



8th Annual Report
2016



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Directors' Report



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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

Dear Shareholders,

A very warm welcome to the 8th AGM of Bhutan Insurance Ltd.

BIL marks its eight anniversary this year and I would like to take the opportunity to take this occasion to remind our gathering today that we have come a long way in the last eight years. This short journey has enriched us with substantial experience and exposure in the field of non-life insurance, Investment and Fund management segments.

The company has gained maturity by facing up to challenges both external as well as internal that have posed problems in smooth functioning over the years.

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. We will continue to enhance and execute the respective segment's niche business to create long-term value to all our stakeholders. We will keep alive our determination and for the betterment of the company and the growth of margins for our shareholders- all towards getting better and better in the years to come.

1. Business Performance

In the year 2016, our company has written a gross premium of Nu.386.1 million whereas in 2015 the gross premium written was only Nu.348.061 Million.

The loan assets as on 31st December, 2016 were Nu. 1,001.939 Million and in 2015 it was Nu. 798.84 Million. Hence, there is a growth of 25.42%. The interest income during the year 2016 for FID was Nu.120.763 Million with a growth of 45.154% compared to 2015.

Similarly, the Gratuity fund has increased to Nu.319.528 Million in 2016 from Nu.250.141 Million in 2015. The Private Provident Fund has increased to Nu.124.004 Million in 2016 from Nu.93.984 Million in 2015.

The total asset of the Company has reached to Nu.1.337 Billion in 2016 from Nu.1.132 Billion in 2015.

The company has earned a pre-tax profit of Nu. 141.043 Million for the year and profit available for appropriation is Nu.98.384 Million.

2. Financial & Operational Review:

A. Financial Profitability (Figures in Millions)

	2016	2015
Operating Profit		
General Insurance Department (Revenue A/c)	74.94	54.35
Financing & Investment Department (Revenue A/c)	65.76	42.02
Profit Before Tax	141.04	96.37
(Less) Provision for Tax	42.66	28.91
Profit After Tax	98.38	67.46

3. Branch/Extension Offices

Bhutan Insurance Limited has now 16 offices in 15 Dzongkhags .In order to facilitate our clients with better service and also with the expansion of business; we have plans to open our new extension office in Tashiyangtse in March, 2017.

4. Human Resources

The company in its seven and half years of operation has grown significantly and in order to meet the business demand, more staff was recruited in 2016 bringing the total staff strength of BIL to 87.

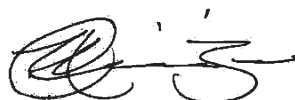
Since, Human resources plays an important role in the growth of the business, the board and the management of BIL emphasized in enriching the efficiency and knowledge of the employees through training, seminars and workshops. A good number of employees were trained in their specific field through BIL fund over the years.

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

Establishment	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

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

BIL EXTENSION OFFICE

Establishment	Address	Telephone No.	Fax No.
Bumthang	Opposite Home Collection Shop, Chamkhar Town.	03-631565	03-631271
Gedu	Ground Floor, BDBL Office, Lapsakha	05-282230	02-282231
Haa	Ground Floor of Kipchu Tshongkhang, Lower Market, Haa Town	08-375220	08-375332
Khuruthang	Behind BNBL office, Khuruthang Town	02-584348	02-584351
Mongar	1st Floor, near BNBL Office	04-641407	04-641408
Nganglam	Near BNBL Office, Nganglam Town	07-481008	07-481009
Tsirang	Near Taxi Parking, 1st Floor, Hasty Nasty 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
Tashiyangtse	Behind BDBL Office, Tashiyangtse Town	04-781251	04-781152
Samtse	Above Drodul Chorten, Lichibari, Samtse Town	05-365568	05-365568
Zhemgang	KD Building , Main Parking , Zhemgang Town	03-741165	03-741173

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 17 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, and 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

BRANCHES 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
- 14.01.2016 : Extension office at Khuruthang

- 17.01.2016 : Extension office at Gedu
 05.08.2016 : Extension office at Haa
 26.04.2017 : Extension office at Tashiyangtse

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, Tonga
- Senegal-Re, Senegal
- Sava-Re, Ljubljana, Slovenia
- Uganda-Re, Uganda
- Nepal-Re, Nepal
- NCA-Re , Abidjan, Republic of Cote d' Ivoire
- Misr Insurance Company, Egypt

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 Establishment 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 BUSINESS

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 Personal Accident Insurance (Individual & Group)	- Auto Insurance Policy (Private & Commercial) - Money Insurance Policy - Fire Insurance Policy & Enhanced Rural Policy
b. COMMERCIAL LINE INSURANCE Marine Cargo & Transit Policy	- Fidelity Guarantee Policy - Aviation Policy - Loan Protection Insurance
c. INDUSTRIAL LINE INSURANCE Fire Policy	- Burglary Policy - Machinery Breakdown Policy - Contractors Plant & Machinery Policy - Construction Project Insurance - Fire Loss of Profit Policy
d. LIABILITY INSURANCE	- 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 transact 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)**
M/s Yangphel Private Limited, Thimphu
Phone no: 02-323293
Email: ugyen@yangphel.com
urinzin@bhutaninsurance.com.bt
- II. Mr. Karma Tsetop Rinchhen (Director)**
M/s A Middle Path to Bhutan, Thimphu
Phone: 02-336474
Fax: 02-336475
Email: tse_rin@yahoo.co.uk
- III. Mr. Sashadhar Majumder (Independent Director)**
Salt Lake City, Kolkata-700106, India
Phone: 033-2321 5766
Email: s_majumder_44@yahoo.co.in/s.majumder@hotmail.com
- IV. Mr. Kunzang Namgyel (Independent Director)**
Building no.31, above NPPF Colony, Thimphu
Mobile No.: 17110004
- V. Mr. Thinlay Gyamtsho (Director)**
M/s T & K Construction Pvt Ltd
PO Box no.881
Thimphu
Phone: 02-338094
Fax: 02-338094
Email: tnk_construction46@yahoo.com
- VI. Mr. Tshering Gyaltshen (CEO/Member Secretary)**
Bhutan Insurance Limited, P.O.Box #779, Chorten Lam, Thimphu
Phone: 02-339892/93/94
Fax: 02-339895
Email: tgyaltshenbil@gmail.com

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 (Independent 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. Thinlay Gyamtsho (Director)**
M/s T & K Construction Pvt Ltd
PO Box no.881
Thimphu
Phone: 02-338094
Fax: 02-338094
Email: tnk_construction46@yahoo.com

- III. Mr. Kinley Rabgay**
Internal Auditor & Asset Declaration
Administrator, BIL, Thimphu
Phone No: 02-339893/339894/17635946
Fax No: 02-339895
Email: keanleyrabgay@hotmail.com

- IV. Mrs. Sonam Wangmo**
Internal Audit Department, BIL, Thimphu
Phone No: 02-339893/339894/17456393
Fax No: 02-339895
Email: somohm@gmail.com

CORPORATE GOVERNANCE COMMITTEE MEMBERS

- I. Mr. Karma Tsetop Rinchhen (Director)**
M/s A Middle Path to Bhutan, Thimphu
Phone no: 02-336474
Fax No: 02-336475
Email: tse_rin@yahoo.co.uk
- II. Mr. Kunzang Namgyel (Independent Director)**
Building no.31, above NPPF Colony, Thimphu
Mobile No.: 17110004
- III. Mr. Kalyan Humagai**
General Manager
CSPD, BIL, Thimphu
Phone No: 02-337472/17628834
Fax No: 02-339895
Email: kh@bhutaninsurance.com.bt

