



9th Annual Report
2017

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Directors' Report



Toll free# 201

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Bhutan Insurance Limited

Providing Security. Building Confidence

Post Box# 779, Chorten Lam, Thimphu.

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,

On behalf of the Board of Directors and on my own behalf, I extend a cordial welcome to all the shareholders of Bhutan Insurance Ltd. to the 9th Annual General Meeting of the company & I am pleased to present to you, the Audited Financial Statements of the Company for the year ended 31st December 2017.

The BIL Board, Management, and all the stakeholders would like to extend our appreciation to Mr. Sashadhar Majumder for his contribution to the company for his tenure as the Independent Director. We thank him sincerely for his services and wish him the best in all his future endeavors.

As we complete our eight years of operations this year, we have gained substantial experience and exposure in the field of non-life Insurance, Investment and Fund Management.

The appropriate use of available resources with 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 keep alive our determination for the betterment of the company and also create long-term value to all our stakeholders.

The Directors are also pleased to convey their sincere appreciation to all our Referrals & agents, reinsurance partners and surveyors in India without whose support it would have been difficult to achieve the plans and goals of the Company.

I would also like to congratulate the management and staff of BIL for their dedicated service, which has resulted in yet another year of record growth in the history of BIL. I extend my good wishes to them for the success of the corporation in the years ahead.

Operational & Performance Highlights

The Financial Year 2017 was yet another commendable year for BIL amidst some operational challenges the company had to go through. BIL has swiftly resumed its business from a sluggish market situation over the years. The company has managed to produce an impressive financial result and continues to maintain its growth line.

1. Business Performance

In the year 2017, our company has written a gross premium of Nu. 398.99 million.

The loan assets as on 31st December 2017 were Nu. 1.549 Billion and in 2016 it was Nu. 1.002 Billion. Hence, there is a growth of 54.59%. The interest income during the year 2017 for Investment was Nu. 163.97 Million as compared Nu. 120.76 Million in 2016 with a growth of 35.78%.

Similarly, the Gratuity fund has increased to Nu. 565.71 Million in 2017 from Nu. 319.53 Million in 2016. The Private Provident Fund has increased to Nu. 163.71 Million in 2017 from Nu. 124.00 Million in 2016.

The total asset of the Company has reached to Nu. 1.957 Billion in 2017 from Nu. 1.337 Billion in 2016.

The company has earned a pre-tax profit of Nu. 158.25 Million for the year as compared to Nu. 141.04 Million in 2016 and the profit available for appropriation is Nu. 115.52 Million as compared to Nu. 98.38 Million in 2016.

2. Financial & Operational Review:

A. Financial Profitability (Figures in Millions)

Operating Profit	2017	2016
General Insurance Department (Revenue A/c)	108.57	75.28
Financing & Investment Department (Revenue A/c)	49.68	65.76
Profit Before Tax	158.25	141.04
(Less) Provision for Tax	47.48	42.31
Add/(Less) Rebate/Defer Tax	4.75	0.35
Profit After Tax	115.52	98.38

Significant Financial Indictors:

	2017	2016
Earnings per Share (Nu.)	5.78	4.92
Book Value per Share (Nu.)	24.08	21.05
Company's Net Worth	481.51	420.99
Return on Core Equity (%)	31.48%	27.55%

3. Branch/Extension Offices

The management continues to explore opportunities in the market both within and outside the country. This includes developing and redesigning insurance products based on customer needs.

BIL opened Extension office in Trashiyangtse on 26th April 2017. The efficiency of service delivery system and performance of branch offices have been improved by building capacity and enhancing infrastructures in all the branch offices.

4. Human Resources

BIL has also recruited 20 more employees in the year 2017, which takes the total number to 101. The Management has given its unwavering support to efforts to strengthen Human Resource Development (HRD) through professional and other relevant training by allocating sufficient budget for Human Resource Development. Such new initiatives have enabled the company to maintain a progressive growth line.

5. Co-curricular Activities:

BIL not only focuses on procuring business but also strongly believes in fitness and has initiated departmental basketball tournaments organized in-house at Kabesa. Team Management was crowned the Champions of the BIL interdepartmental Basketball tournament for the year 2017 with 28-22 points awarded by Mr.Kunzang Namgay (Independent Director) on 28th October 2017.

Prizes and medals were given to the winner and the runner-up teams. All the participants were also awarded the certificate of participation by the chief guest.

