



7th Annual Report
2015

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Directors' Report



འབྲུག་ཉེན་བཅོལ་ཚད་འཛིན། Bhutan Insurance Limited

Providing Security, Building Confidence

Post Box# 779, Chorten Lam, Thimphu.

Toll free# 201 www.bhutaninsurance.com.bt PABX 339892/93/94 Fax#339895

Your insurer of
CHOICE

VISION

To become the insurer of choice by providing quality service that exceed customer expectations and by constantly finding ways for improvement.

MISSION

Our mission begins and ends with our clients for whom we exist to serve to the best of our ability. With dedicated service to our clients we aspire to contribute to the social and economic objectives of the nation, providing security to its growing assets through reliable insurance services and increasing retention of finance within the country.

DIRECTORS' REPORT

To the Shareholders:

On behalf of the Board of Directors, I am pleased to present the 7th Annual Report together with Audited Financial Statements for the financial year ended 31st December, 2015.

The “Wood Female Sheep Year 2015” was the 6th full operational year for our company. We are in the process of building the BIL brand which has started commanding confidence in the eyes of the general public. Our journey thus far, has been enriching providing us with substantial experience and exposure in the fields of non-life insurance, investments and funds management.

The appropriate use of available resources with the strong patronage from the SHAREHOLDERS, REGULATORS and GENERAL PUBLIC has brought forth excellent achievement for the company in terms of volume of business and profitability despite the numerous challenges faced by our company.

Business Performance

In the year 2015, our company has written a gross premium of Nu.348.06 million, an increase from the gross premium written in 2014 of Nu.274.661 million. Thus, the gross premium grew by 26.72% in 2015.

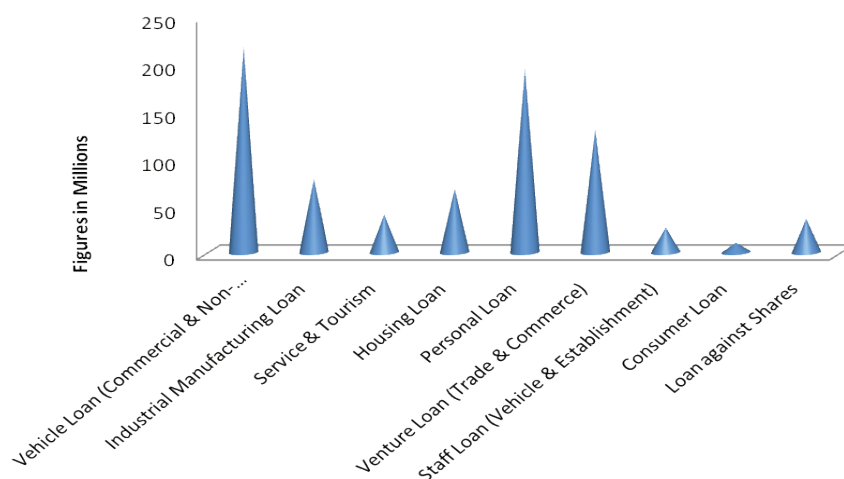
Statement showing Insurance Premium & Claims Incurred:

Segments	Premium Collection			Claims Incurred		
	Gross Premium	Re-insurance	Net Premium	Gross Claim	Re-insurance	Net-Claim
Fire	99,880,845	44,032,985	55,847,950	18,409,046	10,337,704	8,071,342
Marine	11,045,738	4,767,165	6,278,573	180,099	-	180,099
Motor	122,132,795	11,261,615	110,871,180	113,095,944	24,897,290	88,198,654
Miscellaneous	115,002,365	101,466,865	13,535,500	26,903,285	23,314,643	3,588,642
Total	348,061,743	161,528,540	186,533,203	158,588,374	58,549,637	100,038,737

The Loan asset as on 31st December, 2015 was Nu.798.84 million and in 2014 it was Nu.412.60 million. Hence, there is a growth of 93.61%. The interest income during the year 2015 for FID was Nu.83.20 million which was growth of 53.81% compared to 2014.

Statement showing position of Investment Portfolios:

Loans & Overdraft	Amount Outstanding (Nu.)
Vehicle Loan (Commercial & Non-commercial)	217,160,523
Industrial Manufacturing Loan	77,940,640
Service & Tourism	40,006,187
Housing Loan	67,225,640
Personal Loan	194,715,706
Venture Loan (Trade & Commerce)	129,910,683
Staff Loan (Vehicle & Establishment)	26,226,274
Consumer Loan	10,158,402
Loan against Shares	35,496,080
Total	798,840,135

Amount Outstanding (Nu.)

Gratuity fund has increased by 375.28% to a total of Nu.250.14 million and Private Provident Fund by 38.22% to a total of Nu.93.98 million in 2015 compared to the previous year.

The growth in total funds in 2015 has been Nu.72.70 million and the total asset of the Company has reached to Nu.1.13 billion in 2015 as against Nu.704.19 million in the year 2014.

The company has earned a pre-tax profit of Nu. 96.37 million for the year and profit available for appropriation is Nu.67.46 million.

Particulars	Nu.	Nu.
Gross Income:		
Insurance-	380,563,810	
Investment (Interest & Others)	<u>115,338,568</u>	
Total	<u>495,902,378</u>	
Operating Profit:		
Insurance-	54,353,525	
Investment-	<u>42,019,185</u>	
Gross Profit	<u>96,372,710</u>	
Net Profit After Tax:		<u>67,460,897</u>
(Profit Available for Appropriations)		
Approved Dividend (10%)		33,500,000
Transfer to Nat/Cat Reserve:		1,000,000
Transfer to General Reserve:		32,960,897
Earnings per Share		3.37
Book Value per Share		17.86

SUMMARISED FINANCIAL RESULTS AS ON 31ST DECEMBER, 2015

Figures in Million (Nu.)

Particulars			Fire	Marine	Misc.	Total
Gross Direct Premium Income		CY	99.88	11.05	237.14	348.06
		PY	84.12	6.19	184.35	274.66
	(% Growth)					
Net Premium		CY	55.85	6.28	124.40	186.53
		PY	25.36	1.46	81.31	108.13
	(% Growth)					
	(% to Gross Premium)	CY	55.92%	56.83%	52.45%	53.59%
		PY	30.15%	23.59%	44.11%	39.37%
Addition/Reduction in Un-expired Risk Reserve		CY	13.98	2.34	17.31	33.63
		PY	4.49	0.24	-7.62	-2.99
	(% to Net Premium)	CY	25.03%	37.26%	13.92%	18.03%
		PY	17.71%	16.44%	-9.37%	-2.77%
Earned Premium*		CY	41.87	3.94	107.09	152.90
		PY	20.87	1.22	88.94	111.03
Incurred Claims Net		CY	8.07	0.18	91.79	100.04
		PY	0.53	-0.59	72.47	72.41
(% to Earned Premium)		CY	19.27%	4.57%	85.71%	65.43%
		PY	2.54%	-48.36%	81.48%	65.22%
Commission Net		CY	12.54	1.54	12.59	26.67
		PY	16.00	1.15	11.34	28.49
Expenses of Management		CY	13.99	1.06	31.73	46.78
		PY	12.26	0.93	27.57	40.76
(% to Earned Premium)		CY	33.41%	26.90%	29.63%	30.60%
		PY	58.74%	76.23%	31.00%	36.71%
Other Income from Insurance		CY				6.08
		PY				3.69

Underwriting Results		CY	16.35	1.24	36.76	54.35
		PY	24.19	2.04	3.81	30.04

(% to Earned Premium)		CY	39.05%	31.47%	34.33%	35.55%
		PY	115.91%	167.21%	4.28%	27.06%

Total Investment Income (Gross)		CY				73.84
		PY				47.13

Provision for Doubtful Debts		CY				0.44
		PY				5.53

Other Income from Investment		CY				35.41
		PY				28.27

CONSOLIDATED PROFITABILITY:

(Figures in Millions)

Profit Before Tax		CY				96.37
		PY				67.39
Provision for Tax		CY				28.92
		PY				20.22
Profit After Tax		CY				67.46
		PY				47.09
Proposed Dividend		CY				33.50
		PY				18.84
Transfer to General Reserve/ Contingency Reserve		CY				33.96
		PY				28.25

*Net Premium less Unexpired Reserve

CY: Current Year

PY: Present Year

Company Performance for the last 5 years:

Figures in Million (BTN)

SHARE CAPITAL & RESERVES	2015	2014	2013	2012	2011
Paid- up Capital	200.00	200.00	200.00	200.00	100.00
Total Reserves & Surplus	164.91	116.29	69.20	45.08	23.91
Net worth	357.11	309.49	263.40	240.34	120.25
ASSETS					
Loans & Investments	912.00	513.98	374.82	364.96	301.86
Cash & Bank Balance	134.52	116.45	77.83	72.69	63.61
Net Fixed Assets	13.76	15.15	17.64	6.41	5.08
PROFITABILITY					
Profit Before Tax	96.37	67.39	62.34	59.65	42.57
Profit After Tax	67.46	47.17	43.63	41.75	29.80
Dividend (%)	16.75	9.42	10.00	9.50	15.00
RATIOS					
Networth to Total Assets (%)	31.54	43.95	50.97	46.29	44.07
Capital Adequacy (%)	34.53	56.32	37.86	43.89	31.74
SLR (Liquidity) %	22.09	56.34	34.04	28.52	18.78
NPL Ratio (%)	3.47	9.01	8.09	4.03	1.69
Earnings Per Share	3.37	2.35	22.06	20.08	29.80
Book Value Per Share	17.86	15.47	131.70	120.17	120.25
Solvency Ratio (General Insurance) %	5.57	5.60	4.96	4.07	-
Combined Ratio (General Insurance) %	95.84	102.01	97.63	90.07	91.71

Branch/Extension Offices

Bhutan Insurance Limited has now 14 offices in 14 Dzongkhags with the openings of two new offices in Nganglam and Zhemgang. In the near future, to facilitate our clients with better service and also with the expansion of business, we have plans to open three more offices.

Human Resources

The company has grown significantly and in order to meet the business demand, more staff were recruited in 2015 bringing the total staff strength of BIL to 84.

Since, Human resources plays an important role in the growth of the business, the board and the management of BIL emphasized on enriching the efficiency and knowledge of the employees through training, seminars and workshops. The company has continued to invest in the training of its employees in their specific fields via through BIL company funds.

Co-curricular Activities:

Besides focusing on our core business activities, the company also encourages participation in various games & sports organized locally & also sponsored events.

The followings are the BIL's achievement in the year 2015:

BIL Men's Archery team stood runners up in the BIGSA tournament.

BIL Men's Basketball team stood runners up in the Inter Departmental Tournament organized by S.D. Events.

BIL girls Basketball team reached the semi-finals in the Inter Departmental Tournament organized by S.D. Events.

ACKNOWLEDGEMENTS

On behalf of the distinguished board members and on behalf of the staff and management of BIL, we would like to place on record our appreciation and express our sincere gratitude to all our valued shareholders, the Royal Government and its various Ministries and Departments, and also to the notable individuals in organizations such as the RMA and RSEBL for their continued assistance, co-operation and guidance extended to the Company.

To our reinsurance partners and surveyors in India, we would like to thank them for the profound technical support and friendship that they provide. We look forward to their continued support in the future.