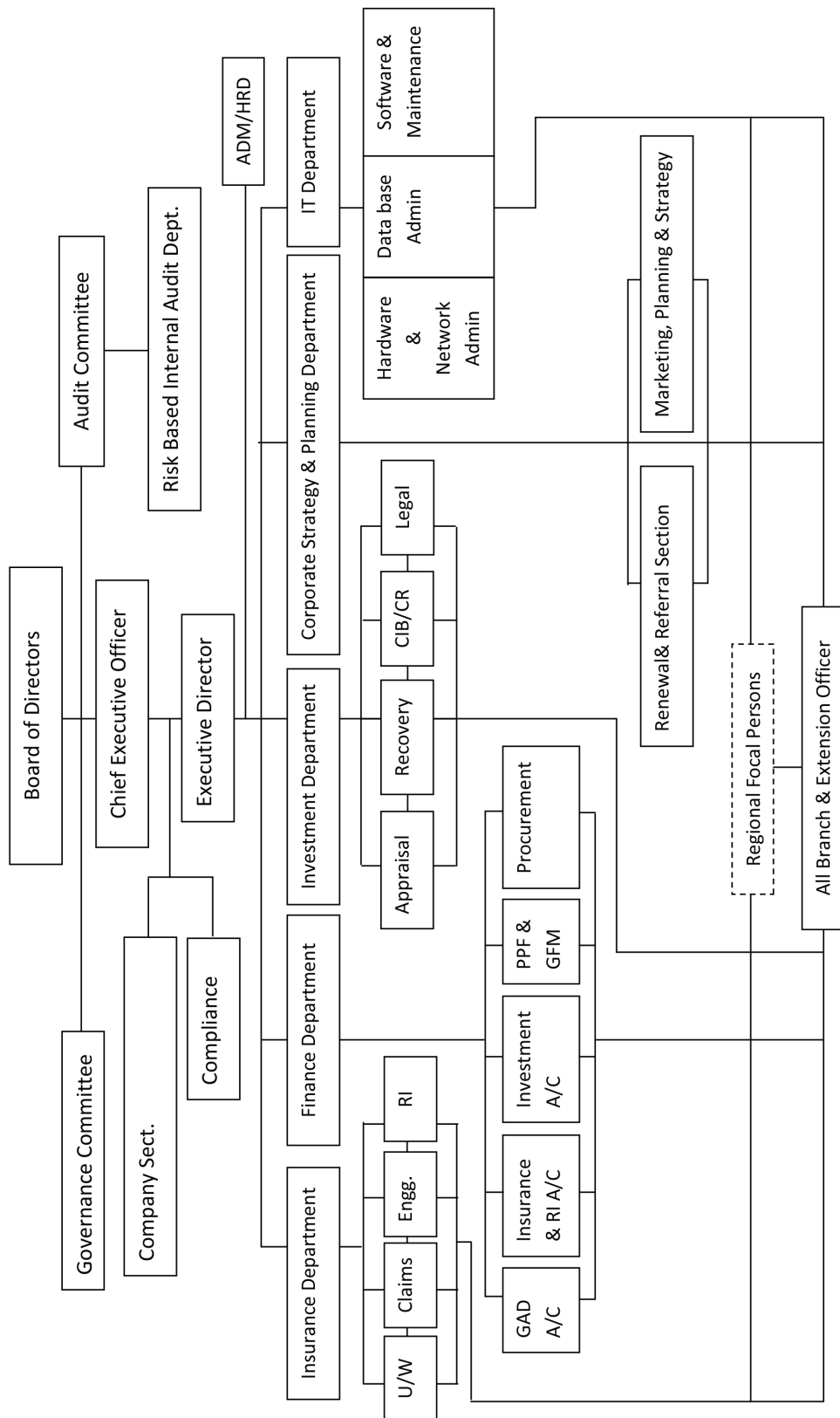
Distribution Channel

- 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





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 is 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 rick 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

201(Toll Free)

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Email us at: bhutaninsurancelimited@gmail.com. website: <http://www.bhutaninsurance.com.bt>



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, 2016, 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 Bhutan 2016, RMA Prudential Regulations 2016 and Financial Services Act of Bhutan 2011 and also in accordance with Bhutan Accounting Standards Phase I, promulgated by Accounting and Auditing Standards Board of Bhutan (AASB).

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 section 266 of Companies' Act of Bhutan 2016, applicable provisions of RMA Prudential Regulations 2016, 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 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





Nag & Associates
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E-mail : nagandassociates@gmail.com

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, 2016;
 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.
- 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.





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For NAG & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm's Registration No. 312063E

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

Date: *Kolkata*
Place: *15.04.2016*



Nag & Associates
Chartered Accountants

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(MINIMUM AUDIT EXAMINATION REPORT AS PER SECTION 266 OF COMPANIES ACT OF BHUTAN 2016 AND REFERRED TO IN PARAGRAPH 3 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.52 are not prejudicial to the interest of the other shareholders & the Company.





Nag & Associates
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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 disclosure 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.
17. According to the information and explanations given to us, the directors of the Board have generally been complied with.





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

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 Bhutan 2016.

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 output information.
- 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.





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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	2016	2015
1	CAPITAL ADEQUACY	Tier1+ Tier2 Capital/ Total risk weighted assets	47.87%	52.07%
2	CORE CAPITAL	Tier1 Capital/ Total risk weighted assets	28.80%	31.44%
3	STATUTORY LIQUIDITY RATIO	Quick Assets/ total liabilities excluding capital fund and RMA liabilities	20.02%	22.70%
4	ANNULIZED GROSS PREMIUM TO SHAREHOLDERS' FUND	Gross premium/average capital employed	0.992	1.087
5	NET RETENTION	Net Premium/Gross Premium	0.501	0.439
6	COMMISSION TO NET PREMIUM	Commission net of Re-insurance/Net Premium	15.84%	15.11%
7	MANAGEMENT EXPENSE TO GROSS PREMIUM	Management Expense/Gross Premium	13.95%	13.36%
8	COMBINED RATIO	(Net Claim + Operating Expenses) *100/Earned Premium	89.34%	95.84%
9	TECHNICAL RESERVE* TO NET PREMIUM	Technical Reserve/Net Premium	0.763	0.782
10	OPERATING PROFIT	(Underwriting profit + Investment Income)/Net Premium	72.71%	63.02%
11	NET EARNING RATIO	PAT/Net Premium*100	50.84%	44.12%
12	ANNUALIZED RETURN ON NET WORTH	PAT/Net worth	23.37%	18.89%
13	BOOK VALUE PER SHARE	(Share Capital + Free Reserve)/ No. of Shares	21.05	17.86





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Sl. No.	PERFORMANCE RATIO	RATIO/PERCENTAGE FORMULA	2016	2015
14	EARNING PER SHARE	PAT/No. of Shares	4.92	3.37
15	NET WORTH OF THE COMPANY	Share Capital + Free Reserve	420,991,550	357,107,123
16	RETURN ON EQUITY	PAT/Average Capital Employed	25.29%	21.06%
17	NET WORTH TO TOTAL LIABILITIES	Net Worth/Total Liabilities	31.50%	31.54%
18	GROSS NPL RATIO	Total NPL O/s. balance/Total Loan O/s. balance	3.49%	3.47%
19	NET NPL RATIO	Net NPL Loan/ Net Total Loan	1.96%	0.74%
20	SOLVENCY RATIO	Total Available Solvency Margin/ Total Required Solvency Margin	7.27%	5.57%
21	UNDERWRITING BALANCE RATIO	Underwriting profit/Net Premium		
		FIRE	21.15%	18.82%
		MARINE	1.92%	2.77%
		OTHERS	15.84%	13.95%

28. In accordance with RMA Prudential regulations 2016 capital conservation buffer is maintained at ratio over and above the prescribe rate of 2.5% of total risk weighted assets.
29. ADHERENCE TO LAWS, RULES AND REGULATIONS:

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

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 Bhutan, 2016 and Financial Services Act of Bhutan 2011) rules and regulations, system procedures and practices.