List of Winners

Champions	: Team Management
Runner- up	: Team Insurance (A)
Man of the Match	: Mr. Kinga Chhophel (Insurance A)
Fair play award	: Team Finance
Token of appreciation	: Mr. Yeshey Nidup (Coordinator)

Further, Mr.Tandin Dorji, Compliance Officer was sent as best archers to participate in the ISPS Handa Cup Tournament held in Okazaki, Japan from 12th to 20th September 2017 organized by Bhutan Archery Federation in collaboration with the Bhutan Olympic Committee. It was a proud moment for Bhutan Insurance Ltd. to have our employee Mr.Tandin Dorji in the compound team, representing Bhutan. He has won the 1st rank (Gold) trophy in the ISPS Handa Cup Tournament despite his practice regime limited to the mornings before office hours and the evenings after office hours.

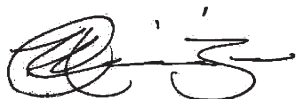
He also won the 1st Prize Gold medal in BAF International Style Compound Archery Competition held on 22nd October 2017 (organized and sponsored by Yangphel Yangphel).

Bhutan Insurance Limited have participated in Bhutan's largest construction fair 2017 which was held on 9th-12th October 2017 organized by construction association of Bhutan.

Recognition of Compliant Taxpayers

An important milestone of BIL, we have been selected as one of the top 10 compliant taxpayers for the income year 2016 by the Department of Revenue & Custom.

Tashi Delek



(Ugyen Rinzin)
Chairman

General Information

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

BIL BRANCH OFFICES

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

BIL EXTENSION OFFICES

Establishments	Address	Telephone No.	Fax No.
Samdrup Jongkhar	1st Floor, Below BNBL Office	07-251384	07-251387
Bumthang	Opposite Home Collection Shop, Chamkhar Town	03-631565	03-631271
Mongar	1st Floor, near BNBL Office	04-641407	04-641408
Tsirang	Near Taxi Parking, 1st Floor, Hasty Tasty Building	06-471426	06-471427
Tashigang	2nd Floor, RSTA Building	04-521343/344	04-521342
Trongsa	Ground Floor, Near Tashi Cell Office	03-521541	03-521583
Samtse	Above Drodul Chorten, Lichi- bari, Samtse Town	05-365568	05-365568
Zhemgang	Top Floor, KD Building, Zhem- gang Town	03-741165	03-741173
Nganglam	Near BNBL Office, Nganglam Town	07-481008	07-481009

Company Profile

Bhutan Insurance Limited (BIL) provides non-life insurance products for Individuals, Corporate Bodies, Small & Medium size Enterprises 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 and Gelephu and Extension Offices in Samdrup Jongkhar, Bumthang, Mongar, Tsirang, Haa, Tashigang, Trongsa, Gedu, Samtse, Khuruthang, Zhemgang, Nganglam and Tashi Yangtse, 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 100 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 Wangdue Phodrang
- 05.11.2009 - Branch office at Paro
- 06.01.2010 - Branch office at Gelephu
- 10.06.2010 - Extension 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 has strong reinsurance backup from well established companies such as:

- » 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
- » New India Assurance
- » Uganda-Re, Uganda
- » Nepal-Re, Nepal
- » East African Re
- » 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 transect other business such as giving loans, providing all types of guarantees, and management of Private Provident Fund which are all facilitated through the Financing & Investment Department of BIL.

DISTRIBUTION CHANNELS

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

- » Referrals & Agents
- » Direct field underwriters providing door to door service
- » Banc-assurance
- » Interactive website facilitating online downloads and BIL Facebook Page.

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

1. **Mr. Ugyen Rinzin (Chairman)**
M/s Yangphel Private Limited, Thimphu
Phone no: 02-323293
Email: ugyen@yangphel.com
urinzin@bhutaninsurance.com.bt
2. **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
3. **Mr. Kunzang Namgyel (Independent Director)**
Building no.31, above NPPF Colony, Thimphu
Mobile No.: 17110004
4. **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
5. **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