With my very best wishes,



(Ugyen Rinzin)
Chairman

General Information

Establishments	Address	Telephone No.	Fax No.
HEAD OFFICE , Thimphu	Post Box: 779, Chorten Lam Email: info@bhutaninsurance.com.bt Website: www.bhutaninsurance.com.bt	00975-02-339892/93/94 Toll Free # 201	02-339895

BIL BRANCH OFFICES

Establishments	Address	Telephone No.	Fax No.
Phuentsholing	1st Floor, Bhutan Post Building	05-252894/95	05-252893
Wangdue	1st Floor, Jamtsho Building, Bajo Town	02-481663/335	02-481495
Paro	2nd Floor, BNBL Office	08-272985/86	08-272984
Gelephu	1st Floor, Oli Building, Opposite BDBL, G/phu Town	06-252273	06-251199
Samdrup Jongkhar	1st Floor, Below BNBL Office	07-251384	07-251387

BIL EXTENSION OFFICES

Establishments	Address	Telephone No.	Fax No.
Bumthang	Opposite Home Collection Shop, Chamkhar Town	03-631565	03-631271
Mongar	1st Floor, near BNBL Office	04-641407	04-641408
Tsirang	Near Taxi Parking, 1st Floor, Hasty Tasty Building	06-471426	06-471427
Tashigang	2nd Floor, RSTA Building	04-521343/344	04-521342
Trongsa	Ground Floor, Near Tashi Cell Office	03-521541	03-521583
Samtse	Above Drodul Chorten, Lichibari, Samtse Town	05-365568	05-365568
Zhemgang	Top Floor, KD Building, Zhemgang Town	03-741165	03-741173
Nganglam	Near BNBL Office, Nganglam Town	07-481008	07-481009

Company Profile

Bhutan Insurance Limited (BIL) provides non-life insurance products for individuals, corporate bodies, small & medium size enterprise throughout Bhutan. The Company started operations on 20th August 2009, and today has a country wide network connected through the latest technology for quick communication and response in over 14 dzongkhags.

We have expanded our service network progressively with our Head Office in Thimphu, Branch Offices in Phuentsholing, Paro, Wangduephodrang, Gelephu and Samdrup Jongkhar, and Extension Offices in Bumthang, Mongar, Tsirang, Tashigang, Trongsa, Samtse, Zhemgang & Nganglam, and all these were only made possible through the continued support of our clients and employees throughout the years. The Company today employs more than 80 people.

BIL is incorporated in 2009 under the Companies Act of the Kingdom of Bhutan – 2000, and is licensed to engage in the business of General Insurance by the Royal Monetary Authority of Bhutan in pursuant to part II of the Financial Institutions Act of Bhutan – 1992, and is also listed with the Royal Securities Exchange of Bhutan Limited (RSEBL) since 2009.

BIL is also authorized by the RMA to provide Financing & Investment services and manage Private Provident Fund (PPF) and Gratuity Fund (GF).

BIL MILESTONES

- 24.12.2008 - Got in-principle approval from the RMA to establish the company
- 24.07.2009 - Got incorporated under the Companies Act of the Kingdom of Bhutan 2000
- 14.08.2009 - RMA granted license to engage in business of General Insurance
- 20.08.2009 - Started business operations in Thimphu
- 20.08.2009 - Initial Public Offer (IPO) of 60% of the companies share.
- 19.04.2010 - RMA granted approval to operate Financing & Investment Department
- 24.05.2010 - Introduction of Private Provident Fund Scheme
- 15.05.2013 - Launched Workmen's Compensation Insurance
- 04.08.2014 - Launched Insurance on wheels
- 13.08.2014 - RMA granted approval to manage Gratuity Fund
- 17.02.2015 - Launched Student Care Policy

BRANCH ESTABLISHMENTS:

- 01.10.2009 : Extension office at Bumthang
- 18.10.2009 : Branch office at Phuentsholing
- 01.11.2009 : Branch office at Wangduephodrang
- 05.11.2009 : Branch office at Paro
- 06.01.2010 : Branch office at Gelephu
- 10.06.2010 : Branch office at Samdrup Jongkhar
- 12.07.2010 : Extension office at Mongar
- 09.04.2012 : Extension office at Tsirang
- 03.05.2012 : Extension office at Tashigang
- 01.01.2013 : Extension office at Trongsa
- 09.09.2014 : Extension office at Samtse
- 09.04.2015 : Extension office at Zhemgang
- 11.12.2015 : Extension office at Nganglam

RE-INSURANCE

In order to enhance our underwriting capacity and have global spread of local risk, our office have strong reinsurance backup from well established companies like:

- GIC-Bhutan Re, Thimphu, Bhutan
- ZEP-RE (PTA Reinsurance Company), Nairobi, Kenya
- Kenya Reinsurance Corporation Ltd., Nairobi, Kenya
- National Insurance Company Ltd., Kolkata, India
- GIC-Re, Mumbai, India
- Asian Reinsurance Corporation Ltd., Bangkok, Thailand
- CICA-Re, Tongo
- Senegal-Re, Senegal
- Sava-Re, Ljubljana, Solvenia

SERVICES OFFERED

(A) BIL offers all type of Non-Life Insurance services such as:

- Personal Insurance
 - I. Personal Accident Insurance
 - II. Auto Insurance Policy
 - III. Money Insurance Policy
 - IV. Fire Insurance Policy
- Commercial Insurance
 - I. Marine Cargo Policy
 - II. Fidelity Guarantee Policy
 - III. Aviation Policy
- Industrial Insurance
 - I. Fire Policy
 - II. Burglary Policy
 - III. Machinery Breakdown Policy
 - IV. Contractors Plant and Machinery Policy
 - V. Construction Project Insurance
 - VI. Fire Loss of Profit Policy
- Liability Insurance
 - I. Motor Vehicle Third Party
 - II. Workmen Compensation Policy
 - III. Student Care Insurance
- Loan Protection Insurance (LPI)
- Enhanced Rural Fire Policy

(B) In addition to Non-Life Insurance services, we also offer the following services:

- Commercial Investment Loan
- Government/Corporate/Private Employee Loan
- Housing Loan
- Industrial Loan
- Loan against Shares
- Loan against PPF
- Overdraft
- Personal Loan
- Venture Loan
- Vehicle Loan

(C) And other service provided includes issuing of Bank Guarantees and management of Private Provident Fund (PPF) and Gratuity Fund (GF).

CUSTOMER SERVICE

We differentiate ourselves through our employees, referrals, agents and our total commitment to customer service.

The company has an independent Grievance cell in place to facilitate the walk-in and online customer grievances.

Capital Structure

- Issued and paid up capital – Nu.200 million

Shareholding:

- Total numbers of shareholders – 4,314/-
- Promoters holding : 35%
- Public holding: 65%

Promoters

- Mr. Ugyen Rinzin – 16%
- Mr. Tshering Gyaltshen – 19%

BIL AREA OF BUSNISS

The Company provides a range of non-life insurance services with prompt door to door service facilities at a reasonable rate of premium to suite the market needs namely:

a. PERSONAL LINE INSURANCE	<ul style="list-style-type: none"> ✓ Personal Accident Insurance (Individual & Group) ✓ Auto Insurance Policy (Private & Commercial) ✓ Money Insurance Policy ✓ Fire Insurance Policy & Enhanced Rural Policy
b. COMMERCIAL LINE INSURANCE	<ul style="list-style-type: none"> ✓ Marine Cargo & Transit Policy ✓ Fidelity Guarantee Policy ✓ Aviation Policy ✓ Loan Protection Insurance
c. INDUSTRIAL LINE INSURANCE	<ul style="list-style-type: none"> ✓ Fire Policy ✓ Burglary Policy ✓ Machinery Breakdown Policy ✓ Contractors Plant & Machinery Policy ✓ Construction Project Insurance ✓ Fire Loss of Profit Policy
d. LIABILITY INSURANCE	<ul style="list-style-type: none"> ✓ Motor Vehicle Third Party ✓ Workmen Compensation Policy ✓ Student Care Insurance

Although the core business of the company pertains to insurance services however, the company is also authorized to transect other business such as giving loans, providing all types of guarantees, and management of Private Provident Fund which are all facilitated through the Financing & Investment Department of BIL.

DISTRIBUTION CHANNELS

The company has multilayer distribution channels established with a mandate to educate the mass and assist them in choosing the right insurance products

- Referrals & Agents
- Direct field underwriters providing door to door service
- Interactive website facilitating online downloads and BIL Face book Group.

REINSURANCE

In order to enhance our underwriting capacity and have global spread of local risk, our office have strong reinsurance tie up with well established companies with high financial ratings and long histories of standing by their insured's when loss occur.

BOARD OF DIRECTORS

- I. Mr. Ugyen Rinzin (Chairman)**
Yangphel Private Limited, Thimphu
Phone no: 02-323293
Email: ugyen@zhiwaling.com
urinzin@bhutaninsurance.com.bt
- II. Dasho Ugen Tsechup Dorji (Director)**
Singye Group of Company Pvt. Ltd, Thimphu
Phone no: 02-322183
Email: ugentsechup@gmail.com
Fax # 02-324152
- III. Mr. Karma Tsetop Rinchhen (Director)**
A Middle Path to Bhutan, Thimphu
Phone no: 02-336474
Email: tse_rin@yahoo.co.uk
Fax No: 02-336475
- IV. Mr. Sashadhar Majumder (Independent Director)**
Salt Lake City, Kolkata-700106, India
Phone no: 033-2321 5766
Email: s_majumder_44@yahoo.co.in/s.majumder@hotmail.com
- V. Mr. Tshering Gyaltshen (CEO/Member Secretary)**
Bhutan Insurance Limited, P.O.Box #779, Chorten Lam, Thimphu
Phone no: 02-339892/93/94
Email: tgyaltshenbil@gmail.com
Fax # 02-339895

AUDITORS

NAG & ASSOCIATES
B-6, Devi Shopping Complex. P.O. Dankuni, P.S.
Dankuni, Dist: Hooghly, West Bengal, PIN: 712311
Phone No.0091-33- 2212 5217,
Date of Establishment: 22/8/1978
Fax No. 0091-33-2212 7008
E-mail: nagandassociates@gmail.com/
nagandassociates@yahoo.com

RISK BASED INTERNAL AUDIT COMMITTEE MEMBERS

- I. Mr. Sashadhar Majumder (Director)**
Salt Lake City, Kolkata-700106, India
Phone no: 033-2321 5766
Email: s_majumder_44@yahoo.co.in/s.majumder@hotmail.com

- II. Mr.Kinley Rabgay**
Internal Auditor &- Asset Declaration
Administrator
P.O. Box # 779, Thimphu
Phone No: 02-339893/339894/17635946
Email: keanleyrabgay@hotmail.com
Fax No: 02-339895
- III. Mrs.Sonam Wangmo**
Internal Audit Dept.
P.O.Box # 779, Thimphu
Phone No: 02-339893/339894/17456393
Email: somohm@gmail.com
Fax No: 02-339895

CORPORATE GOVERNANCE COMMITTEE MEMBERS

- I. Mr. Karma Tsetop Rinchhen (Director)**
A Middle Path to Bhutan, Thimphu
Phone no: 02-336474
Email: tse_rin@yahoo.co.uk
Fax No: 02-336475
- II. Mr.Kalyan Humagai**
Assistant General Manager
CSPD, Thimphu
Phone No: 02-337472/17628834
Email: kh@bhutaninsurance.com.bt
Fax No: 02-339895
- III. Mr.Singye Dorji**
Compliance Officer
Phone No: 17393376
Email: singye@bhutaninsurance.com.bt
Fax No: 02-339895