As explained by the Management the company has initiated implementation of BAS phase II and III and shall complete full adoption before the end 2017.

Place: *Kolkata*
Dated: *15.04.2016*
Accountants

For NAG & ASSOCIATES
Chartered
Firm's Registration No. 2063E
(Signature)
(Indranil Nag)
Partner
M.No. 050531

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 of Bhutan 2016 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 2016 were authorized for issue in accordance with the resolution of the Board of Directors as on 7th March, 2017.

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 in conformity 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	18d
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.



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 (BAS) as issued by the Accounting and Auditing standards board of Bhutan.

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.



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.

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.

3.2.1 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.

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 as on 7th March, 2017 has approved the dividend for the year 2016 at 27 % of the paid up capital and endorsed in 8th AGM on same date. It is also approved by RMA as per Prudential regulation 2016 vide letter No. RMA/FRSD/22/2016-2017/4206 dated 28th March, 2017 and disclosed as a note to the Financial Statements. For the year 2015 the dividend of 16.75% on the paid up capital amounting Nu.33, 500,000 was distributed among the shareholders.

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.

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 rerecorded 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 implementation plans to control those identified operational risk. These action plans recommended by the team are to manage the operational risk in the following areas:

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



30. Investment as on 31st December 2016:

Sl. No.	Name of Organization	No. of Shares/Bonds	Rate (Nu)	Amount (Nu.)	Remarks
1.	Bhutan Development Bank Ltd.	N.A	NA	65,000,000	Fresh in current year
2.	Central Information Bureau	175000	10	1,750,000	Till Previous Year
3.	Dungsam Cement Corporation Limited	30000	1000	30,000,000	-do-
4.	Royal Insurance Corporation Of Bhutan Ltd	30000	1000	30,000,000	-do-
5.	Bhutan national Bank Ltd	385670	27	10,413,090	-do-
6.	Fls Training Institute	600000	10	6,000,000	-do-

31. 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.

32. 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.

33. Property Plant and Equipment has not been depreciated considering the useful life of the assets and also not tested for impairment as on 31.12.2016 as required as per the BAS 16 on Property Plant and Equipment.

34. 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.

35. Resources of Insurance Department, Provident Fund, Gratuity Fund and Fund obtained through borrowing are centrally managed through Finance & Investment Department.

36. Contingent liabilities as at the Balance Sheet date (as certified by the management):- Guarantee issued by the Company amounting to Nu.99,081,893.00 remain unexpired as on 31st December,2016.

37. Interest income on loans of Nu.111,815,268.00 is net of suspended interest of Nu.2,181,595.00 which written back conforms to the Prudential Regulation, 2002 by Royal Monetary Authority of Bhutan.

38. Interest of Nu.1,645,829.00 has not been recognized as income &- kept under Interest in suspense account.

39. Interest and late fee of Nu.14,653,016.05 and Nu.1,735,151.00 was not collected but included in total loan outstanding as on 31.12.2016.

40. Provision against non-performing loans of Nu.24,065,056.00 has been computed as per the RMA Prudential Guidelines. Write back of provision of Nu.1,633,459.00 has been created to consider probable loss which may arise out of potential non performing loans.

41. 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.124003,785.00 (previous year Nu.983,991.00) &- Nu.7308085.00 (previous year Nu.5443976.00) as interest accrued thereon.

42. 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.319,528,393.00 (previous year Nu.250,141,613.00) &- Nu.21,791,481.00 (previous year Nu.10,394,074.00) as interest accrued thereon.



43. Reserves for un-expired risks amounting to Nu.100,410,894.00 (previous year Nu.93,088,526.00) created in the Revenue Accounts in respect of General Insurance Business at 50% (Previous year 50%) of the net premium income during the year which have been duly reflected as General Insurance Funds in the Balance Sheet.
44. No actuarial valuation has been adopted by the Company for the purpose of determining the amount of gratuity liability. However, an amount of Nu.1,477,636.00 have been provided in the accounts towards gratuity on the presumption that all employees ceases to be employed with the Company as on 31.12.2016.
45. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.
46. The assets of the Company in Bhutan are free from all encumbrances.
47. 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.
48. Re-insurance:
The balances outstanding, both debits and credits, as at the Balance Sheet date to re-insurers are pending final reconciliation process/ confirmation and acceptance of the re-insurance and consequently any further adjustments thereof are not ascertainable at this stage, are netted off at Nu.29,853,878.00 in Schedule 16.
49. Management expenses include:-
- a) Managerial Remuneration paid to the Chief Executive Officer :-
20162015
- | | | |
|-------------------|------------------|------------------|
| - Remuneration: | Nu. 1,200,000.00 | Nu. 1,568,886.00 |
| - Other Benefits: | Nu. 648,000.00 | Nu. 237,650.00 |
| Total: | Nu.1, 848,000.00 | Nu.1, 806,536.00 |
- b) Directors sitting fees: Nu. 360,000.00 Nu. 235,000.00
50. The Audit Fees and Expenses
- | | | |
|--------------------|----------------|---------------|
| a) Audit fee:- | Nu. 75,000.00 | Nu.65,000.00 |
| b) Audit expenses: | Nu. 125,000.00 | Nu.100,000.00 |
51. Premium Deficiency has not been credited since, in the opinion of the management, the expected claim costs along with the related expenses and maintenance cost of the insurance products in force would not exceed the related reserve for unexpired risk.
52. In the opinion of management, there is no impairment of fixed assets of the Company, which may require any adjustment to be made.



53. Particulars of the transactions with the Directors and their relatives and Companies in which Directors are interested, as per provisions of the Companies Act of the of Bhutan 2016 :-

SL. NO.	Name of the party	Nature of transaction	Outstanding amount as on 31.12.2016 (Nu.)	Outstanding amount as on 31.12.2015 (Nu.)
1.	Dasho Ugyen Rinzin	Commercial Establishment/ Vehicle Loan	4,997,221.43	4,061,467.33
2.	Dasho Ugen Tshechup Dorji	Commercial Establishment Loan	NIL	1,482,476.89
3.	Mr. Karma Tsetop Rinchen	Loan against Share	2,331,091.40	1,757,829.93
4.	Mr. Tshering Gyaltshen	Commercial Establishment/Housing Loan/Vehicle	3,625,096.62	3,754,631.36
5.	Mr. Thinlay Gyamtsho	Loan against Shares	4,569,174.55	-

54. Other Current liabilities (Schedule 16) includes unclaimed dividend of Nu.4,680,477.00 (previous year Nu.3,108,475.00).

55. Previous year's figures have been adjusted/rearranged/ regrouped wherever necessary to make them comparable with the current year's figure.