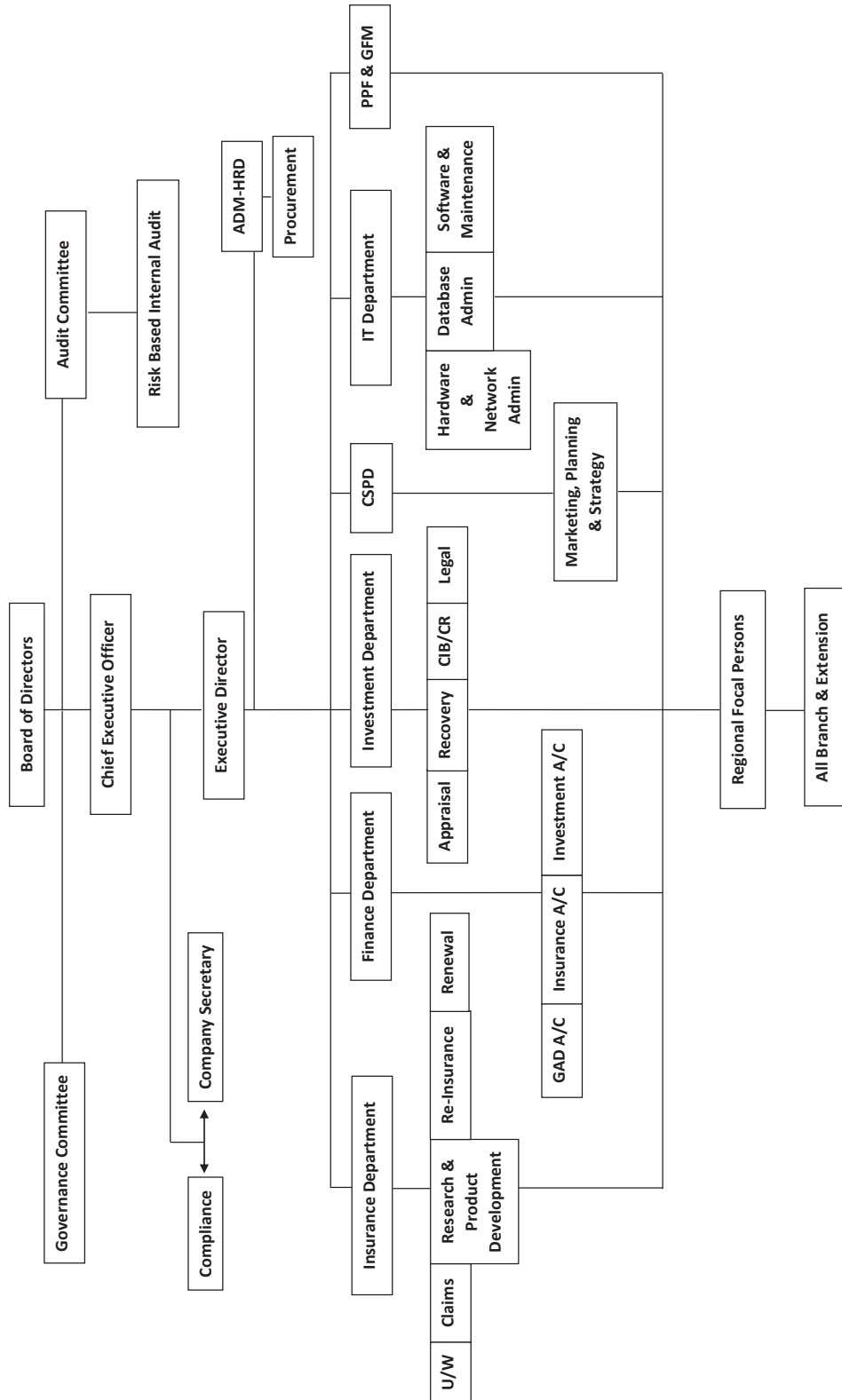
- I. **Mr. Thinlay Gyamtsho (Director)**
M/s T & K Construction Pvt Ltd
PO Box no.881
Thimphu
Phone: 02-338094
Fax: 02-338094
Email: tnk_construction46@yahoo.com
- II. **Mrs. Sonam Wangmo**
Internal Audit Department, BIL, Thimphu
Phone No: 02-339893/339894/17456393
Fax No: 02-339895
Email: somohm@gmail.com

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

PRINICPAL BANKERS

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





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Bhutan Insurance Limited
Providing Security, Building Confidence