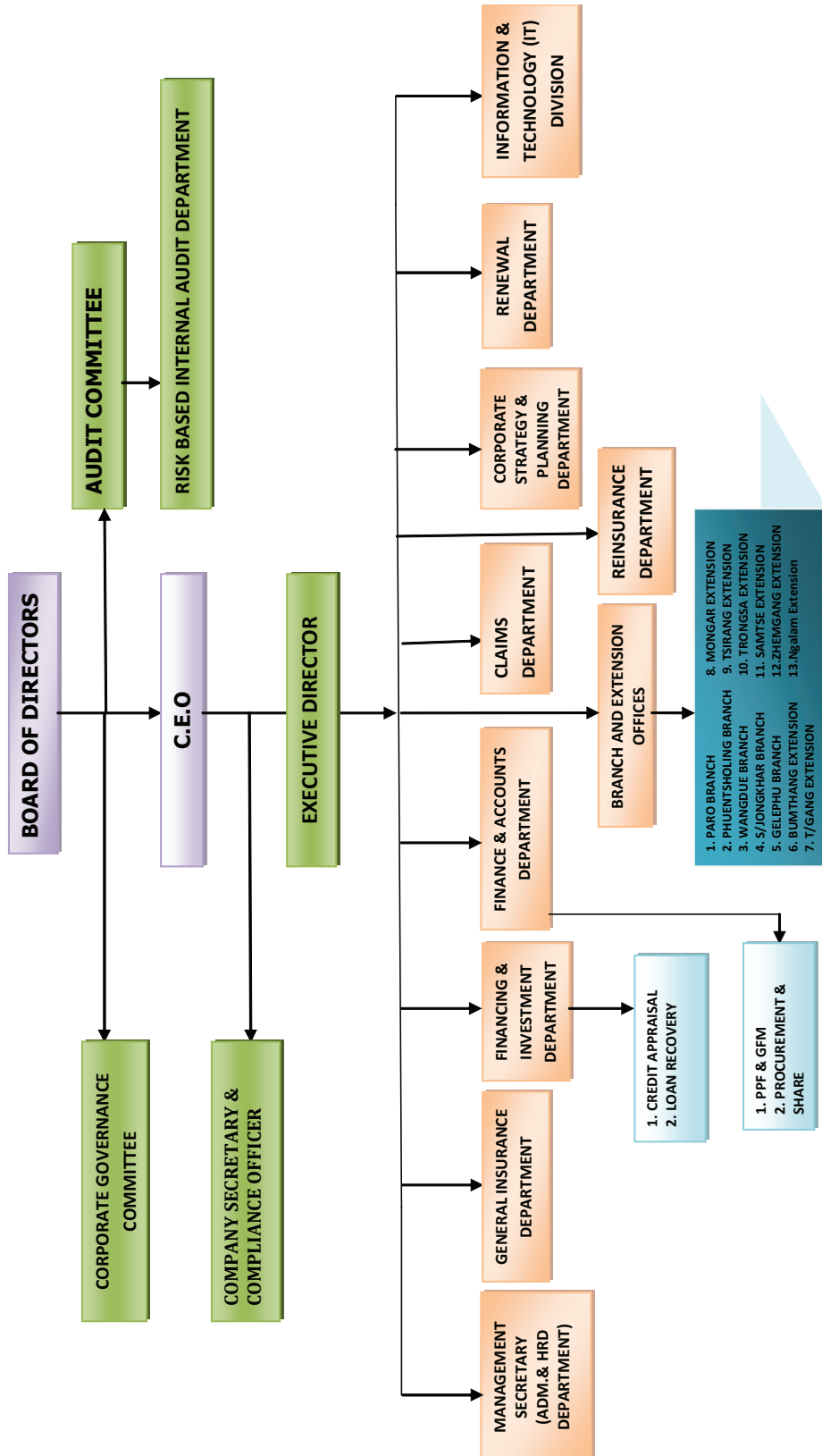
Distribution Channel

- Door to Door Service
- Banc-assurance
- Referrals
- Direct Underwriting
- Social Media (Facebook and website)

PRINCIPAL BANKERS

1. Bhutan National Bank Limited
2. Druk PNB Bank Limited

ORGANOGRAM



WORKMEN'S COMPENSATION INSURANCE



This Insurance Policy has been designed to cover the Employer's Liability under statute. (As stipulated in workers Compensation Regulation, 2009 & Labour & Employment Act 2007))

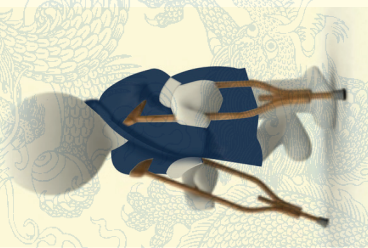
This policy provides compensation to the employees for loss of their earning capacity as a result of injury, diseases or death related to their work and work situation.



This policy is available to workers of all enterprises irrespective of size, location or nature of products and services produced within Bhutan.



Worker- means an employee who is not a managerial or supervisory employee at a workplace (As defined in the Labour & Employment Act of Bhutan 2007)



Cover(s)	Compensation
1. Death	1080 days of national minimum wage and 70% of 1 month's wage for 1 year.
2. Disability	Loss of earning: 70% of employee's one month's earning until S/he returns to work (or) up to a maximum of 5 years
	After 5 years, a lump sum amount equivalent to 365 days wage @ Nu.100 per day.
	Rehabilitation & Retraining cost aimed at enabling the disabled employee.
	Cost of assistive device.
	Cost of adaption to work place or work station.
	Support Service expenses.
	Emergency care, medical care and surgery expense.

Note: The Company shall indemnify the insured against all sums for which the insured shall be so liable, subject to the term, conditions and exemptions contained in our Policy document.

Reporting an injury or death

- The employee or representatives of the employee should notify the employer of an injury or death.
- The employer should notify the Chief Labour Administrator in writing within 2 days of that death or injury.
- In the event of death of an employee the employer should notify the nearest police station of the event as provided in section 155 of the Labour and Employment Act, 2007.
- If the employee has been insured the employer as the insured party should lodge a claim with their Insurer for injury, disease or death as soon as possible after being notified of that injury, disease or death, and in any case no later than 14 calendar days after receiving the notification.

Term of Insurance:

Generally the policies are issued on annual basis however, we may issue policies for a period in excess of 12 months where additional odd period is required (or) for period less than 12 months in cases of specific contracts to suit the requirements of the Insured.

Note:

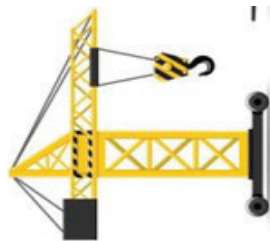
These are the summary of the policy and do not contain the full terms and conditions of the cover which can be found in our policy documents.

Projects are the cutting edge of development and a large number of our projects are related to infrastructure development involving huge financial resources. Unfortunately, even such noble projects are susceptible to risk posed by the natural calamities. Mechanism of transferring risk through insurance is one of the best options available for such project and we offers various project insurance to suite your needs viz.,



Contractors' All Risk (CAR):

is specially designed to cover engineering projects involving civil engineering works. The CAR Insurance provides coverage against any unforeseen and sudden physical loss or damage from any cause other than those specifically excluded



Erection All Risk (EAR): is designed to cover risks during the erection and installation of plant and machinery, including testing/commissioning. The EAR Insurance Policy covers the Insured against any unforeseen and sudden physical loss or damage from any cause, other than those specifically excluded.

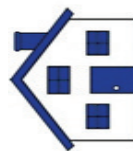


Contractors' Plant & Machinery (CPM): It is an important all risks policy covering principally movable plant and machinery owned or leased by the principal or contractors and used on site for various construction work, repairs & maintenance jobs or even regular site work.

We also provide the following services:-



Motor Insurance



Motor Insurance



Miscellaneous Insurance



Loan Protection



Aviation Insurance



Marine Insurance



Workmen Compensation



Provident Fund & Gratuity Fund



Auditors' Report & Financial Statement



Nag & Associates
Chartered Accountants

Head Office : MP - I/136, KHANDAGIRI ENCLAVE,
NEAR SISUGRUH, HOUSING BOARD COLONY
KHANDAGIRI, BHUBANESWAR - 751 030
ODISHA, INDIA
Telefax : + 91 - 674 - 2384569
E-mail : nagandassociates@gmail.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHUTAN INSURANCE LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of Bhutan Insurance Limited ("the Financial Institution"), which comprise the Statement of Financial Position as at 31st December, 2015, and the Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity for the year ended on that date, and a summary of significant accounting policies and other explanatory notes mention in the notes to the Financial Statements.

2. Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that gives true and fair view of the financial position, financial performance and the cash flow of Company in accordance with the generally accepted accounting principles and practices followed by the Non-Life insurance Company in Bhutan and those in accordance with allied provisions of The Companies' Act of Kingdom of Bhutan, RMA Prudential Regulations 2002 and Financial Services Act of Bhutan 2011 and also in accordance with Bhutan Accounting Standards promulgated by Accounting and Auditing Standards Board of 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.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the provision of schedule XIV under section 75 of Companies' Act of Kingdom of Bhutan, applicable provisions of RMA Prudential Regulations 2002, Financial Services Act of Bhutan 2011 and in accordance with International Auditing Standards. These require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of





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the 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

4. Opinion

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity are dealt with by this report have been prepared on the basis of generally accepted accounting principles and practices and as per the provisions of Laws and Regulations, these Financial Statements are in agreement with the books of account;
- iv) In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described elsewhere in this report, the financial statements give the information required by the applicable Acts and Regulations in the manner so required and give a true and fair view:
 1. In the case of the Statement of Financial Position, of the state of affairs of the Company as at 31st December, 2015;
 2. In the case of Statement of Comprehensive Income, of the profit for the year ended on that date;
 3. In the case of the Statement of Cash Flow, of the cash flows for the year ended on that date; and
 4. In the case of Statement of Changes in Equity, of the changes for the year ended on that date.

5. Other Matter

- 1) Confirmation of outstanding balances of Loan Accounts, Claims recoverable various advances, Deposits, and Other Liabilities by the respective parties were not available for our verification. The Company contended that such confirmation is not feasible as per the practices prevalent in the country.





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- 2) An amount of Nu. 6,000,000 have been invested in FIs Training Institute. However no physical share certificates were made available to us for verification of this Investment in FIs Training Institute.

Our opinion is not qualified in respect of above matters.

6. As required by Section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with Section II of Schedule XIV thereto (The Minimum Audit Examination and Reporting Requirements) we enclose in the ANNEXURE a statement on the matters specified therein to the extent applicable to the Company.

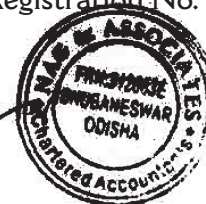
For NAG & ASSOCIATES

CHARTERED ACCOUNTANTS

Firm's Registration No. 312063E

Place: *Kolkata*
Date: *15.04.2016*

Indranath Nag
(Indranath Nag)
Partner
(M. No. 050531)





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(REFERRED TO IN PARAGRAPH 6 OF OUR REPORT OF EVEN DATE)
(TO THE EXTENT APPLICABLE)

ANNEXURE

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets with mark of codification. As per the management physical verification of fixed assets was conducted during the year, but the linking up of the physically verified fixed assets with book records is still in process. Discrepancies if any, could not be identify and commented upon.
2. The company has not taken any loan from Companies under the same management. Therefore, terms of which whether prejudicial to the interest of the Company does not arise.
3. The Company has not granted any loan, secured or unsecured to other companies, firms or other parties and/or to Companies under the same management. Therefore, terms of which whether prejudicial to the interest of the Company does not arise.
4. The Company has not given any Loans other than Staff Advance in normal course of business, recovery whereof are made as per stipulation.
5. No excessive/frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
6. In our opinion and according to the information and explanations given to us during the course of the audit, the Company has established an adequate system of internal control to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner especially in case of branches, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures.
7. (a) As explained to us transactions in pursuance of contracts or arrangement entered into with Company or Firm in which director(s) are directly or indirectly interested have been made as per similar terms & conditions applied for transactions with other parties.
- (b) The terms & conditions attached to the transactions with the related parties as disclosed in Note No.55 are not prejudicial to the interest of the other shareholders & the Company.