For Nag & Associates
Chartered Accountants
FRN: 312063E

On behalf of The Board of Directors


(Indranath Nag)
Partner
Membership No. 050531
Place: *Kolokata*
Date: *15.04.2016*



Chencho
CEO

Nayen
Director

...
Chairman



Consolidated Statement of Financial Position as on 31st December, 2016

Particulars	Note	2016 Nu.	2015 Nu.
ASSETS			
Non Current Assets			
Intangible Assets (Net block)	4	4,582,719	5,975,817
Property, Plant & Equipment (Net block)	5	5,870,297	7,785,975
Long Investment	6	67,750,000	67,750,000
Term Loan	7	827,269,948	551,230,425
Total Non-current Assets:-		905,472,964	632,742,217
Current Assets			
Cash & cash equivalents	8	109,330,393	134,516,392
Short term Investment	9	75,413,090	45,413,090
Loans & Overdraft	10	174,669,250	247,609,711
Advance & other assets	11	71,741,463	72,119,129
Total current Assets:-		431,154,196	499,658,322
TOTAL ASSETS:-		1,336,627,161	1,132,400,538
LIABILITIES			
Shareholders' Equity			
Issue, Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13	220,991,550	157,107,123
CAT Reserves	13a	8,803,938	7,803,938
Total Shareholders' Equity:-		429,795,488	364,911,061
Non Current Liabilities			
ESP Bond	14	120,000,000	120,000,000
Total Non-current Liabilities		120,000,000	120,000,000
Current Liabilities			
Borrowings & Funds	15	505,650,132	430,899,192
Other Liabilities	16	114,392,533	68,891,432
Provisions	17	166,789,007	147,698,854
Total current Liabilities:-		786,831,672	647,489,478
TOTAL LIABILITIES:-		1,336,627,161	1,132,400,538
Note:-			
Contingent Liabilities (Off balance sheet)		99,081,893	45,342,433

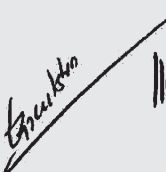
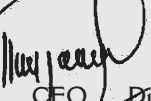
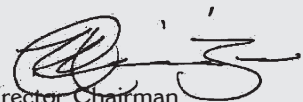
The schedules referred to above form an integral part of this consolidated Statement of Financial Position. This is the Consolidated Statement of Financial Position referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E

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



On Behalf of The Board of Directors




CEO Director Chairman



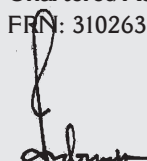
General Insurance Department: Statement of Financial Position as of 31st December, 2016

Particulars	Note	2016 Nu.	2015 Nu.
ASSETS			
Non Current Assets			
Intangible Assets (Net block)	4	4,582,719	5,975,817
Property, Plant & Equipment (Net block)	5	5,870,297	7,785,975
Long Term Investments	6a	67,750,000	66,000,000
Total Non-current Assets:-		78,203,016	79,761,792
Current Assets			
Cash & cash equivalents	8a	65,497,905	38,014,371
Short term Investment	9a	370,449,651	341,003,992
Advance & other assets	11a	195,961,454	153,258,600
Total current Assets:-		631,909,010	532,276,964
TOTAL ASSETS:-		710,112,026	612,038,756
LIABILITIES			
Shareholders' Equity			
Issue,Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13b	206,346,532	151,803,689
Total Shareholders' Equity:-		406,346,532	351,803,689
Non Current Liabilities			
ESP bond	14	120,000,000	120,000,000
Total Non Current Liabilities		120,000,000	120,000,000
Current Liabilities			
Other Liabilities	16a	83,354,600	47,146,541
Provisions	17a	100,410,894	93,088,526
Total current Liabilities:-		183,765,494	140,235,067
TOTAL LIABILITIES:-		710,112,026	612,038,756

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

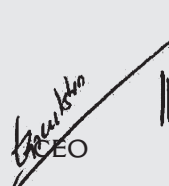
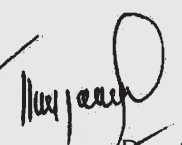

Membership Number: 050531

Place: *Kollikat*

Date: *15.04.2016*



On Behalf of The Board of Directors

 EO
 Director
 Chairman




Financing & Investment Department: Statement of Financial Position as of 31st December, 2016

Particulars	Note	2016 Nu.	2015 Nu.
ASSETS			
No- current Assets			
Long term Investment	6b	-	1,750,000
Term Loans	7	827,269,948	551,230,425
Total Non-current Assets		827,269,948	552,980,425
Current Assets			
Cash & cash equivalents	8b	43,832,488	96,502,020
Short term Investment	9b	35,000,000	35,000,000
Loans & Overdatft	10	174,669,250	247,609,711
Other assets	11b	1,521,158	1,923,682
Total Current Assets		255,022,896	381,035,413
TOTAL ASSETS:-		1,082,292,844	934,015,839
LIABILITIES			
Non-current Liabilities			
General Reserves	13c	167,789,048	102,027,034
Total Non Current Liabilities		167,789,048	102,027,034
Current Liabilities			
Borrowings & Funds	15a	835,686,693	761,490,095
Other Liabilities	16b	54,752,047	44,800,195
Provisions	17b	24,065,056	25,698,515
Total Current Liabilities		914,503,796	831,988,805
TOTAL LIABILITIES:-		1,082,292,844	934,015,839

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

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



Consolidated Statement of Comprehensive Income as on 31st December, 2016

Particulars	Note	2016 Nu.	2015 Nu.
Operating Profit transferred from Revenue A/c.	-		
General Insurance Department	Revenue A/c.	75,281,511	54,353,525
Financing & Investment Department	Revenue A/c.	65,762,013	42,019,185
Profit before Taxation		141,043,525	96,372,710
Provision for taxation		(42,313,057)	(28,911,813)
Profit after taxation		98,730,467	67,460,897
Prior period adjustment	30	(346,040)	-
Profit available for Appropriations		98,384,427	67,460,897
APPROPRIATIONS			
Transfer to Catastrophe Reserve		1,000,000	1,000,000
Transfer to General Reserve		97,384,427	66,460,897
TOTAL APPROPRIATIONS		98,384,427	67,460,897
Earnings per share (Nu.)	31	4.92	3.37

The schedules referred to above form an integral part of this Consolidated Statement of Comprehensive Income. This is the Consolidated Statement of Comprehensive Income referred to in our report of even date.

For Nag& Associates
Chartered Accountants
FRIN: 310263E

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



On Behalf of The Board of Directors

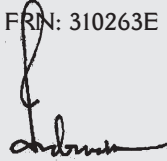
[Signature] CEO
[Signature] Director
[Signature] Chairman

General Insurance Department: Revenue Account as on 31st December, 2016

Particular	Note	2016 Nu.	2015 Nu.
Gross written Premium	18a+18b	386,100,899	348,061,743
Premium ceded to reinsurers	18c	(185,279,108)	(161,528,540)
Net written premium		200,821,792	186,533,203
Net change in reserve for unearned premium	18d	(7,322,368)	(33,618,052)
Net Earned Premium	18	193,499,424	152,915,151
Commission income (Reinsurers ceded)	19	35,105,808	32,502,067
Income from investments	20	28,037,521	26,064,381
Other income	21	3,187,041	6,077,780
Net Income		259,829,794	217,559,380
Gross claims	22	(192,586,031)	(158,588,366)
Reinsures recoveries	23	73,578,684	58,549,638
Net policyholder claims & benefits paid		(119,007,348)	(100,038,728)
Commission expenses (Referral fees & RI Accepted)	24	(4,453,097)	(9,401,082)
Operating & administration expenses	25	(53,868,112)	(46,513,545)
Other Expenses (ESP bond & Equity)	25b	(7,219,726)	(7,252,500)
Operating Profit transfer to consolidated Profit/Loss A/c.		75,281,511	54,353,525
Less: Prior Period adjustment	30	(346,040)	-
Net balance transfer to Reserve A/c.	13b	74,935,471	54,353,525

The schedules referred to above form an integral part of this Revenue Account. This is the General Insurance Revenue Account referred to in our report of even date.