SCHOOL

Student Care Insurance
covering both parent & child

INDUSTRIAL ALL RISK INSURANCE

MARINE INSURANCE

- Cargo &
- Transit Insurance

MOTOR VEHICLE INSURANCE
Private & Commercial

**PERSONAL ACCIDENT
INSURANCE**



AVIATION INSURANCE



INSURANCE & LOANS
Commercial &
residential building



INSURANCE & LOANS
for Hotel Constructions



INSURANCE & LOAN

Heavy Vehicle and Two Wheelers



**CONTRACTOR'S SINGLE
WINDOW SERVICE:**

All types of Guarantees Overdraft &
Loan facilities Insurance



WORKMEN'S COMPENSATION INSURANCE

**ENGINEERING AND
PROJECT INSURANCE**



LOANS & INSURANCE
for Heavy Equipment
and Machinery





ཡུལ་ཉན་བཅོལ་ཚད་འཛིན།
Bhutan Insurance Limited
Providing Security, Building Confidence

OUR PRODUCTS

Insurance Products



MOTORS INSURANCE



FIRE INSURANCE



MISCELLANEOUS INSURANCE



LOAN PROTECTION



AVIATION INSURANCE



MARINE INSURANCE



PRIVATE PROVIDENT FUND
& GRATUITY FUND



WORKMEN COMPENSATION

Loan Products



VENTURE TERM LOAN



HOUSING COMMERCIAL/
HOUSING NON-COMMERCIAL



INDUSTRIAL LOAN



LOAN AGAINST SHARES



VEHICLE LOAN



PERSONAL LOAN



LOAN AGAINST PRIVATE
PROVIDENT FUND (PPF)



SECURED OVERDRAFT

www.bhutaninsurance.com.bt

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Fax: 339895, Email: bhutaninsurancelimited@gmail.com



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 BHUTAN INSURANCE LIMITED

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of "Bhutan Insurance Limited" (The Insurance Company), which comprise the Statement of Financial Position as at December 31, 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, in all material respects, give a true and fair view of the financial position of the Company as at December 31, 2017, and (of) its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) issued by the Accounting & Auditing Standards Board of Bhutan (AASBB) except otherwise mentioned in this report.

2. Basis for Opinion

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have determined the matters described below to be the key audit matters to be communicated in our report.

- (I) Liability Adequacy Test and Impairment Testing of Re-insurance Assets has not been conducted in accordance with BFRS 4 on "Insurance Contracts".





Nag & Associates
Chartered Accountants

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ODISHA, INDIA
Telefax : + 91 - 674 - 2384569
E-mail : nagandassociates@gmail.com

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Companies Act of Bhutan, 2016 and Bhutanese Accounting Standards (BAS) issued by Accounting & Auditing Standards Board of Bhutan (AASBB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

6. As required by Section 266 of the Companies' Act of the Kingdom of Bhutan 2016, with respect to 'The Minimum Audit Examination and Reporting Requirements', we enclose in the "Annexure A" a statement on the matters specified therein to the extent applicable to the Company.

7. Further, as required by section 265 of the ACT, we report that:

- a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.






Nag & Associates
Chartered Accountants

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- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of accounts.
- d) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provision of the Companies Act of Bhutan, 2016.

For Nag & Associated
Chartered Accountants
FRN: 312063E

Date: 24.03.2018
Place: Thimphu, Bhutan


Indranath Nag
(PARTNER)

Membership Number: 050531





Head Office : MP - I/136, KHANDAGIRI ENCLAVE,
NEAR SISUGRUH, HOUSING BOARD COLONY
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ANNEXURE

(MINIMUM AUDIT EXAMINATION REPORT AS PER SECTION 266 OF COMPANIES ACT OF BHUTAN 2016 AND REFERRED TO IN PARAGRAPH 6 OF OUR REPORT OF EVEN DATE)

(TO THE EXTENT APPLICABLE)

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.

It has been observed that the company did not carry out any system audit since its inception. The Management may initiate appropriate system audit for better control.





Nag & Associates
Chartered Accountants

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

7. (a) As explained to us transactions in pursuance of contracts or arrangement entered into with Company or Firm in which director(s) are directly or indirectly interested have been made as per similar terms & conditions applied for transactions with other parties.
- (b) The terms & conditions attached to the transactions with the related parties as disclosed in Note No. 55 are not prejudicial to the interest of the other shareholders & the Company.
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.