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8. According to the records, the Company in general is regular in depositing its provident fund, salary tax, health Contribution, TDS, Bhutan sales Tax, and other statutory dues with the appropriate authorities.
9. No undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory dues were outstanding at the year end.
10. During the course of our examination of books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses (other than those payable under contractual obligation/service rules) which have been charged to the Statement of Comprehensive Income, nor we have been informed about such cases by the Management.
11. The company is having authorized policy of recruitment of commission agents, and as Informed by the management they are screened to fit the specific criteria before being recruited.
12. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly Cash/Bank and short terms deposit etc. are reasonably adequate and no excessive amounts are lying idle in non interest-bearing accounts.
13. According to the information and explanations given to us, and on the basis of examination of books and records on test check basis, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Incorporation of the Company.
14. Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the techno-economic feasibility of such new ventures.
15. The Company has established effective budgetary control system.
16. The details of remuneration paid and payable to the Chief Executive Officer and honorarium and sitting fees paid to other directors are disclosed in Note No.51 (a). As there is no separate register being maintained for recording discloser of interest of Director, our checking is restricted to Board minutes and Management representations while checking the said document(s), we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the director's relatives (including spouse(s) and child/children) by the Company directly or indirectly.





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17. According to the information and explanations given to us, the directives of the Board have generally been complied with.
18. We are given to understand by the management that the officials of the Company are refrained from transmitting any price sensitive information which are not publicly available and unauthorized, to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.
19. The company is in the process of maintaining adequate documents and records where it has granted loans and advances for which agreement have been drawn up and timely entries have been made therein.
20. The company has generally adhered to the requirements of Financial Services Act, 2011 and other applicable laws, rules, regulations and guidelines issued by the appropriate authorities.
21. The requirements relating to provisioning for the non performing assets including loans and advances had been complied with.
22. Recognition of interest income in respect of non-performing asset has been complied with.
23. Except for few cases assets hypothecated against loan and advances have been physically verified, properly valued and mortgage deed executed and ensured that the assets are free of any prior lien or charges.
24. 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.
25. Additional loan are not granted to those who have defaulted payment of previous advances.
26. Non-Compliance of Laws/ Regulations
 - a. The company has complied with the requirements of company's act of Kingdom of Bhutan 2000.

COMPUTERISED ACCOUNTING ENVIRONMENT

- a. The company has developed a customized software system by software developer for maintenance of accounts.
- b. The operational controls are found adequate to ensure correctness and validity of input data and out put information.





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- c. 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.

27. GENERAL

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. RATIO ANALYSIS:

Significant Ratios indicating the financial Health and profitability of the company is as follows:-

Sl. No.	PERFORMANCE RATIO	RATIO/PERCENTAGE FORMULA	2015	2014
1	CAPITAL ADEQUACY	Tier1+ Tier2 Capital/ Total risk weighted assets	34.53%	56.32%
2	CORE CAPITAL	Tier1 Capital/ Total risk weighted assets	26.85%	34.67%
3	STATUTORY LIQUIDITY RATIO	Quick Assets/ total liabilities excluding capital fund and RMA liabilities	22.09%	56.34%
4	ANNULIZED GROSS PREMIUM TO SHAREHOLDERS' FUND	Gross premium/average capital employed	1.044	0.926
5	NET RETENTION	Net Premium/Gross Premium	0.439	0.404
6	COMMISSION TO NET PREMIUM	Commission net of Re-insurance/Net Premium	15.11%	25.66%
7	MANAGEMENT EXPENSE TO GROSS PREMIUM	Management Expense/Gross Premium	13.36%	14.87%
8	COMBINED RATIO	(Net Claim + Operating Expenses) *100/Earned Premium	95.84%	102.01%
9	TECHNICAL RESERVE* TO NET PREMIUM	Technical Reserve/Net Premium	0.782	0.719
10	OPERATING PROFIT	(Underwriting profit + Investment Income)/Net Premium	63.02%	60.76%
11	NET EARNING RATIO	PAT/Net Premium*100	44.12%	42.46%





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Sl. No.	PERFORMANCE RATIO	RATIO/PERCENTAGE FORMULA	2015	2014
12	ANNUALIZED RETURN ON NET WORTH	PAT/Net worth	18.89%	15.23%
13	BOOK VALUE PER SHARE	(Share Capital + Free Reserve)/ No. of Shares	17.86	15.47
14	EARNING PER SHARE	PAT/No. of Shares	3.37	2.35
15	NET WORTH OF THE COMPANY	Share Capital + Free Reserve	357,107,123	309,486,226
16	RETURN ON EQUITY	PAT/Average Capital Employed	20.24%	15.88%
17	NET WORTH TO TOTAL LIABILITIES	Net Worth/Total Liabilities	31.54%	43.95%
18	GROSS NPL RATIO	Total NPL O/s. balance/Total Loan O/s. balance	3.47%	9.01%
19	NET NPL RATIO	Net NPL Loan/ Net Total Loan	0.74%	3.15%
20	SOLVENCY RATIO	Total Available Solvency Margin/ Total Required Solvency Margin	5.57%	5.60%
21	UNDERWRITING BALANCE RATIO	Underwriting profit/Net Premium		
		FIRE	18.82%	22.60%
		MARINE	2.77%	1.91%
		OTHERS	13.95%	5.63%

28. ADHERENCE TO LAWS, RULES AND REGULATIONS:

Audit of the Company is governed by the Companies Act of Kingdom of Bhutan, 2000 and the scope of the audit is limited to examination and review of the financial statements as produced to us by the management.

In 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 Kingdom of Bhutan, 2000 and Financial Services Act of Bhutan 2011) rules and regulations, system procedures and practices.

For NAG & ASSOCIATES
Chartered Accountants
Firm's Registration No. 312063E

Place:
Dated:

Kolkata
13.04.2016

(Indranath Nag)
Partner
M.No. 050531



Notes to the Financial Statements

1. CORPORATE INFORMATION**1.1. Reporting Entity**

Bhutan Insurance Limited is a limited liability Company incorporated and domiciled in Bhutan. The registered office of the Company and the principal place of business are located at Chorten Lam, Post Box # 779, Thimphu, Bhutan. The Company was incorporated on 20th August 2009 and commenced Non- Life insurance business on same date.

1.2. Principal Activity

The Company is engaged in the business of underwriting Non- Life Insurance. BIL is also authorized by RMA to provide Financing & Investment Services, Manage Private Provident Fund (PPF) and Gratuity Fund Management (GFM).

2. BASIS OF PREPARATION**2.1. Basis of Measurement**

The Financial Statements of the Company which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Notes thereto have been prepared in accordance with the Bhutan Accounting Standards (BAS) laid down by the Accounting and Auditing Standards Board of Bhutan (AASBB) and comply with the requirements of Companies Act Kingdom of Bhutan 2000 and Financial Service Act, 2011.

2.2. Date of Authorization of Issue

The Financial Statements of Bhutan Insurance Ltd., for the year ended 31st. December 2015 were authorized for issue in accordance with the resolution of the Board of Directors on _____ 2016.

2.3. Functional and Presentation Currency

The Financial Statements are presented in Bhutanese Ngultrum (Nu.), which is the Company's functional currency as stated.

2.4. Use of Estimates and Judgments

The preparation of Financial Statements inconformity with BFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liability Income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. 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.

Critical Accounting Disclosure Reference

Estimate/Judgment	Note
Unearned premium	18c
Provision for gross outstanding claims	22b
Employee benefits	25a

2.5. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.



Notes to the Financial Statements(Contd.)

2.6. Foreign Currency Transactions

All foreign exchange transactions are converted to the functional currency at the rates of exchange prevailing at the time the transactions were affected. Insurance contracts which were underwritten in foreign currency are converted to the functional currency at the rates of exchange prevailing at the time of underwriting, and revenues recognized accordingly. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the Statement of Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES:**Application of Bhutanese Accounting Standards**

The format and disclosures in these Financial Statements has been stated in line with Bhutanese Accounting Standards. The summarized impacts of the introduction of BAS are:

The Profit and Loss Account has been re-titled the Statement of Comprehensive Income. It may include some items that were previously shown as transactions through Retained Earnings. A new Statement of Changes in Equity is now included in the financial statements. This discloses all movements in the various components of Shareholder Funds in a single location. Expenses in the Statement of Comprehensive Income are classified by nature as the Company has no major economic activity and accordingly classification by functions is not required and impracticable.

Dividends are not accounted for until they have been due and meet the recognition criteria. This means all profits for the year are included in Retained Earnings and there is no appropriation of dividend in the Statement of Comprehensive Income. The dividend figure in the Statement of Changes in Equity is the dividend declared from the previous year's trading. This is a change in accounting policy that has required the restatement of previous years' financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

3.1. Assets and Liabilities and Basis of their Valuation**3.1.1. Intangible Assets, software****(a) Basis of Recognition**

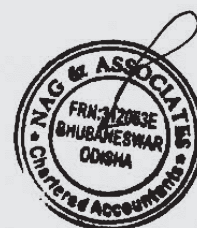
An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

(b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the Statement of Comprehensive Income as incurred.

(c) Amortization

Amortization is recognized in the Statement of Comprehensive Income on straight line basis over the estimated useful life of the software from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.



Notes to the Financial Statements(Contd.)

3.1.2. Property Plant and Equipment**(a) Basis of Recognition**

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

(b) Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

(c) Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income/other expenses" in the Statement of Comprehensive Income.

(d) Depreciation

Depreciation is calculated as per the applicable provisions of Income Tax Act of Bhutan 2001, as amended to date on straight-line basis at the prevailing rates and in the manner as prescribed.

(e) De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising on de-recognition of an item of Property, Plant and Equipment are included in the Statement of Comprehensive Income when the item is de-recognized.

3.1.3. Investments

Investments in Subsidiaries, Associates and other companies are shown at cost. The market value of investments in listed Companies is disclosed in Note 32. The value of investments is tested for impairment as and when there is an indicator of the same.

3.1.4. Financial Assets

Loans and receivables 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.

3.1.4.1. Trade and Other Receivables

Trade and other 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.

3.1.5. Non-derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expires. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non derivative financial liabilities: bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.



Notes to the Financial Statements(Contd.)

3.2. Reinsurance

The Company cedes insurance risk in the normal course of business to recognized reinsurers through formal reinsurance arrangements. Reinsurance assets represent balances due from all insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance receivables are recorded gross in the Statement of Financial Position unless a right to offset exists. Premiums and claims are presented on a gross basis for ceded reinsurance. Reinsurance assets are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance Commissions

Commissions receivable on outward reinsurance contracts are deferred and amortized over the period in which the related written premiums are earned.

3.3. Premiums Receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable.

3.4. Other Receivables

Other receivables and dues from Related Parties are recognized at carrying cost.

3.5. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

3.6. Liabilities and Provisions**3.6.1 Insurance Contract Liabilities****3.6.1.1 Non- Life Insurance Contract Liabilities**

Non- life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities known as the Policy Liability provisions include the premium and claim liabilities.

The premium liabilities relate to policies for which the premium has been received but the exposure has not fully expired, while the claim liabilities relate to claims that have been incurred but not yet settled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income. At each reporting date the Company reviews its unexpired risk.

The claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the Balance Sheet date.

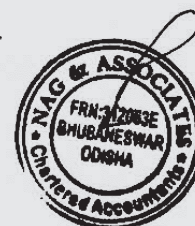
The liabilities are derecognized when the contract expires, is discharged or is cancelled.

3.6.2 Employee Benefit Obligation

- i) Contribution to Provident fund and other funds are accounted for, as and when accrued.
- ii) Gratuity is provided on accrual basis, as per the Company's Service rule.

3.6.3 Provisions

A provision is recognized if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.