For Nag & Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner

Partner


Membership Number: 050531

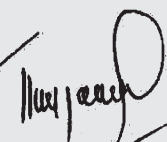
Place: *Kolokata*


Date: *15.04.2016*




On Behalf of The Board of Directors


CEO


Director


Chairman




Financing & Investment Department: Revenue Account as of 31st December, 2016

Particulars	Schedule	2016 Nu.	2015 Nu.
INCOME			
Interest on Loan	26	111,815,268	73,841,790
Other Income	27	8,947,908	9,354,616
Total Income:-		120,763,176	83,196,406
EXPENSES			
Interest Expenses	28	(54,373,831)	(38,758,068)
Management Expenses	29	(2,260,791)	(1,979,385)
Provision against Loans	17c	1,633,459	(439,770)
Operating Profit transfer to consolidated Profit/Loss A/c.		65,762,013	42,019,185
Net balance transferred to reserve	13c	65,762,013	42,019,185

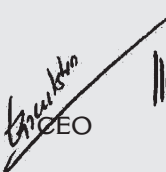

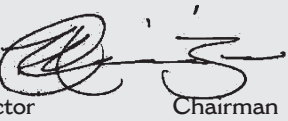
The schedules referred to above form an integral part of this Revenue Account.
This is Finance & Investment Revenue Account referred to in our report of even date.

For Nag& Associates
Chartered Accountants
FRN: 310263E


(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolhapur*
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

	2016 Nu.	2015 Nu.
4 Intangible Assets		
Acquisition cost		
Balance as at 1st January	9,287,320	8,434,128
Additions	-	853,192
Balance as at 31st December	9,287,320	9,287,320
Amortisation		
Balance as at 1st January	3,311,503	1,918,405
Amortisation charge for the year	1,393,098	1,393,098
Balance as at 31st December	4,704,601	3,311,503
Net carrying amount as at 31st December	4,582,719	5,975,817

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 COST	Office Equipment	Furniture & Fittings	Computers & Printers	Motor Vehicles	Total
	Balance as at 1st January 2016	2,117,307	2,422,854	6,171,939	7,337,841	18,049,941
	Additions during the year	138,740	396,639	396,166	-	931,545
	Disposals during the year	-	-	-	-	-
	Balance as at 31st December 2016	2,256,047	2,819,493	6,568,105	7,337,841	18,981,486
	Depreciation					
	Balance as at 1st January 2016	1,104,886	1,413,440	3,600,717	4,144,923	10,263,966
	Depreciation charge for the year	338,407	422,924	985,216	1,100,676	2,847,223
	Balance as at 31st December 2016	1,443,293	1,836,364	4,585,933	5,245,599	13,111,189
	Carrying Amount					
	Balance as at 31st December 2016	812,754	983,129	1,982,172	2,092,242	5,870,297
	Balance as at 31st December 2015	1,012,421	1,009,414	2,571,222	3,192,918	7,785,975

	2016 Nu.	2015 Nu.
6 LONG TERM INVESTMENT		
Capital contribution to FIs training Institute	6,000,000	6,000,000
Investment in Bond (RICB & Dungsam Cement)	60,000,000	60,000,000
Investment in CIB Share Capital Equity	1,750,000	1,750,000
Total:-	67,750,000	67,750,000
<u>6a. General Insurance Department</u>		
Capital contribution to FIs training Institute	6,000,000	6,000,000
Investment in CIB Share capital equity	1,750,000	-
Investment in Dungsam Cement bond	30,000,000	30,000,000
Investment in RIBC bond	30,000,000	30,000,000
Total:-	67,750,000	66,000,000
<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	169,619,470	77,940,640
Service Sector Loan	69,451,005	40,006,187
Trade/Commerce Sector Loan	16,762,297	29,414,064
Housing Sector Loan	135,930,364	67,225,640
Transport Sector Loan	314,342,347	215,690,257
Loans to Purchase Securities	53,919,187	35,496,080
Personal Loan	24,922,541	47,620,369
Staff Loan	28,773,344	26,226,274
Agriculture loan	3,280,719	1,452,512
Consumer Loan	10,268,674	10,158,402
Total:-	827,269,948	551,230,425
8 CASH & CASH EQUIVALENTS		
Cash on hand & balances with banks (8a+8b)	109,330,393	94,516,392
Fixed Deposit (Maturing >=3 months) (8a+8b)	-	40,000,000
Total:-	109,330,393	134,516,392
<u>8a. General Insurance Dept</u>		
Cash on hand & balance with banks	65,497,905	38,014,371
Total:-	65,497,905	38,014,371
<u>8b. Financing & Investment Department</u>		
Cash & Bank Balance	43,832,488	56,502,020
Fixed Deposit (maturing <= 3months)	-	40,000,000
Total:-	43,832,488	96,502,020



	2016 Nu.	2015 Nu.
9 SHORT TERM INVESTMENT		
Fixed Deposit (Maturing > 3 months but < or = 1 year)	65,000,000	35,000,000
Equity Investment (BNBL)	10,413,090	10,413,090
	75,413,090	45,413,090
9a. Short term Investment (Gen. Ins.)		
Fixed Deposit (Maturing > 3 months but < or = 1 year)	30,000,000	-
Equity Investment (BNBL)	10,413,090	10,413,090
Investment with FID	330,036,561	330,590,902
	370,449,651	341,003,992
9b. Short term Investment(FID)	2016 Nu.	2015 Nu.
Fixed Deposit (Maturing > 3 months but < or = 1 year)	35,000,000	35,000,000
	35,000,000	35,000,000
10 LOANS & OVERDRAFT DUES < or = 1 YEAR		
Trade/Commerce Sector Loan	117,847,893	99,044,107
Service & Tourism sector loan	10,950,219	-
Transport Sector Loan	2,909,071	210,955
Personal Loan	41,049,991	147,095,337
Late fees	1,912,076	1,259,311
Total:-	174,669,250	247,609,711
11 ADVANCE & OTHER ASSETS		
RMA Reserve A/c.	30,000	30,000
Security deposit for office space	118,000	133,000
Interest on Fixed Deposit receivable	2,183,761	1,923,682
Interest receivable on Bond	1,662,500	1,588,356
Aviation insurance premium receivable	50,723,970	52,827,118
Advance CIT & TDS paid to RRCO	13,602,764	11,418,466
RMA Penalty Deposit A/c.	100,000	100,000
Salvage amount receivable	645,827	1,200,301
Other advance	285,854	230,510
Aviation RI commission receivable	2,388,787	2,667,696
Total:-	71,741,463	72,119,129



	2016 Nu.	2015 Nu.
<u>11a. General Insurance Department</u>		
RMA Reserve A/c.	30,000	30,000
Security deposit for office space	118,000	133,000
Interest on Fixed Deposit receivable	707,671	-
Interest on Investment fund Receivable (FID)	21,461,911	21,132,684
Interest receivable on Bond	1,662,500	1,588,356
Avaition/Engg. insurance premium receivable	50,723,970	52,827,118
Advance CIT & TDS paid to RRCO	13,557,695	11,418,466
RMA Penalty Deposit A/c.	100,000	100,000
Salvage amount receivable	645,827	1,200,301
FID Expenses receivable	2,252,204	1,922,620
Other advance	285,854	230,510
Avaitaion RI commission receivable	2,388,787	2,667,696
Counter entry of FID last year Reserve	102,027,034	60,007,849
Total:-	195,961,454	153,258,600
<u>11b. Financing & Investment Department</u>		
Interest receivable on Fixed deposit	1,476,090	1,583,251
TDS on Fixed Deposit paid to RRCO	45,069	340,431
	1,521,158	1,923,682
12 CAPITAL FUND		
Authorised capital	500,000,000	500,000,000
(5000000 Equity share of Nu 100 each)	500,000,000	500,000,000
Issued, Subscribed and Paid-up	200,000,000	200,000,000
(2000000 Equity share of Nu 100 each)	200,000,000	200,000,000
13 GENERAL RESERVES		
General Reserve balance as at 1st January	157,107,123	109,486,226
Profit for the year	98,384,427	67,460,897
Dividend Paid for previous year	(33,500,000)	(18,840,000)
CAT Reserve for the year (13a)	(1,000,000)	(1,000,000)
Balance as at 31st December	220,991,550	157,107,123
<u>13a. CAT RESERVES</u>		
CAT Reserve as at 1st January	7,803,938	6,803,938
CAT Reserve for the year	1,000,000	1,000,000
Balance as at 31st December	8,803,938	7,803,938
<u>13b. General Insurance Department</u>		
General Reserve balance as at 1st January	131,411,061	97,450,164
Profit for the year	74,935,471	54,353,525
Balance as at 31st December	206,346,532	151,803,689