Nag & Associates
Chartered Accountants

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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) and 51(b). 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 directives of the Board have generally been complied with.
18. We are given to understand by the management that the officials of the Company are refrained from transmitting any price sensitive information which are not publicly available and unauthorized, to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.
19. The company is in the process of maintaining adequate documents and records where it has granted loans and advances for which agreement have been drawn up and timely entries have been made therein.
20. The company has generally adhered to the requirements of Financial Services Act, 2011 and other applicable laws, rules, regulations and guidelines issued by the appropriate authorities.
21. The requirements relating to provisioning for the non-performing assets including loans and advances had been complied with.
22. Recognition of interest income in respect of non-performing asset has been complied with.
23. Except for few cases assets hypothecated against loan and advances have been physically verified, properly valued and mortgage deed executed and ensured that the assets are free of any prior lien or charges.
24. The company has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
25. Additional loans are not granted to those who have defaulted payment of previous advances.





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26. Compliance of Laws/ Regulations

- a. The Company has complied with the requirements of Company's Act of Bhutan 2016, the Financial Services Act of Bhutan, 2011 and the Income Tax Act of Kingdom of Bhutan, 2001.

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.

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	2017	2016
1	CAPITAL ADEQUACY	Tier1+ Tier2 Capital/ Total risk weighted assets	36.04%	47.87%
2	CORE CAPITAL	Tier1 Capital/ Total risk weighted assets	21.06%	28.80%
3	STATUTORY LIQUIDITY RATIO	Quick Assets/ total liabilities excluding capital fund and RMA liabilities	17.62%	20.02%





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4	ANNUALIZED GROSS PREMIUM TO SHAREHOLDERS' FUND	Gross premium/average capital employed	0.884	0.992
5	NET RETENTION	Net Premium/Gross Premium	0.501	0.501
6	COMMISSION TO NET PREMIUM	Commission net of Re-insurance/ Net Premium	18.83%	15.84%
7	MANAGEMENT EXPENSE TO GROSS PREMIUM	Management Expense/Gross Premium	14.24%	13.95%
8	COMBINED RATIO	(Net Claim + Operating Expenses) *100/Earned Premium	78.94%	89.34%
9	TECHNICAL RESERVE TO NET PREMIUM	Technical Reserve/Net Premium	0.698	0.763
10	OPERATING PROFIT	(Underwriting profit + Investment Income)/Net Premium	79.14%	72.71%
11	NET EARNING RATIO	PAT/Net Premium*100	57.77%	50.84%
12	ANNUALIZED RETURN ON NET WORTH	PAT/Net worth	23.99%	23.37%
13	BOOK VALUE PER SHARE	(Share Capital + Free Reserve)/ No. of Shares	24.08	21.05
14	EARNING PER SHARE	PAT/No. of Shares	5.78	4.92
15	NET WORTH OF THE COMPANY	Share Capital + Free Reserve	481,501,438	420,991,550
16	RETURN ON EQUITY	PAT/Average Capital Employed	25.60%	25.29%
17	NET WORTH TO TOTALLIABILITIES	Net Worth/Total Liabilities	24.61%	31.50%
18	GROSS NPL RATIO	Total NPL O/s. balance/Total Loan O/s. balance	3.66%	3.48%
19	NET NPL RATIO	Net NPL Loan/ Net Total Loan	0.77%	1.96%
20	SOLVENCY RATIO	Total Available Solvency Margin/ Total Required Solvency Margin	10.74%	7.27%
21	UNDERWRITTING BALANCE RATIO	Underwriting profit/Net Premium		
		FIRE	19.83%	24.01%
		MARINE	2.88%	2.24%
		OTHERS	31.59%	12.65%

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.





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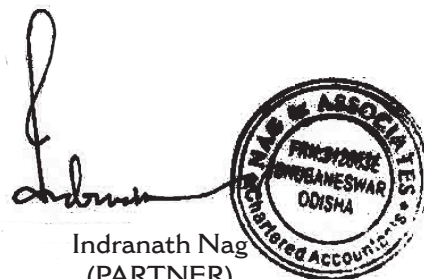
29. ADHERENCE TO LAWS, RULES AND REGULATIONS:

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 phase III and shall complete full adoption before the end 2017.

For Nag & Associated
Chartered Accountants
FRN: 312063E



Indranath Nag
(PARTNER)

Membership Number: 050531

Date:
Place:

Notes to the Financial Statements

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

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

1.2. Principal Activity

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

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

The Financial Statements of the Company which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Notes thereto have been prepared in accordance with the Bhutan Accounting Standards (BAS) laid down by the Accounting and Auditing Standards Board of Bhutan (AASBB) and comply with the requirements of Companies Act 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 2017 were authorized for issue in accordance with the 37th resolution of the Board of Directors held on 13th March, 2018.