Notes to the Financial Statements(Contd.)

3.7. Revenue Recognition

- 3.7.1 i) Items of income and expenditure are accounted for on accrual basis, except for Guarantee commission which is considered on cash basis.
- ii) Premiums are recognized as income, as and when due on assumption of risk.
- iii) Reinsurance premium ceded is accounted at the time of recognition of premium income in accordance with the treaty or in-principle arrangement with the re-insurers.
- iv) Interest on fixed deposits is accounted for on accrual basis.
- v) Interest, Rent etc., are accounted at gross value before deduction of tax.
- vi) Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days, in respect of which the interest income as per the guidelines issued by the Royal Monetary Authorities of Bhutan, is shown under the head. "Interest Suspense" which is taken to Profit & Loss Account on actual realization only.

3.7.2. Other Income

Other income is recognized on an accrual basis.

3.8. Reinsurance Claims

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

3.9. Expenditure Recognition

Expenses are recognized in the Statement of Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Income in arriving at the profit for the year.

3.10. Taxation**3.10.1. Current Taxes**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

3.11. Share Capital

The Company's share capital comprises of ordinary shares which are classified as equity.

3.12. 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.

3.13. 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.

3.14. 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. Contingent liabilities are disclosed in Note 26 to the Financial Statements.

3.15. Proposed Dividends

Dividend proposed/declared by the Board of Directors after the reporting date is not recognized as a liability. The resolution of the Board of Directors on -----2016 has approved the dividend for the year 2015 at -----% of the paid up capital as per Macro Prudential regulation vide letter No. -----dated -----2016 and it is disclosed as a note to the Financial Statements. For the year 2014 a dividend of 9.42% on the paid up share capital was distributed among the shareholders.



Notes to the Financial Statements(Contd.)

3.16. Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

3.17. Financial Risk Management**Overview**

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

- Credit risk
- Liquidity risk
- Market risk
- 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.

Credit Risk

Credit risk is counter-party default risk, and includes the risk of failure of financial

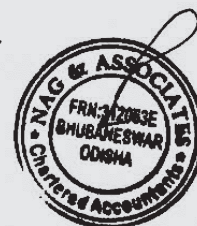
institutions with which the Company has placed deposits/investments to meet obligations and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivable, default by loan clients and failure of employees to meet loans provided 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 BIL credit manual, and above the regulatory minimum criteria. Single counter-party exposure is monitored on a monthly basis by the CRO, 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.

Credit risk to external reinsurers appears when insurance risk exposures are transferred by the Company to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present or default on benefits that are under reinsurance treaties in force. The Company's exposure to reinsurance risk is minimal as the majority of reinsurance is placed with Allianz Re, and with reinsurers with strong credit ratings approved by the Group.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The table below summaries the maturity profile of the financial assets of the Company based on their market value. The Company maintains portfolio of highly marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. Some of the specifications by the Company to mitigate the liquidity risk are shown below;

- Cash outflows identified in advance are matched through short term deposits.
- The Company maintains a foreign currency deposit which can be liquidated in the event of unexpected cash outflows.



Notes to the Financial Statements(Contd.)

Market Risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors including interest rates, foreign exchange rates and equity prices. The current uncertainties in the local and international markets and investment climate have increased the degree of impact of market risk to the Company. Market risk is an aggregation of,

- a. Interest rate risk
- b. Currency risk

(a) Interest Rate Risk

Interest rate risk is the risk of interest rate volatility adversely affecting 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. The report is reviewed by the local CRO and the BIL Risk Team.

(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 out in Bhutanese Ngultrum and hence, its exposure to foreign exchange risk arises primarily with respect to the US Dollar and Euro denominated assets maintained in order to honor liabilities of foreign currency denominated insurance policies sold in the ordinary course of business. However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

Operational Risk

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 in 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 implement 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 insurance where this is cost effective.



Notes to the Financial Statements(Contd.)

32. Investment as on 31st December 2015:

Sl. No.	Name of Organization	No. of Shares/ Bonds	Rate (Nu)	Amount (Nu.)	Remarks
1.	Central Information Bureau	175,000	10	1,750,000	Fresh in current year
2.	Dungsam Cement Corporation Limited	30,000	1,000	30,000,000	-do-
3.	Royal Insurance Corporation of Bhutan Ltd.	30,000	1,000	30,000,000	-do-
4.	Bhutan National Bank Ltd.	385,670	27	10,413,090	Till previous year
5.	Fis. Training Institute	600,000	10	6,000,000	-do-

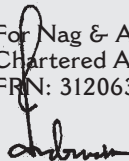
33. The company has issued bonds Nu.120,000,000 at a coupon rate of 6% p.a. under Economic Stimulus Plan as formulated by Royal Government of Bhutan.
34. BAS 18, i.e. on Revenue Recognition read with BAS 39, i.e. Financial Instrument- Recognition and measurement says the application of “Effective Interest Rate” method. This clause has not been complied with by the Company while compiling with the application of BAS, Phase-I.
35. Property Plant and Equipment has not been depreciated considering the useful life of the assets and also not tested for impairment as on 31.12.2015 as required as per the BAS 16 on Property Plant and Equipment.
36. Depreciation has been calculated as per the Income Tax Act. Deferred tax is not provided due to non existence of temporary timing difference as per BAS 12.
37. Resources of Insurance Department, Provident Fund, Gratuity Fund and Fund obtained through borrowing are centrally managed through Finance & Investment Department.
38. Contingent liabilities as at the Balance Sheet date (as certified by the management):- Guarantee issued by the Company amounting to Nu.45,342,433.00 remain unexpired as on 31st December,2015.
39. Interest income on loans of Nu.73,841,790.00 is net of suspended interest of Nu.356,558.00 which conforms to the Prudential Regulation, 2002 by Royal Monetary Authority of Bhutan.
40. Interest of Nu.3,827,424.00 has not been recognized as income & kept under Interest in suspense account.
41. Interest and late fee of Nu.9,237,192.00 and Nu.1,259,311.00 was not collected but included in total loan outstanding as on 31.12.2015.
42. Provision against non-performing loans of Nu.16,920,890.00 has been computed as per the RMA Prudential Guidelines. Additional non specific provision of Nu.8,777,626.00 has been created to consider probable loss which may arise out of potential non performing loans.
43. Current liabilities include aggregate provident Fund contribution received from various organization for which BIL has been acting as ‘Manager to Provident Fund’ amounting to Nu.93,983,992.00 (previous year Nu.67,987,911.00) & Nu.5,443,976.00 (previous year Nu.4,036,430.00) as interest accrued thereon.
44. Current liabilities include aggregate Gratuity Fund contribution received from various organization for which BIL has been acting as ‘Manager to Gratuity Fund’ amounting to Nu.250,220,764.00 (previous year Nu.52,632,709.00) & Nu.10,394,074.00 (previous year Nu.328,342.00) as interest accrued thereon.
45. Reserves for un-expired risks amounting to Nu.93,088,526.00 (previous year Nu.59,470,474.00) created in the Revenue Accounts in respect of General Insurance Business at 50% (Previous year 55%) of the net premium income during the year which have been duly reflected as General Insurance Funds in the Balance Sheet.
46. No actuarial valuation has been adopted by the Company for the purpose of determining the amount of gratuity liability. However, an amount of Nu.1,399,880.00 have been provided in the accounts towards gratuity on the presumption that all employees ceases to be employed with the Company as on 31.12.2015.
47. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.



Notes to the Financial Statements(Contd.)

- 48• The assets of the Company in Bhutan are free from all encumbrances.
- 49• Premium in respect of policies on General Insurance extended for more than one year is recognized as income in the year of service being rendered.

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner

Membership No. 05053

Place: *Kolokata*

Date: *13.04.2016*

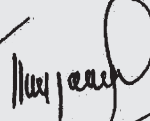


On behalf of The Board of Directors

CEO



Director



Chairman





Consolidated Statement of Financial Position as on 31st December 2015

Particulars	Note	2015 Nu.	2014 Nu.
ASSETS			
<u>Non Current Assets</u>			
Intangible Assets (Net block)	4	5,975,817	6,515,723
Property, Plant & Equipment (Net block)	5	7,785,975	8,635,949
Long Investment	6	67,750,000	6,000,000
Term Loan	7	551,230,425	329,337,425
Total Non current Assets:-		632,742,217	350,489,097
<u>Current Assets</u>			
Cash & cash equivalents	8	134,516,392	116,449,313
Short term Investment	9	45,413,090	95,413,090
Loans & Overdraft	10	247,609,711	83,222,354
Advance & other assets	11	72,119,129	58,614,913
Total current Assets:-		499,658,322	353,699,670
TOTAL ASSETS:-		1,132,400,538	704,188,767
LIABILITIES			
<u>Shareholders' Equity</u>			
Issue, Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13	157,107,123	109,486,226
CAT Reserves	13a	7,803,938	6,803,938
Total Shareholders' Equity:-		364,911,061	316,290,164
<u>Non Current Liabilities</u>			
ESP Bond	14	120,000,000	120,000,000
Total Non current Liabilities		120,000,000	120,000,000
<u>Current Liabilities</u>			
Borrowings & Funds	15	430,899,192	121,381,823
Other Liabilities	16	68,891,432	41,571,736
Provisions	17	147,698,854	104,945,045
Total current Liabilities:-		647,489,478	267,898,603
TOTAL LIABILITIES:-		1,132,400,538	704,188,767

Note:-

Contingent Liabilities (Off balance sheet)	45,342,433	29,127,193
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The schedules referred to above form an integral part of this consolidated Statement of Financial Position.

This is the Consolidated Statement of Financial Position referred to in our report of even date.

For Nag & Associates

Chartered Accountants

FRN: 310263E

(Indranath Nag)

Partner

Membership Number: 050531

Place: Kolkata

Date: 13.04.2016



On Behalf of the Board of Directors

CEO Director Chairman



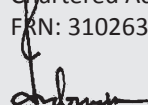
Statement of Financial Position for General Insurance Department as on 31st December, 2015

Particulars	Note	2015 Nu.	2014 Nu.
ASSETS			
<u>Non Current Assets</u>			
Intangible Assets (Net block)	4	5,975,817	6,515,723
Property, Plant & Equipment (Net block)	5	7,785,975	8,635,949
Long Term Investments	6a	66,000,000	6,000,000
Total Non current Assets:-		79,761,792	21,151,672
<u>Current Assets</u>			
Cash & cash equivalents	8a	38,014,371	13,953,141
Short term Investment	9a	341,003,992	378,514,823
Advance & other assets	11a	153,258,600	114,184,332
Total current Assets:-		532,276,964	506,652,296
TOTAL ASSETS:-		612,038,756	527,803,968
LIABILITIES			
<u>Shareholders' Equity</u>			
Issue, Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13b	151,803,689	114,961,615
Total Shareholders' Equity:-		351,803,689	314,961,615
<u>Non Current Liabilities</u>			
ESP bond	14	120,000,000	120,000,000
Total Non Current Liabilities		120,000,000	120,000,000
<u>Current Liabilities</u>			
Other Liabilities	16a	47,146,541	33,371,881
Provisions	17a	93,088,526	59,470,474
Total current Liabilities:-		140,235,067	92,842,355
TOTAL LIABILITIES:-		612,038,756	527,803,968

The schedules referred to above form an integral part of this Statement of Financial Position.