	2016 Nu.	2015 Nu.
13c. Financing & Investment Department		
General Reserve as at 1st January	102,027,034	60,007,849
Profit for the year	65,762,013	42,019,185
Balance as at 31st December	167,789,048	102,027,034
14 ESP bond Liabilities		
ESP bond	120,000,000	120,000,000
15 BORROWING & FUNDS		
Borrowings from BNBL & GIC Bhutan Re.	61,000,000	86,000,000
Funds from PPF Division	124,003,785	93,983,991
Funds from SWF	1,117,954	773,588
Funds from Staff Gratuity	319,528,393	250,141,613
Total:-	505,650,132	430,899,192
15a. Financing & Investment Department		
Borrowings from BNBL & GIC Bhutan Re.	61,000,000	86,000,000
Funds from General Insurance Dept.	330,036,560	330,590,903
Funds from PPF Division	124,003,785	93,983,991
Funds from SWF	1,117,954	773,588
Funds from Staff Gratuity	319,528,393	250,141,613
Total:-	835,686,693	761,490,095
16 OTHER LIABILITIES		
Outstanding expenses	384,578	263,525
Outstanding claim	38,441,184	18,619,468
Referral fees payable	2,739,885	3,654,384
Gratuity fund payable	1,477,636	1,399,880
Stale cheques	502,352	405,946
Unclaim Dividend	4,680,477	3,108,475
Advance received of insurance premium for 5 years	-	54,168
TDS payable to RRCO	7,651	5,075
RI ceded payable	29,853,878	14,370,103
Interest payable to BNBL & GIC Re.	-	758,562
Interest payable to PPF Division	7,308,085	5,443,976
Interest payable to SWF	70,422	54,366
Interest in suspense A/c.	1,645,829	3,827,424
Late fee suspense A/c.	176,899	1,254,557
Interest payable to Staff Gratuity A/c.	21,791,481	10,394,074
CIB Charges payable	25,550	10,550
Interest payable to ESP fund	5,286,625	5,266,899
Total:-	114,392,533	68,891,432



	2016 Nu.	2015 Nu.
<u>16a. General Insurance Department</u>		
Outstanding expenses	384,578	263,525
Outstanding claim	38,441,184	18,619,468
Referral fees payable	2,739,885	3,654,384
Gratuity fund payable	1,477,636	1,399,880
Stale cheques	482,686	404,563
Unclaim Dividend	4,680,477	3,108,475
Advance received of insurance premium for 5 years	-	54,168
TDS payable to RRCCO	7,651	5,075
RI ceded payable	29,853,878	14,370,103
Interest payable to ESP Fund	5,286,625	5,266,899
Total:-	83,354,600	47,146,541

16b. Financing & Investment Department

Interest payable to GIC Bhutan Re.	-	758,562
Interest payable to General Insurance Dept.	21,461,911	21,132,684
Interest payable to PPF Division	7,308,085	5,443,976
Interest payable to SWF	70,422	54,366
Mgt. Expenses payable to Gen. Insurance	2,252,204	1,922,620
Interest in suspense A/c.	1,645,829	3,827,424
Late fee suspense A/c.	176,899	1,254,557
Interest payable to Gratuity Fund A/c.	21,791,481	10,394,074
CIB Charges payable	25,550	10,550
Stale cheque	19,666	1,383
Total:-	54,752,047	44,800,195

17	PROVISIONS	2016 Nu.	2015 Nu.
	Provision for unexpired risk (17a)	100,410,894	93,088,526
	Provision for Loan (17b)	24,065,056	25,698,515
	Provision for taxation	42,313,057	28,911,813
	Total:-	166,789,007	147,698,854

17a. General Insurance Department

Provision for unexpired risk as per last Account	93,088,526	59,470,474
Add: Provision for unexpired risk current year	7,322,368	33,618,052
Total:-	100,410,894	93,088,526

17b. Financing & Investment Department

i) Provision for standard Loan as per last year A/c.	5,416,112	3,020,015
Add:- Additional Provision for current year	2,343,878	2,396,097
Total:-	7,759,990	5,416,112
ii) Provision for Watch Loan as per last year A/c.	3,361,514	1,057,381
Add:- Additional Provision for current year	(795,457)	2,304,133
Total:-	2,566,057	3,361,514



	2016 Nu.	2015 Nu.
iii) Provision for Sub standard Loan & above as per last year A/c.	16,920,889	21,181,349
Add:- Additional Provision for current year	(3,181,880)	(4,260,460)
Total:-	13,739,009	16,920,889
Total (i + ii + iii):-	24,065,056	25,698,515

17c. Provision against loan charged for the year

i) Provision for standard Loan for the year	2,343,878	2,396,097
ii) Provision for Watch Loan for the last year	(795,457)	2,304,133
iii) Provision for Sub standard Loan for the year	(3,181,880)	(4,260,460)
Total:-	(1,633,459)	439,770

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 as per the Prudential Regulation 2016.

Category	Days	% rate
1. Standard	Upto 30	1%
2. Watch	31 - 90	1.5%
3. Substandard	91 - 180	20% and 30% for highest exposure except agriculture.
4. Doubtful	181 - 365	50% and 60% for highest exposure except agriculture.
5. Loss	> 366	100%
6. Term expired	-	100%

18 NET EARNED PREMIUM (Direct + Accepted)

Fire	95,937,393	99,880,845
Marine	14,697,451	11,045,738
Motor	141,415,302	122,132,795
Misc.	134,050,753	115,002,365
Gross written premium (18a + 18b)	386,100,899	348,061,743
Premium ceded to reinsurers (18c)	(185,279,108)	(161,528,540)
Net written premium	200,821,792	186,533,203
Net change in reserve for unearned premium (18d)	(7,322,368)	(33,618,052)
Net earned premium	193,499,424	152,915,151

18a. Premium Direct

Fire	92,439,345	85,109,027
Marine	14,697,451	11,045,738
Motor	141,415,302	122,132,795
Misc	56,033,608	52,417,384
Total:-	304,585,707	270,704,944



	2016 Nu.	2015 Nu.
<u>18b. Premium Accepted</u>		
Fire	3,498,048	14,771,818
Misc & Aviation	78,017,144	62,584,980
Total:-	81,515,192	77,356,799
<u>18c. Premium Ceded to reinsurers</u>		
Fire	49,043,525	44,032,895
Marine	9,174,632	4,767,165
Motor	18,617,744	11,261,615
Misc	108,443,207	101,466,865
Total:-	185,279,108	161,528,540
<u>18d. Net change in reserve for unearned premium</u>		
Opening balance as per last account	93,088,526	59,470,474
Add/Less: Increase/(decrease) during the year	7,322,368	33,618,052
Total:-	100,410,894	93,088,526
19 COMMISSION INCOME (Reinsurers ceded)		
Fire	14,977,342	14,039,310
Marine	2,763,963	1,645,181
Motor	1,117,548	-
Misc.	16,246,955	16,817,576
Total:-	35,105,808	32,502,067
20 INCOME FROM INVESTMENT		
Fixed Deposit	707,671	1,757,671
Dividend income	543,795	385,670
Interest from Bond (RICB & Dungsam Cement)	5,324,144	2,788,356
Interest Received from FID (Gen. Insurance Fund)	21,461,911	21,132,684
Total:-	28,037,521	26,064,381
21 OTHER INCOME		
Sale of Scraps	3,787,206	4,645,409
Exchange gain/(loss)	(600,165)	1,432,371
Total:-	3,187,041	6,077,780
22 GROSS CLAIMS		
Claims paid (Including advance) (22a)	172,764,316	153,472,428
Add: Outstanding claims (excluding advance) (22b)	38,441,184	18,619,468
Less: O/s. claims at the beginning of the year (22c)	18,619,468	13,503,530
Total:-	192,586,031	158,588,366