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	Note
Estimate/Judgment	
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 face value of investments in listed Companies is disclosed in Note 30. 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 37th resolution of the Board of Directors on 13th March 2018 has approved the dividend for the year 2017 at 35% of the paid-up capital amounting Nu.70 million which was endorsed in 9th AGM on same date. It is also approved by RMA as per Prudential regulation 2016 vide letter No. RMA/FRSD/22/2017-2018/6526 dated 23rd March, 2018 which is disclosed as a note to the Financial Statements. For the year 2016 the dividend of 27% on the paid-up capital amounting Nu.54 million 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 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.

32. Investment as on 31st December 2017:

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	FD, 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.	FIs Training Institute	600000	10	6,000,000	-do-

33. The company has issued bonds Nu. 120,000,000 at a coupon rate of 6% p.a. under Economic Stimulus Plan as formulated by Royal Government of Bhutan.



34. BAS 18, i.e. on Revenue Recognition read with BAS 39, i.e. Financial Instrument- Recognition and measurement says the application of "Effective Interest Rate" method. This clause has not been complied with by the Company while compiling with the application of BAS, Phase-I.
35. Property Plant and Equipment has not been depreciated considering the useful life of the assets and also not tested for impairment as on 31.12.2017 as required as per the BAS 16 on Property Plant and Equipment.
36. Depreciation has been calculated as per the Income Tax Act. Deferred tax is not provided due to non-existence of temporary timing difference as per BAS 12.
37. Resources of Insurance Department, Provident Fund, Gratuity Fund and Fund obtained through borrowing are centrally managed through Finance & Investment Department.
38. Contingent liabilities as at the Balance Sheet date (as certified by the management):- Guarantee issued by the Company amounting to Nu.62,105,056.00 remain unexpired as on 31st December,2017.
39. Interest income on loans of Nu. 156,069,930.00 is net of suspended interest of Nu. 2,199,708.00 which is charged to the statement of comprehensive income during year as conforms to the Prudential Regulation, 2016 by Royal Monetary Authority of Bhutan.
40. Interest of Nu. 3,845,537.00 and late fee of Nu. 543,905.00 has not been recognized as income & kept under Interest in suspense and Late fee suspense account respectively.
41. Interest and late fee of Nu. 14,943,004.96 and Nu. 576,318.40 was not collected but included in total loan outstanding as on 31.12.2017.
42. Provision against non-performing loans of Nu. 57,579,430.00 has been computed as per the RMA Prudential Guidelines. An additional provision of Nu. 33,514,374.00 has been created during the year to consider probable loss which may arise out of potential non-performing loans.
43. Current liabilities include aggregate provident Fund contribution received from various organization for which BIL has been acting as 'Manager to Provident Fund' amounting to Nu. 163,713,029.00 (previous year Nu. 124,003,785.00) & Nu. 9,054,307.00 (previous year Nu. 7,308,087 .00) as interest accrued thereon.
44. Current liabilities include aggregate Gratuity Fund contribution received from various organization for which BIL has been acting as 'Manager to Gratuity Fund' amounting to Nu. 565,705,548.00 (previous year Nu. 319,528,393.00) & Nu. 33,814,333.00 (previous year Nu. 21,791,481.00) as interest accrued thereon.



45. Reserves for un-expired risks amounting to Nu. 99,532,887.00 (previous year Nu.100.410,894.00) created in the Revenue Accounts in respect of General Insurance Business at 50% (Previous year 50%) of the net premium income during the year.
46. Actuarial valuation has been adopted by the Company for the purpose of determining the amount of gratuity liability in line with BAS. An amount of Nu. 705,890.00 have been provided in the accounts towards gratuity on the presumption that all employees cease to be employed with the Company as on 31.12.2017 and the accounts conversion are done accordingly in the BAS financial statement.
47. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.
48. The assets of the Company in Bhutan are free from all encumbrances.
49. Premium in respect of policies on General Insurance extended for more than one year is recognized as income in the year of service being rendered.
50. **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. 21,739,208.00 in Schedule 16.

51. Management expenses include: -

a) Managerial Remuneration paid to the Chief Executive Officer: -

	2017	2016
- Remuneration:	Nu. 1,216,848.00	Nu. 1,200,000.00
- Other Benefits:	Nu. 648,000.00	Nu. 648,000.00
Total:	Nu. 1,864,848.00	Nu. 1,848,000.00
b) Directors sitting fees:	Nu. 412,500.00	Nu. 360,000.00

52. The Audit Fees and Expenses

a) Audit fee:-	Nu. 75,000.00	Nu.75,000.00
b) Audit expenses:	Nu. 125,000.00	Nu.125,000.00

53. 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.