This is the Statement of Financial Position for General Insurance Department referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolokata*
Date: *15.04.2016*



On Behalf of the Board of Directors

 CEO
 Director
 Chairman


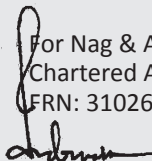

Statement of Financial Position for Financing & Investment Department as of 31st December, 2015

Particulars	Note	2015 Nu.	2014 Nu.
ASSETS			
Non current Assets			
Long term Investment	6b	1,750,000	-
Term Loans	7	551,230,425	329,337,425
Total Non current Assets		552,980,425	329,337,425
Current Assets			
Cash & cash equivalents	8b	96,502,020	102,496,172
Short term Investment	9b	35,000,000	55,000,000
Loans & Overdraft	10	247,609,711	83,222,354
Other assets	11b	1,923,682	4,022,113
Total Current Assets		381,035,413	244,740,639
TOTAL ASSETS:-		934,015,839	574,078,064
LIABILITIES			
Non current Liabilities			
General Reserves	13c	102,027,034	60,007,849
Total Non Current Liabilities		102,027,034	60,007,849
Current Liabilities			
Borrowings & Funds	15a	761,490,095	459,483,555
Other Liabilities	16b	44,800,195	29,327,915
Provisions	17b	25,698,515	25,258,745
Total Current Liabilities		831,988,805	514,070,216
TOTAL LIABILITIES:-		934,015,839	574,078,064

The schedules referred to above form an integral part of this Statement of Financial Position.


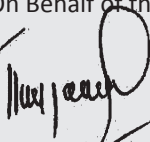
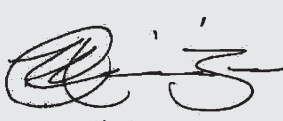
This is the Statement of Financial Position for Financing & Investment Department referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E





(Indranath Nag)
Partner
Membership Number: 050531
Place: *Thimphu*
Date: *15.04.2016*

On Behalf of the Board of Directors

CEO Director Chairman



Consolidated Statement of Comprehensive Income as of 31st December, 2015

Particulars	Note	2015 Nu.	2014 Nu.
Operating Profit transferred from Revenue A/c.			
General Insurance Department	Revenue A/c.	54,353,525	45,758,561
Financing & Investment Department	Revenue A/c.	42,019,185	21,627,525
Profit before Taxation		96,372,710	67,386,086
Provision for taxation		(28,911,813)	(20,215,826)
Profit after taxation		67,460,897	47,170,260
Prior period adjustment	30	-	(83,149)
Profit available for Appropriations		67,460,897	47,087,111
APPROPRIATIONS			
Transfer to Catastrophe Reserve		1,000,000	1,000,000
Transfer to General Reserve		66,460,897	46,087,111
TOTAL APPROPRIATIONS		67,460,897	47,087,111

Earnings per share (Nu.)	31	3.37	2.35
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The schedules referred to above form an integral part of this Consolidated Statement of Comprehensive Income. This is the Consolidated Statement of Comprehensive Income Account referred to in our report of even date.

For Nag & Associates
Chartered Accountant
FRN: 310263E

(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolokata*
Date: *15.04.2016*



On Behalf of the Board of Directors

[Signature] CEO
[Signature] Director
[Signature] Chairman



Statement of Cash Flow as of 31st December 2015:**1. Cash flow from Operating Activities**

		2015 Nu.	2014 Nu.
Profit before tax		96,372,710	67,386,086
Add: Depreciation	2,707,491		
Add: Amortization	1,393,098	4,100,589	3,693,983
Add/Less: Increase/(Decrease) in Current Liabilities		27,319,696	1,698,665
Add/Less: Increase/(Decrease) in Provision		34,057,822	2,626,548
Add/Less: Decrease/(Increase) in Current Assets		(13,504,217)	(18,083,306)
Less: Tax & Dividend Paid for last year profit		(39,055,826)	(38,700,620)
Less: Prior period taxes, penalties paid & others		-	(83,149)
Net Cash flow from operating activities	(A)	109,290,774	18,538,207

2. Cash flow from Investing Activities

Add/Less: Decrease/(Increase) in Investment	(11,750,000)
Less: Purchase of Fixed Assets	(2,710,709)

Net Cash flow from Investing activities**(B) (14,460,709) (96,618,901)****3. Cash flow from Financing Activities**

Add/Less: Increase/(Decrease) in ESP bond	-
Add/Less: Increase/(Decrease) in borrowings	309,517,369
Add/Less: Decrease/(Increase) in Loans	(386,280,357)

Net Cash flow from Financing activities**(C) (76,762,988) 116,700,578****Net Increase/(Decrease) in cash and cash equivalent****(A+B+C) 18,067,079 38,619,884****Change in Cash & Cash Equivalents**

Closing Cash & Cash equivalent	134,516,392	116,449,313
Less: Opening Cash & Cash equivalent	116,449,313	77,829,429
Net changes in Cash & cash equivalent	18,067,079	38,619,884

This is the Cash Flow Statement referred to in our report of even date.

For Nag& Associates
Chartered Accountants
FRN: 310263E

(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolkata*
Date: *15.04.2016*



On Behalf of The Board of Directors

[Signature] CEO
[Signature] Director
[Signature] Chairman

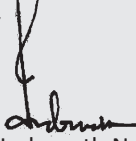


Statement of Changes in Equity as of 31st December 2015

Item	Share Capital	Reserve & Contingency	Proposed Cash Dividend	Profit & Loss Appropriation A/c.	Total
Opening Balance as on 1st January 2015	200,000,000	136,290,164	(20,000,000)	-	316,290,164
Cash Dividend Distributed during the year	-	-	(18,840,000)	-	(18,840,000)
Right Issue Share	-	-	-	-	-
Profit After Taxation	-	-	-	67,460,897	67,460,897
Appropriation made during the year	-	67,460,897	-	(67,460,897)	-
Closing Balance as on 31st December 2015	200,000,000	203,751,061	(38,840,000)	-	364,911,061
Closing Balance as on 31st December 2014	200,000,000	136,290,164	(20,000,000)	-	316,290,164



This is the Statement in Changes in Equity referred to in our report of even date.

For Nag& Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolokata*
Date: *15.04.2016*



On Behalf of The Board of Directors

 CEO
 Director
 Chairman



Notes to the Financial Statements continued

All amounts are stated in Nu. unless otherwise indicated

	2015 Nu.	2014 Nu.
4 Intangible Assets		
Acquisition cost		
Balance as at 1st January	-	-
Additions	8,434,128	8,024,687
	853,192	409,441
Balance as at 31st December	9,287,320	8,434,128
Amortization		
Balance as at 1st January	-	-
Amortization charge for the year	1,918,405	653,286
	1,393,098	1,265,119
Balance as at 31st December	3,311,503	1,918,405
Net carrying amount as at 31st December	5,975,817	6,515,723

Intangible assets represent the cost of acquisition (Nu. 7.524 million) of an Insurance Management System from M/s. Nest Innovative, Kolkata, India in year 2013 and a Loan Management System (Nu.0.5 million) from DPS, Kolkata, India in year 2012.

The assets have been amortized during the period as per the Income Tax Act of Bhutan 2001.

5 PROPERTY, PLANT & EQUIPMENT	Office Equipment	Furniture & Fittings	Computers & Printers	Motor Vehicles	Total
Cost					
Balance as at 1st January 2015	1,673,584	2,082,110	5,098,889	7,337,841	16,192,424
Additions during the year	443,723	340,744	1,073,050	-	1,857,517
Disposals during the year	-	-	-	-	-
Balance as at 31st December 2015	2,117,307	2,422,854	6,171,939	7,337,841	18,049,941
Depreciation					
Balance as at 1st January 2015	787,290	1,050,012	2,674,926	3,044,247	7,556,475
Depreciation charge for the year	317,596	363,428	925,791	1,100,676	2,707,491
Balance as at 31st December 2015	1,104,886	1,413,440	3,600,717	4,144,923	10,263,966
Carrying Amount					
Balance as at 31st December 2015	1,012,421	1,009,414	2,571,222	3,192,918	7,785,975
Balance as at 31st December 2014	886,294	1,032,098	2,423,963	4,293,594	8,635,949

6 LONG TERM INVESTMENT	2015 Nu.	2014 Nu.
Capital contribution to FIs training Institute	6,000,000	6,000,000
Investment in Bond (RICB & Dungsam Cement)	60,000,000	-
Investment in CIB Share Capital Equity	1,750,000	-
Total:-	67,750,000	6,000,000
<u>6a. General Insurance Department</u>		
Capital contribution to FIs training Institute	6,000,000	6,000,000
Investment in Dungsam Cement bond	30,000,000	-
Investment in RIBC bond	30,000,000	-
Total:-	66,000,000	6,000,000
<u>6b. Financing & Investment Department</u>		
Investment in CIB Share capital equity	1,750,000	-
Total:-	1,750,000	-
7 TERM LOANS DUES > 1 YEAR		
Manufacturing/Industry Sector Loan	77,940,640	23,367,716
Service Sector Loan	40,006,187	16,802,429
Trade/Commerce Sector Loan	29,414,064	17,885,759
Housing Sector Loan	67,225,640	20,885,784
Transport Sector Loan	215,690,257	116,761,342
Loans to Purchase Securities	35,496,080	41,917,925
Personal Loan	47,620,369	62,582,917
Staff Loan	26,226,274	18,754,250
Agriculture loan	1,452,512	-
Consumer Loan	10,158,402	10,379,303
Total:-	551,230,425	329,337,425
8 CASH & CASH EQUIVALENTS		
Cash on hand & balances with banks (8a+8b)	94,516,392	81,449,313
Fixed Deposit (Maturing >=3 months) (8a+8b)	40,000,000	35,000,000
Total:-	134,516,392	116,449,313
<u>8a. General Insurance Dept</u>		
Cash on hand & balance with banks	38,014,371	13,953,141
Total:-	38,014,371	13,953,141
<u>8b. Financing & Investment Department</u>		
Cash & Bank Balance	56,502,020	67,496,172
Fixed Deposit (maturing <= 3 months)	40,000,000	35,000,000
Total:-	96,502,020	102,496,172
9 SHORT TERM INVESTMENT		
Fixed Deposit (Maturing > 3 months but < or = 1 year)	35,000,000	85,000,000
Equity Investment (BNBL)	10,413,090	10,413,090
	45,413,090	95,413,090



9a. Short term Investment (Gen. Ins.)		2015	2014
		Nu.	Nu.
Fixed Deposit (Maturing > 3 months but < or = 1 year)	-	30,000,000	
Equity Investment (BNBL)	10,413,090	10,413,090	
Investment with FID	330,590,902	338,101,733	
	341,003,992	378,514,823	
9b. Short term Investment(FID)		2015	2014
		Nu.	Nu.
Fixed Deposit (Maturing > 3 months but < or = 1 year)	35,000,000	55,000,000	
	35,000,000	55,000,000	
10 LOANS & OVERDRAFT DUES < or = 1 YEAR			
Trade/Commerce Sector Loan	99,044,107	75,507,315	
Transport Sector Loan	210,955	173,248	
Personal Loan	147,095,337	7,212,088	
Late fees	1,259,311	329,702	
Total:-	247,609,711	83,222,354	
11 ADVANCE & OTHER ASSETS			
RMA Reserve A/c.	30,000	30,000	
Security deposit for office space	133,000	130,000	
Interest on Fixed Deposit receivable	1,583,251	4,374,716	
Interest receivable on Bond	1,588,356	-	
Aviation insurance premium receivable	52,827,118	41,376,825	
Pre paid insurance	-	48,686	
Advance CIT & TDS paid to RRCO	11,758,897	9,676,843	
RMA Penalty Deposit A/c.	100,000	100,000	
Salvage amount receivable	1,200,301	-	
Other advance	230,510	628,232	
Aviation RI commission receivable	2,667,696	2,249,610	
Total:-	72,119,129	58,614,913	
11a. General Insurance Department			
RMA Reserve A/c.	30,000	30,000	
Security deposit for office space	133,000	130,000	
Interest on Fixed Deposit receivable	-	352,603	
Interest on Investment fund Receivable (FID)	21,132,684	19,597,898	
Interest receivable on Bond	1,588,356	-	
Aviation/Engg. insurance premium receivable	52,827,118	41,376,825	
Pre paid insurance	-	48,686	
Advance CIT & TDS paid to RRCO	11,418,466	9,676,843	
RMA Penalty Deposit A/c.	100,000	100,000	
Salvage amount receivable	1,200,301	-	
FID Expenses receivable	1,922,620	1,530,162	
Other advance	230,510	628,232	
Aviation RI commission receivable	2,667,696	2,249,610	
Counter entry of FID last year Reserve	60,007,849	38,463,473	
Total:-	153,258,600	114,184,332	