	2016 Nu.	2015 Nu.
22a. Total Gross claims		
Claims paid (Including advance):-		
Fire	18,572,624	17,470,978
Marine	23,276,886	206,158
Motor	115,501,851	106,665,086
Misc.	15,412,955	29,130,206
Total:-	172,764,316	153,472,428
22b. Outstanding calims (Excluding advance)		
Fire	2,299,980	951,209
Marine	965,895	18,941
Motor	26,795,809	16,352,106
Misc.	8,379,500	1,297,212
Total :-	38,441,184	18,619,468
22c. Outstanding calims at the beginning of the year		
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
23 REINSURERS RECOVERIES ON CLAIMS		
Fire	8,849,742	10,337,704
Marine	21,466,038	-
Motor	35,010,392	24,897,290
Misc.	8,252,511	23,314,643
Total:-	73,578,684	58,549,638
24 COMMISSION EXPENSES (24a + 24b)		
Fire	959,502	5,066,255
Marine	147,111	110,006
Motor	1,414,348	1,575,291
Misc.	1,932,137	2,649,529
Total:-	4,453,097	9,401,082
24 a. Commission Expenses (Referral fees)		
Fire	959,502	1,497,553
Marine	147,111	110,006
Motor	1,414,348	1,575,291
Misc.	1,340,214	1,706,321
Total:-	3,861,175	4,889,172



	2016 Nu.	2015 Nu.
<u>24b. Commission/Brokerage Expenses (RI Accepted)</u>		
Fire	-	3,568,702
Misc.	591,923	943,208
Total:-	591,923	4,511,910
25 OPERATING EXPENSES		
Employees remuneration and welfare benefit (25a)	33,380,256	28,991,998
Communication expenses	4,150,436	3,382,331
Training expenses	2,141,806	1,559,283
Rental charges	2,779,476	2,201,984
Repairs & Maintainance	528,395	325,114
Printing and stationary	1,167,395	530,627
Legal and Professional Charges	3,171,690	2,067,543
Advertisement and publicity	1,609,327	2,889,273
Other Misc. expenses	699,011	464,802
Depreciation & Amortization (4 & 5)	4,240,321	4,100,589
Total:-	53,868,112	46,513,545
<u>Expenses Allocation:</u>		
Fire Insurance	13,386,226	13,995,926
Marine Insurance	2,052,375	1,055,857
Motor Insurance	19,731,889	15,102,948
Miscellaneous Insurance	18,697,621	16,358,814
Total Expenses allocation	53,868,112	46,513,545
<u>25a. Employee remuneration & welfare benefits</u>		
Salaries to staff	16,448,062	15,713,034
PF (BIL Share)	1,594,623	1,523,092
Communication allowance	254,812	347,297
Fuel allowance	446,221	414,202
Cash handling allowance	77,700	63,675
Corporate allowance	4,558,958	4,616,705
Housing allowance	2,598,859	1,360,080
Contract allowance	429,865	-
Leave Encashment amount	997,545	915,157
Staff Insurance premium	50,750	81,097
Staff Canteen & refreshment expenses	323,972	282,038
LTC	897,490	886,920
Gratuity expenses & contribution	1,544,316	1,567,428
Staff incentive expenses	3,157,082	1,221,275
Total:-	33,380,256	28,991,998



	2016 Nu.	2015 Nu.
25b. Other Expenses on ESP bond & Equity		
Interest paid on ESP bond	7,219,726	7,200,000
Listing Fees of ESP bond	-	52,500
Brokerage charges on BNBL equity investment	-	-
Total:-	7,219,726	7,252,500
26 INTEREST INCOME (Net of Suspense)		
Commercial vehicle Loan	32,538,855	20,432,304
Commercial Establishment Loan	896,205	1,037,657
Industrial Manufacturing Loan	13,615,450	5,840,731
Services & Tourism	9,588,004	9,326,720
Housing Loan	13,530,170	5,297,405
Personal Loan	11,395,417	9,554,667
Staff Loan	2,141,887	1,580,233
Venture Loan	20,530,545	15,556,793
PPF Loan	350,311	198,103
GE/PE Loan	16,664	50,513
Agriculture Loan	352,466	15,599
Loan against shares	4,677,699	5,307,624
Total:-	109,633,674	74,198,349
Add/Less: Interest in suspense provision	2,181,595	(356,558)
Net interest received	111,815,268	73,841,790
27 OTHER INCOME		
Guarantee Commission	2,914,629	2,571,759
Administration & other Charges	191,050	1,659,047
Interest from Fixed Deposit	3,337,361	4,386,562
Late fees Income (Net of Suspense)	2,504,867	737,248
Total:-	8,947,908	9,354,616
28 INTEREST EXPENSES		
Interest on borrowing Funds (GIC Re.)	3,741,931	1,732,969
Interest on General Insurance Fund	21,461,911	21,132,684
Interest on PPF Fund	7,308,085	5,443,976
Interest on SWF	70,422	54,366
Interest on Staff Gratuity A/c.	21,791,481	10,394,074
Total :-	54,373,831	38,758,068



	2016 Nu.	2015 Nu.
29 OPERATING EXPENSES (Financing & Inv. Dept)		
Salary,wages,allowance & PF	1,182,346	1,165,788
Leave Encashment benefit	19,295	28,688
LTC	56,597	56,332
Travelling Expenses	12,858	16,684
Printing & Stationary expenses	336,849	170,000
Training Expenses	-	30,000
Postage & Telegram expenses	18,246	11,958
Legal Charges	7,200	6,470
Telephone & Fax expenses	90,872	79,931
Canteen Expenses	75,884	83,182
Internet expenses	136,641	120,634
Electricity Charges	42,650	45,162
Gratuity expenses	62,382	69,692
Staff incentives	69,692	38,099
CIB & CRS charges	-	43,300
Advertisement expenses	147,892	12,066
Bank charges	1,387	1,399
Total:-	2,260,791	1,979,385
30 PRIOR PERIOD ADJUSTMENT		
Differ tax of previous year	346,040	-
Total:-	346,040	-
31 EARNINGS PER SHARE		
Profit attributable to ordinary shareholders	98,384,427	67,460,897
Weighted average No. of ordinary shares	20,000,000	20,000,000
Earnings per share (Nu.)	4.92	3.37




