b>
<b>Net Employee Benefit Assets/(Liabilities)[A-B]</b>	<b>(805,772)</b>	<b>(635,603)</b>



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**GIC-BHUTAN REINSURANCE COMPANY LIMITED**

**NOTES FORMING INTEGRAL PART OF THE FINANCIAL STATEMENTS (Continued)**

**25. 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 segment is sent to the Board.

**b. Primary Segment Information (business Segment):-**

Figures in NU.		
Particulars	2021	2020
Gross Premium	1,455,970,308	1,195,811,493
Retro Premium	103,069,117	72,644,028
Net Premium	1,352,901,190	1,123,167,465
Change in UPR	58,739,548	70,690,236
Earned Premium	1,294,161,643	1,052,477,229
Net Incurred Claims	976,541,161	669,714,525
Net Commission	281,733,209	248,528,470
Operating Expenses	42,029,032	44,687,103
Other Income	0	(985,906)
<b>underwriting Result</b>	<b>(6,141,760)</b>	<b>88,561,225</b>

**26. Related Party Disclosure:**

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

SL No.	Name	Nature of Transactions/Loan Facility	As on 31.12.2020	As on 31.12.2020
	Director/Associates of the Director			
1	Relative /Associates of the Director			
2	Key Managerial Person		2021	2020
a	Chief Executive Officer	Remuneration & Benefits	1,800,000	1,800,000
		Sitting Fees	171,000	70,000
b	Other Director's/Manager's	Sitting Fees	592,000	307,500

**27. Management Expenses:**

Management expenses includes:

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

Particulars	2021 (Amt. in Nu.)	2020 (Amt. in Nu.)
Remuneration	1,800,000	1,800,000
Director's Sitting Fees	171,000	70,000
Audit Related:		
Particulars	2021 (Amt. in Nu.)	2020 (Amt. in Nu.)
Audit Fees and expenses	150,000	439,702

As per our report of even date attached

For S. Jaykishan  
Chartered Accountants  
FRN: 309005E

CA RITESH AGARWAL  
Partner  
Membership No: 062410  
Date: 24th day of May, 2022  
Place: Kolkata



For and on behalf of the Board of Directors

Chairman

CEO



Kesang Wangdi  
Chief Executive Officer  
GIC Bhutan Reinsurance Co. Ltd

# GIC -BHUTAN REINSURANCE COMPANY LIMITED

## RATIO ANALYSIS

Particulars	Detail of Calculation	Year 2021	Year 2020
<b>A. Ratios for Assessing Financial Health:</b>			
1. Capital Turnover Ratio	(Revenue from Operation/Capital Employed)	0.97	0.88
2. Current Ratio	(Current Assets/ Current Liabilities)	3.56	3.00
3. Acid Test Ratio/ Quick Ratio	(Current Assets other than Inventories/ Current Liabilities)	3.56	3.00
4. Fixed Assets Turnover Ratio	(Revenue from Operations/Fixed Asset)	74.07	50.14
5. Debtors Turnover Ratio	(Gross Debtors/Sales) X 365	234.82	260.67
<b>B. Ratios for Assessing Profitability</b>			
1. Return on investments	(Profit after tax/ Capital Employed)	9.69%	12.08%
2. Net Profit Ratio	(Net Profit/Sales) X 100	9.94%	13.76%
3. Operating Expenses Ratio	(All Expenses excluding Finance Cost) / Sales x 100	2.89%	3.83%





**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 16<sup>th</sup> May, 2013 vide registration no. U20130516THI0406, where the foreign investors hold 26% shareholding of the Company. The Company has taken following Trade License

License No.	Nature of Activity
1029965	General Reinsurance Business

These financial statements relate to the year ended 31st December, 2021.  
The Company is listed in Royal Securities Exchange of Bhutan Limited.

**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, 29<sup>th</sup> 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 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:

- 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.
- 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 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.

### 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.



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## 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.

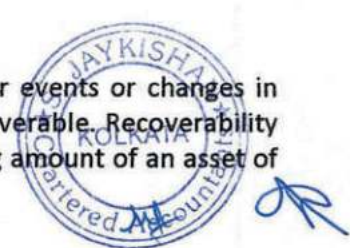
**8 PROPERTY PLANT AND EQUIPMENT**

- 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 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 |
| Electronic Equipment                    | 4 years  |
- C) 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.
- D) 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.

**E) 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 of 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

## 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.

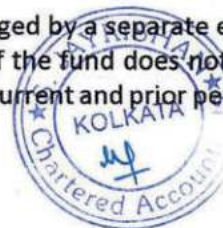
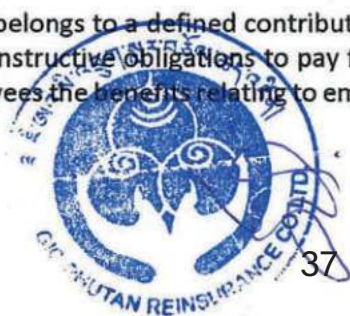
Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the Statement 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.



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#### 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 2021.

### 15. COMPARATIVE INFORMATION:

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





**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	1,794,662.32	Received
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**Outflows:**

Insurance Claims	USD	508,309.53	Paid
Insurance Premium (Retro)	USD	216,311.00	Paid
Bank Charges	USD	4,116.02	Paid
Fees Charges & Subscription	USD	44,200.00	Paid

**B. LOANS AND ADVANCES****Provision against non-performing loans**

The company had made provision of Nu. 3,295,529 towards Ice Beverage loan account which has been computed as per the RMA Prudential Guideline.

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

**D. SITTING FEES**

Directors of the company has been paid Nu. 763,000.00 00 as sitting fees during the year.

E. Previous year's figures have been reclassified/ regrouped / rearranged wherever necessary. The accompanying notes are an integral part of these financial statements.

As per our report of even date

For, S. Jaykisan  
Chartered Accountants  
FRN. 309005E

*Ritesh Agarwal*  
(CA RITESH AGARWAL)  
Partner  
Membership No: 062410  
Date: 24<sup>th</sup> day of May, 2022  
Place: Kolkata



For and on behalf of the Board of Directors

*[Signature]*  
CHAIRMAN

CEO

*[Signature]*  
Kesang Wangdi  
Chief Executive Officer  
GIC Bhutan Reinsurance Co. Ltd