11b. Financing & Investment Department

	2015 Nu.	2014 Nu.
Interest receivable on Fixed deposit	1,583,251	4,000,387
TDS on Fixed Deposit paid to RRCO	340,431	21,726
	1,923,682	4,022,113

12 CAPITAL FUND

	2015 Nu.	2014 Nu.
Authorized capital (5000000 Equity share of Nu 100 each)	500,000,000	500,000,000
	500,000,000	500,000,000
Issued, Subscribed and Paid-up (2000000 Equity share of Nu 100 each)	200,000,000	200,000,000
	200,000,000	200,000,000

13 GENERAL RESERVES

General Reserve balance as at 1st January	109,486,226	83,399,115
Profit for the year	67,460,897	47,087,111
Dividend Paid for previous year	(18,840,000)	(20,000,000)
CAT Reserve for the year (13a)	(1,000,000)	(1,000,000)
Balance as at 31st December	157,107,123	109,486,226

13a. CAT RESERVES

CAT Reserve as at 1st January	6,803,938	5,803,938
CAT Reserve for the year	1,000,000	1,000,000
Balance as at 31st December	7,803,938	6,803,938

13b. General Insurance Department

General Reserve balance as at 1st January	97,450,164	69,203,054
Profit for the year	54,353,525	45,758,561
Balance as at 31st December	151,803,689	114,961,615

13c. Financing & Investment Department

General Reserve as at 1st January	60,007,849	38,463,473
Profit for the year	42,019,185	21,544,376
Balance as at 31st December	102,027,034	60,007,849

14 ESP bond Liabilities

ESP bond	120,000,000	120,000,000
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15 BORROWING & FUNDS

Borrowings from BNBL & GIC Bhutan Re.	86,000,000	-
Funds from PPF Division	93,983,991	67,987,913
Funds from SWF	773,588	761,201
Funds from Staff Gratuity A/c.	250,141,613	52,632,709
Total:-	430,899,192	121,381,823

15a. Financing & Investment Department

Borrowings from BNBL & GIC Bhutan Re.	86,000,000	-
Funds from General Insurance Dept.	330,590,903	338,101,733
Funds from PPF Division	93,983,991	67,987,913
Funds from SWF	773,588	761,201
Funds from Staff Gratuity A/c.	250,141,613	52,632,709
Total:-	761,490,095	459,483,555



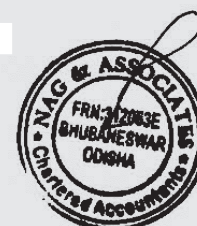
16 OTHER LIABILITIES	2015 Nu.	2014 Nu.
Outstanding expenses	263,525	686,542
Outstanding claim	18,619,468	13,503,530
Referral fees & RI Accepted commission payable	3,654,384	2,202,623
Gratuity fund payable	1,399,880	1,331,079
Stale cheques	405,946	344,778
Unclaim Dividend	3,108,475	3,867,368
Advance received of insurance premium for 3 years	54,168	104,842
TDS payable to RRCO	5,075	-
RI ceded payable	14,370,103	6,065,602
Interest payable to BNBL & GIC Re.	758,562	-
Interest payable to PPF Division	5,443,976	4,036,430
Interest payable to SWF	54,366	52,387
Interest in suspense A/c.	3,827,424	3,470,866
Late fee suspense A/c.	1,254,557	310,448
Interest payable to Staff Gratuity A/c.	10,394,074	328,342
CIB Charges payable	10,550	-
Interest payable to ESP fund	5,266,899	5,266,899
Total:-	68,891,432	41,571,736

16a. General Insurance Department

Outstanding expenses	263,525	686,542
Outstanding claim	18,619,468	13,503,530
Referral fees & RI Accepted commission payable	3,654,384	2,202,623
Gratuity fund payable	1,399,880	1,331,079
Stale cheques	404,563	343,395
Unclaim Dividend	3,108,475	3,867,368
Advance received of insurance premium for 3 years	54,168	104,842
TDS payable to RRCO	5,075	-
RI ceded payable	14,370,103	6,065,602
Interest payable to ESP Fund	5,266,899	5,266,899
Total:-	47,146,541	33,371,881

16b. Financing & Investment Department

Interest payable to BNBL & GIC Bhutan Re.	758,562	-
Interest payable to General Insurance Dept.	21,132,684	19,597,898
Interest payable to PPF Division	5,443,976	4,036,430
Interest payable to SWF	54,366	52,387
Mgt. Expenses payable to Gen. Insurance	1,922,620	1,530,162
Interest in suspense A/c.	3,827,424	3,470,866
Late fee suspense A/c.	1,254,557	310,448
Interest payable to Gratuity Fund A/c.	10,394,074	328,342
CIB Charges payable	10,550	-
Stale cheque	1,383	1,383
Total:-	44,800,195	29,327,915



17 PROVISIONS

	2015 Nu.	2014 Nu.
Provision for unexpired risk (17a)	93,088,526	59,470,474
Provision for Loan (17b)	25,698,515	25,258,745
Provision for taxation	28,911,813	20,215,826
Total:-	147,698,854	104,945,045

17a. General Insurance Department

Provision for un expired risk as per last Account	59,470,474	62,369,172
Add: Provision for unexpired risk current year	33,618,052	(2,898,698)
Total:-	93,088,526	59,470,474

17b. Financing & Investment Department

i) Provision for standard Loan as per last year A/c.	3,020,015	2,805,536
Add:- Additional Provision for current year	2,396,097	214,479
Total:-	5,416,112	3,020,015
ii) Provision for Watch Loan as per last year A/c.	1,057,381	933,669
Add:- Additional Provision for current year	2,304,133	123,712
Total:-	3,361,514	1,057,381
iii) Provision for Sub standard as per last year A/c.	21,181,349	15,994,294
Add:- Additional Provision for current year	(4,260,460)	5,187,055
Total:-	16,920,889	21,181,349
Total (i + ii + iii):-	25,698,515	25,258,745

17c. Provision against loan charged for the year

i) Provision for standard Loan for the year	2,396,097	214,479
ii) Provision for Watch Loan for the last year	2,304,133	123,712
iii) Provision for Sub standard Loan for the year	(4,260,460)	5,187,055
Total:-	439,770	5,525,246

Provision on Loan outstanding Principal amount for the Non-Performing Loans is made as per the guidelines issued by Royal Monetary Authority of Bhutan at the following rate revised with effect from 31st. December 2012 and further amendment vide letter No. RMA/FRSD/34/2015-2016/0561 dated 13th. August 2015.

<u>Category</u>	<u>Days</u>	<u>% rate</u>
1. Standard	Up to 30	1%
2. Watch	31 - 90	1.5%
3. Substandard	91 - 180	15% and 30% for highest exposure except agriculture.
4. Doubtful	181 - 18 months	50% and 60% for highest exposure except agriculture.
5. Loss	> 18 months	100%

18 NET EARNED PREMIUM (Direct + Accepted)

Fire	99,880,845	84,119,999
Marine	11,045,738	6,189,466
Motor	122,132,795	88,509,313
Misc.	115,002,365	95,842,988
Gross written premium (18a + 18b)	348,061,743	274,661,767
Premium ceded to reinsurers (18c)		(166,533,632)
	(161,528,540)	
Net written premium	186,533,203	108,128,135
Net change in reserve for unearned premium (18d)		2,898,698
	(33,618,052)	
Net earned premium	152,915,151	111,026,833



18a. Premium Direct	2015 Nu.	2014 Nu.
Fire	85,109,027	74,763,283
Marine	11,045,738	6,189,466
Motor	122,132,795	88,509,313
Misc	52,417,384	45,596,688
Total:-	270,704,944	215,058,750

18b. Premium Accepted		
Fire	14,771,818	9,356,717
Misc	62,584,980	50,246,300
Total:-	77,356,799	59,603,017

18c. Premium Ceded to reinsurers		
Fire	44,032,895	58,761,393
Marine	4,767,165	4,733,056
Motor	11,261,615	10,602,490
Misc	101,466,865	92,436,693
Total:-	161,528,540	166,533,632

18d. Net change in reserve for unearned premium		
Opening balance as per last account	59,470,474	62,369,172
Add/Less: Increase/(decrease) during the year	33,618,052	(2,898,698)
Total:-	93,088,526	59,470,474

19 COMMISSION INCOME (Reinsurers ceded)		
Fire	14,039,310	19,242,089
Marine	1,645,181	1,228,251
Misc.	16,817,576	13,805,299
Total:-	32,502,067	34,275,638

20 INCOME FROM INVESTMENT		
Fixed Deposit	1,757,671	1,772,877
Dividend income	385,670	-
Interest from Bond (RICB & Dungsam Cement)	2,788,356	-
Interest Received from FID (Gen. Insurance Fund)	21,132,684	19,597,898
Total:-	26,064,381	21,370,774

21 OTHER INCOME	2015 Nu.	2014 Nu.
Sale of Scraps	4,645,409	3,329,561
Exchange gain/(loss)	1,432,371	356,407
Total:-	6,077,780	3,685,968

22 GROSS CLAIMS		
Claims paid (Including advance) (22a)	153,472,428	130,159,669
Add: Outstanding claims (excluding advance) (22b)	18,619,468	13,503,530
Less: O/s. claims at the beginning of the year (22c)	13,503,530	21,716,902
Total:-	158,588,366	121,946,297



22a. Total Gross claims

Claims paid (Including advance):-

	2015 Nu.	2014 Nu.
Fire	17,470,978	4,515,454
Marine	206,158	2,287,155
Motor	106,665,086	97,983,029
Misc.	29,130,206	25,374,031
Total:-	153,472,428	130,159,669

22b. Outstanding claims (Excluding advance)

Fire	951,209	13,150
Marine	18,941	45,000
Motor	16,352,106	9,921,248
Misc.	1,297,212	3,524,133
Total :-	18,619,468	13,503,530

22c. Outstanding claims at the beginning of the year

Fire	13,150	575,000
Marine	45,000	669,760
Motor	9,921,248	19,858,142
Misc.	3,524,133	614,000
Total:-	13,503,530	21,716,902

23 REINSURERS RECOVERIES ON CLAIMS

Fire	10,337,704	3,423,574
Marine	-	2,254,210
Motor	24,897,290	24,473,290
Misc.	23,314,643	19,386,203
Total:-	58,549,638	49,537,276

24 COMMISSION EXPENSES (24a + 24b)

Fire	5,066,255	3,237,944
Marine	110,006	80,677
Motor	1,575,291	1,155,288
Misc.	2,649,529	1,309,758
Total:-	9,401,082	5,783,667

24a. Commission Expenses (Referral fees)

Fire	1,497,553	1,098,277
Marine	110,006	80,677
Motor	1,575,291	1,155,288
Misc.	1,706,321	1,251,382
Total:-	4,889,172	3,585,624

24b. Commission Expenses (RI Accepted)