Statements of Cash Flow as of 31st December, 2016

		2016 Nu.	2015 Nu.
1. Cash flow from Operating Activities			
Profit before tax		141,043,525	96,372,710
Add: Depreciation	2,847,223		
Add: Amortisation	1,393,098	4,240,321	4,100,589
Add/Less: Increase/(Decrease) in Current Liabilities		45,501,101	27,319,696
Add/Less: Increase/(Decrease) in Provision		5,688,909	34,057,822
Add/Less: Decrease/(Increase) in Current Assets		377,666	(13,504,217)
Less: Tax & Dividend Paid for last year profit		(62,411,813)	(39,055,826)
Less: Prior period taxes, penalties paid & others		(346,040)	-
Net Cash flow from operating activities	(A)	134,093,669	109,290,774
2. Cash flow from Investing Activities			
Add/Less: Decrease/(Increase) in Investment	(30,000,000)		
Less: Purchase of Fixed Assets	(931,545)		
Net Cash flow from Investing activities	(B)	(30,931,545)	(14,460,709)
3. Cash flow from Financing Activities			
Add/Less: Increase/(Decrease) in ESP bond	-		
Add/Less: Increase/(Decrease) in borrowings	74,750,940		
Add/Less: Decrease/(Increase) in Loans	(203,099,063)		
Net Cash flow from Financing activities	(C)	(128,348,122)	(76,762,988)
Net Increase/(Decrease) in cash and cash equivalent	(A+B+C)	(25,185,999)	18,067,079
Change in Cash & Cash Equivalents			
Closing Cash & Cash equivalent		109,330,393	134,516,392
Less: Opening Cash & Cash equivalent		134,516,392	116,449,313
Net changes in Cash & cash equivalent		(25,185,999)	18,067,079

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

For Nag& Associates
Chartered Accountants
FRIN: 310263E


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



On Behalf of The Board of Directors

 CEO
 Director
 Chairman




Statement of Changes in Equity as of 31st December, 2016

Item	Share Capital	Reserve & Contingency	Proposed Cash Dividend	Profit & Loss Appropriation A/c.	Total
Opening Balance as on 1st January 2016	200,000,000	203,751,061	(38,840,000)	-	364,911,061
Cash Dividend Distributed during the year	-	-	(33,500,000)	-	(33,500,000)
Right Issue Share	-	-	-	-	-
Profit After Taxation	-	-	-	98,384,427	98,384,427
Appropriation made during the year	-	98,384,427	-	(98,384,427)	-
Closing Balance as on 31st December 2016	200,000,000	302,135,488	(72,340,000)	-	429,795,488
Closing Balance as on 31st December 2015	200,000,000	203,751,061	(38,840,000)	-	364,911,061


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

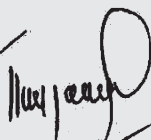
For Nag& Associates
Chartered Accountants
FRN: 310263E

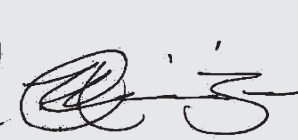

(Indranath Nag)
Partner
Membership Number: 050531
Place: *Kolokata*
Date: *15.04.2016*



On Behalf of The Board of Directors


CEO


Director


Chairman

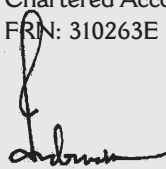


Statement of Financial Position for Private Provident Fund as on 31st December, 2016

Particulars	Schedule	2016 Nu.	2015 Nu.
LIABILITIES			
Employees' & Employers' Contribution (Net)	1	113,327,981	86,585,798
Interest Credited to Members' Accounts (Net)	2	17,983,875	12,842,171
		131,311,856	99,427,968
ASSETS			
Fund Deposited with BIL	3	124,003,768	93,983,992
Other Assets	4	7,308,087	5,443,976
		131,311,856	99,427,968

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: *Kolkata*

Date: *15.04.2016*



On Behalf of The Board of Directors

 CEO
 Director
 Chairman




Revenue Account for Private Provident Fund as on 31st December, 2016

Particulars	Schedule	2016 Nu.	2015 Nu.
INCOME			
Return on deposit with BIL		7,308,087	5,443,976
Total (A):-		7,308,087	5,443,976
EXPENSES			
Return on employees' contribution		3,654,043	2,721,988
Return on employers' contribution		3,654,043	2,721,988
Total(B) :-		7,308,087	5,443,976

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

 CEO
 Director
 Chairman



PPF, Schedules

Schedules attached to and forming part of the Accounts as on 31st December 2016

Particular	2016		2015	
	Employees' Contribution	Employers' Contribution	Total Contribution	Total Contribution
As per last Account (Net of refund)	43,296,391	43,289,404	86,585,798	31,828,209
Add:- contribution during the year	21,522,625	21,514,622	43,037,247	15,136,612
	64,819,016	64,804,027	129,623,045	46,964,821
Less: Refund during the year	(8,147,798)	(8,147,267)	(16,295,065)	(3,675,417)
Total:-	56,671,218	56,656,760	113,327,981	43,289,404

Particular	2016		2015	
	Employees' Contribution Interest	Employers' Contribution Interest	Total Interest	Total Interest
As per last Account (Net of refund)	6,420,475	6,421,696	12,842,171	4,186,705
Add:- contribution during the year	3,563,877	3,744,210	7,308,087	2,722,111
	9,984,352	10,165,906	20,150,258	6,908,816
Less: Refund during the year	(1,083,191)	(1,083,191)	(2,166,383)	(487,120)
Total:-	8,901,160	9,082,715	17,983,875	6,421,696

Particular	2016	2015
	3 Investment with BIL	
As per last Account	93,983,992	67,987,911
Add:- Deposited during the year	30,019,776	25,996,081
Total:-	124,003,768	93,983,992

Particular	2016	2015
	4 Other Assets	
Receivable from BIL (Interest Accrued)	7,308,087	5,443,976

Gratuity Fund Management: Statement of Financial Position as on 31st December, 2016




Statement of Financial Position for Gratuity Fund Management as on 31st. December 2016

Particulars	Schedule	2016 Nu.	2015 Nu.
LIABILITIES			
Contribution (Net)	1	309,081,395	249,820,235
Interest Credited to Members' Accounts (Net)	2	32,238,489	10,715,452
		341,319,885	260,535,687
ASSETS			
Fund Deposited with BIL	3	319,528,404	250,141,614
Other Assets	4	21,791,481	10,394,074
		341,319,885	260,535,687

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: *13.04.2016*



On Behalf of The Board of Directors


CEO


Director


Chairman



Revenue Account for Gratuity Fund Management as on 31st December, 2016

Particulars	Schedule	2016 Nu.	2015 Nu.
<u>INCOME</u>			
Return on deposit with BIL		21,791,481	10,394,074
Total (A):-		21,791,481	10,394,074
<u>EXPENSES</u>			
Return on contribution		21,791,481	10,394,074
Total(B) :-		21,791,481	10,394,074

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.

Schedules

For Nag& Associates
Chartered Accountants
FRN 310263E

FRN 310263E

(Indranath Nag)

Partner

Membership Number: 050531

Place: *Kolkata*

Date: *15.04.2016*



On Behalf of The Board of Directors

Indranath Nag
Director

Chairman
Chairman

Schedules attached to and forming part of the Accounts as on 31st December 2016

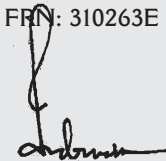
1	<u>Contribution</u>	<u>2016</u>	<u>2015</u>
Particular	Contribution	Contribution	
As per last Account (Net of refund)	249,820,235	52,632,709	
Add:- contribution during the year	73,053,733	206,713,480	
	322,873,968	259,346,189	
Less: Refund during the year	(13,792,573)	(9,525,954)	
Total:-	309,081,395	249,820,235	

2	<u>Interest on Contribution</u>	
Particular	Interest on Contribution	Interest on Contribution
As per last Account (Net of refund)	10,715,452	328,342
Add:- contribution during the year	21,791,481	10,394,074
	32,506,933	10,722,416
Less: Refund during the year	(268,444)	(6,964)
Total:-	32,238,489	10,715,452

3	<u>Investment with BIL</u>	
As per last Account	250,141,614	52,632,709
Add:- Deposited during the year	69,386,790	197,508,904
Total:-	319,528,404	250,141,614

4	<u>Other Assets</u>	
Receivable from BIL (Interest Accrued)	21,791,481	10,394,074

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