Fire	3,568,702	2,139,667
Misc.	943,208	58,376
Total:-	4,511,910	2,198,043



	2015 Nu.	2014 Nu.
25 OPERATING EXPENSES		
Employees remuneration and welfare benefit (25a)	28,991,998	24,687,188
Communication expenses	3,382,331	4,117,895
Training expenses	1,559,283	1,230,893
Rental charges	2,201,984	2,089,520
Repairs & Maintenance	325,114	501,000
Printing and stationary	530,627	417,089
Legal and Professional Charges	2,067,543	2,032,790
Advertisement and publicity	2,889,273	1,624,125
Other Misc. expenses	464,802	365,985
Depreciation & Amortization (4 & 5)	4,100,589	3,693,983
Total:-	46,513,545	40,760,467
Expenses Allocation:		
Fire Insurance	13,995,926	12,264,825
Marine Insurance	1,055,857	925,263
Motor Insurance	15,102,948	13,234,924
Miscellaneous Insurance	16,358,814	14,335,456
Total Expenses allocation	46,513,545	40,760,467
25a. Employee remuneration & welfare benefits		
Salaries to staff	15,713,034	14,920,194
PF (BIL Share)	1,523,092	1,404,721
Communication allowance	347,297	308,396
Fuel allowance	414,202	435,344
Cash handling allowance	63,675	63,774
Corporate allowance	4,616,705	4,222,519
Housing allowance	1,360,080	-
Leave Encashment amount	915,157	779,919
Staff Insurance premium	81,097	29,753
Staff Canteen & refreshment expenses	282,038	209,679
LTC	886,920	823,814
Gratuity expenses contribution	1,567,428	1,283,361
Staff incentive expenses	1,221,275	205,714
Total:-	28,991,998	24,687,188
25b. Other Expenses on ESP bond & Equity		
Interest paid on ESP bond	7,200,000	5,266,899
Listing Fees of ESP bond	52,500	302,500
Brokerage charges on BNBL equity investment	-	78,098
Total:-	7,252,500	5,647,497



26 INTEREST INCOME (Net of Suspense)	2015 Nu.	2014 Nu.
Commercial vehicle Loan	20,432,304	15,345,326
Commercial Establishment Loan	1,037,657	1,129,078
Industrial Manufacturing Loan	5,840,731	3,074,618
Services & Tourism	9,326,720	1,836,625
Housing Loan	5,297,405	2,035,037
Personal Loan	9,554,667	9,546,697
Staff Loan	1,580,233	1,396,138
Venture Loan	15,556,793	10,307,057
PPF Loan	198,103	152,837
GE/PE Loan	50,513	91,499
Agriculture Loan	15,599	-
Loan against shares	5,307,624	3,897,686
Total:-	74,198,349	48,812,598
Less: Interest in suspense provision	(356,558)	(1,687,087)
Net interest received	73,841,790	47,125,511

27 OTHER INCOME		
Guarantee Commission	2,571,759	1,658,684
Administration & other Charges	1,659,047	69,527
Interest from FD	4,386,562	4,434,908
Late fees Income (Net of Suspense)	737,248	799,386
Total:-	9,354,616	6,962,505

28 INTEREST EXPENSES		
Interest on borrowing Funds (DPNB, BNBL& GIC Re.)	1,732,969	949,559
Interest on General Insurance Fund	21,132,684	19,597,898
Interest on PPF Fund	5,443,976	4,036,430
Interest on SWF	54,366	52,387
Interest on Staff Gratuity A/c.	10,394,074	328,342
Total :-	38,758,068	24,964,615

29 OPERATING EXPENSES (Financing & Inv. Dept)		
Salary, wages, allowance & PF	1,165,788	818,557
Leave Encashment benefit	28,688	28,423
LTC	56,332	41,067
Travelling Expenses	16,684	18,052
Printing & Stationary expenses	170,000	198,585
Training Expenses	30,000	-
Postage & Telegram expenses	11,958	10,794
Legal Charges	6,470	392,500
Telephone & Fax expenses	79,931	144,331
Canteen Expenses	83,182	84,541
Internet expenses	120,634	99,403
Electricity Charges	45,162	34,911
Gratuity expenses	69,692	47,718
Staff incentives	38,099	-
CIB & CRS charges	43,300	-
Advertisement expenses	12,066	51,070
Bank charges	1,399	678
Total:-	1,979,385	1,970,630



30	<u>PRIOR PERIOD ADJUSTMENT</u>	2015	2014
		Nu.	Nu.
	Short provision of loan loss in previous year	-	83,149
	Total:-	-	83,149
31	<u>EARNINGS PER SHARE</u>		
	Profit attributable to ordinary shareholders	67,460,897	47,087,111
	Weighted average No. of ordinary shares	20,000,000	20,000,000
	Earnings per share (Nu.)	3.37	2.35



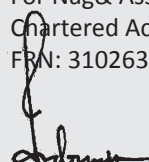
Statement of Financial Position for Private Provident Fund as on 31st December 2015

Particulars	Schedule	Nu. 2015	Nu. 2014
LIABILITIES			
Employees' & Employers' Contribution (Net)	1	86,585,798	63,651,907
Interest Credited to Members' Accounts (Net)	2	12,842,171	8,372,434
		99,427,968	72,024,341
ASSETS			
Fund Deposited with BIL	3	93,983,992	67,987,911
Other Assets	4	5,443,976	4,036,430
		99,427,968	72,024,341

The schedules referred to above form an integral part of this Statement of Financial Position.

This is the Statement of Financial Position of Private Provident Fund referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner

Membership Number: 050531

Place: *Kolokata*

Date: *13.04.2016*

On Behalf of The Board of Directors

 CEO
 Director
 Chairman



Revenue Account for Private Provident Fund as on 31st December, 2015

Particulars	Schedule	Nu. 2015	Nu. 2014
INCOME			
Return on deposit with BIL		5,443,976	4,036,430
Total (A):-		5,443,976	4,036,430
EXPENSES			
Return on employees' contribution		2,721,988	2,018,215
Return on employers' contribution		2,721,988	2,018,215
Total(B) :-		5,443,976	4,036,430

The schedules referred to above form an integral part of this Revenue Account

This is the Revenue Account of Private Provident Fund referred to in our report of even date


For Nag& Associates
Chartered Accountants
FRN: 310263E



(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolkata*
Date: *15.04.2016*



On Behalf of The Board of Directors


Director


Director


Chairman



Schedules attached to and forming part of the Accounts for Private Provident Fund as on 31st December 2015

1	Employees' & Employers' Contribution Particular	2015			2014		
		Employees' Contribution	Employers' Contribution	Total Contribution	Employees' Contribution	Employers' Contribution	Total Contribution
	As per last Account (Net of refund)	31,823,696	31,828,209	63,651,908	23,216,809	23,217,848	46,434,657
	Add:- contribution during the year	15,148,112	15,136,612	30,284,725	11,505,288	11,505,290	23,010,578
		46,971,808	46,964,821	93,936,632	34,722,097	34,723,138	69,445,235
	Less: Refund during the year	-3,675,417	-3,675,417	-7,350,834	-2,898,401	-2,894,929	-5,793,331
	Total:-	43,296,390	43,289,404	86,585,798	31,823,696	31,828,209	63,651,907

2	Interest on Employees' & Employers' Contribution Particular	2015			2014		
		Employees' Contribution Interest	Employers' Contribution Interest	Total Interest	Employees' Contribution Interest	Employers' Contribution Interest	Total Interest
	As per last Account (Net of refund)	4,185,729	4,186,705	8,372,434	2,487,547	2,487,942	4,975,489
	Add:- contribution during the year	2,721,865	2,722,111	5,443,976	2,017,928	2,018,502	4,036,430
		6,907,595	6,908,815	13,816,410	4,505,475	4,506,444	9,011,919
	Less: Refund during the year	-487,120	-487,120	-974,239	-319,745	-319,740	-639,485
	Total:-	6,420,475	6,421,696	12,842,171	4,185,729	4,186,705	8,372,434

3	Investment with BIL		
		As per last Account	Add:- Deposited during the year
		67,987,911	48,655,959
		25,996,081	19,331,952
	Total:-	93,983,992	67,987,911

4	Other Assets		
		Receivable from BIL (Interest Accrued)	
		5,443,976	4,036,430



Statement of Financial Position for Gratuity Fund Management as on 31st. December 2015

Particulars	Schedule	Nu. 2015	Nu. 2014
LIABILITIES			
Contribution (Net)	1	249,820,235	52,632,709
Interest Credited to Members' Accounts (Net)	2	10,715,452	328,342
		260,535,687	52,961,051
ASSETS			
Fund Deposited with BIL	3	250,141,614	52,632,709
Other Assets	4	10,394,074	328,342
		260,535,687	52,961,051

The schedules referred to above form an integral part of this Statement of Financial Position.

This is the Statement of Financial Position of Gratuity Fund Management referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolkata*
Date: *15.04.2016*



On Behalf of The Board of Directors

 CEO
 Director
 Chairman



Revenue Account for Gratuity Fund Management as on 31/12/2015

Particulars	Schedule	Nu. 2015	Nu. 2014
INCOME			
Return on deposit with BIL		10,394,074	328,342
Total (A):-		10,394,074	328,342
EXPENSES			
Return on contribution		10,394,074	328,342
Total(B) :-		10,394,074	328,342

The schedules referred to above form an integral part of this Revenue Account

This is the Revenue Account of Gratuity Fund Management referred to in our report of even date

For Nag & Associates
Chartered Accountants
FRN: 310263E

(Indranath Nag)
Partner

Membership Number: 050531


Place: *Kolokata*

Date: *15.04.2016*



On Behalf of The Board of Directors

[Signature] CEO *[Signature]* Director *[Signature]* Chairman



Schedules attached to and forming part of the Accounts for Gratuity Fund Management as on 31st. December 2015

1	Contribution	2015	2014
	Particular	Contribution	Contribution
	As per last Account (Net of refund)	52,632,709	-
	Add:- contribution during the year	206,713,480	52,632,709
		259,346,189	52,632,709
	Less: Refund during the year	-9,525,954	-
	Total:-	249,820,235	52,632,709
2	Interest on Contribution		
	Particular	Interest on Contribution	Interest on Contribution
	As per last Account (Net of refund)	328,342	-
	Add:- contribution during the year	10,394,074	328,342
		10,722,416	328,342
	Less: Refund during the year	-6,964	-
	Total:-	10,715,452	328,342
3	Investment with BIL		
	As per last Account	52,632,709	-
	Add:- Deposited during the year	197,508,904	52,632,709
	Total:-	250,141,614	52,632,709
4	Other Assets		
	Receivable from BIL (Interest Accrued)	10,394,074	328,342





Bhutan Insurance Limited

Providing Security, Building Confidence

NEW
SCHEME

STUDENT CARE INSURANCE

One Policy with **affordable premium** covering both **parent and student child**

This policy can be bought by the parent/guardian for their school & college going children (including other educational or vocational institutes) which can serve as backup for the student to continue their education even when their parents/guardians are not around.

Cover under this policy

It's a 24/7 worldwide Personal Accident Insurance cover for the parent/guardian, and the student. In the event of demise or PTD of the parent/guardian due to accident, an annual education allowance to the tune of Sum Insured shall be paid over a period of 4 years without having to renew the policy which is expected to assist the student to continue their education. Further, the insured student is also covered for personal accident to the tune of 60% of the Sum Insured in the event of PTD or demise.

Details of risk cover

This policy covers two perils for both the student and parent

1. Accidental demise, and
2. Permanent total disability due to accident

Who can buy?

1. Parent or guardian up to the age of 65 for their school or college children
2. Students aged 18 years of age and above
3. Schools & Institutions

Categories of the Student Care Insurance

1. School Students (age 3 and above - between KG to class 12) - Sum insured minimum Nu. 50,000 and maximum Nu. 100,000
2. College students (up to age 25) - Sum insured minimum Nu. 100,000, maximum Nu. 200,000

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