54. In the opinion of management, there is no impairment of fixed assets of the Company, which may require any adjustment to be made.
55. 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 2017: -

SL. NO.	Name of the party	Nature of transaction	Outstanding amount as on 31.12.2017 (Nu.)	Outstanding amount as on 31.12.2016 (Nu.)
1.	Dasho Ugyen Rinzin	Commercial Establishment, Vehicle Loan & Overdraft	31,018,308.29	4,997,221.43
2.	Mr. Kunzang Namgyel	NIL	NIL	NIL
3.	Mr. Karma Tsetop Rinchen	Loan against Share	2,046,148.27	2,331,091.40
4.	Mr. Tshering Gyaltsen	Staff Establishment, Housing Loan, Vehicle & Overdraft	30,018,598.07	3,625,096.62
5.	Mr. Thinlay Gyamtsho	Loan against Share, Overdraft & BG	38,252,468.00	4,569,174.55


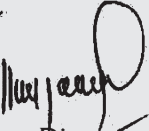
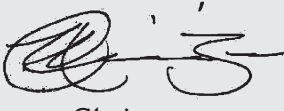
56. Other Current liabilities (Schedule 16) includes unclaimed dividend of Nu. 7,143,361.00 (previous year Nu. 4,680,477.00).
57. Previous year's figures have been adjusted/rearranged/ regrouped wherever necessary to make them comparable with the current year's figure.

For Nag & Associates
Chartered Accountants
FRN: 312063E


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



On behalf of The Board of Directors

 CEO
 Director
 Chairman



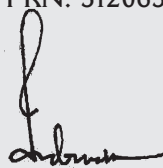
Consolidated Statement of Financial Position as on 31st December 2017

Particulars	Note	2017 Nu.	2016 Nu.
ASSETS			
Non Current Assets			
Intangible Assets (Net block)	4	3,189,621	4,582,719
Property, Plant & Equipment (Net block)	5	4,525,578	5,870,297
Long Term Investment	6	67,750,000	67,750,000
Term Loan	7	1,232,247,726	804,605,285
Total Non current Assets:-		1,307,712,925	882,808,301
Current Assets			
Cash & cash equivalents	8	191,761,788	109,330,393
Short term Investment	9	75,413,090	75,413,090
Loans & Overdraft	10	317,195,513	197,333,913
Advance & other assets	11	64,574,029	71,741,463
Total current Assets:-		648,944,421	453,818,860
TOTAL ASSETS:-		1,956,657,346	1,336,627,161
LIABILITIES			
Shareholders' Equity			
Issue,Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13	195,869,022	166,991,550
Retained Earnings	13a	85,632,416	54,000,000
CAT Reserves	13b	9,803,938	8,803,938
Total Shareholders' Equity:-		491,305,376	429,795,488
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	1,026,406,952	505,650,132
Other Liabilities	16	119,109,863	114,392,533
Provisions	17	199,835,153	166,789,007
Total current Liabilities:-		1,345,351,968	786,831,673
TOTAL LIABILITIES:-		1,956,657,346	1,336,627,161
Note:-			
Contingent Liabilities (Off balance sheet)		62,105,056	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: 312063E


(Indranath Nag)
Partner


Membership No. 050531


Date: 24.03.2018


Place: Thimphu, Bhutan



On behalf of The Board of Directors


CEO


Director


Chairman

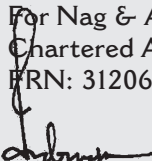


Statement of Financial Position for General Insurance Department as on 31st December 2017

Particulars	Note	2017 Nu.	2016 Nu.
ASSETS			
Non Current Assets			
Intangible Assets (Net block)	4	3,189,621	4,582,719
Property, Plant & Equipment (Net block)	5	4,525,578	5,870,297
Long Term Investments	6a	67,750,000	67,750,000
Total Non current Assets:-		75,465,199	78,203,016
Current Assets			
Cash & cash equivalents	8a	69,364,733	65,497,905
Short term Investment	9a	370,965,016	370,449,651
Advance & other assets	11a	258,581,007	195,961,454
Total current Assets:-		698,910,757	631,909,010
TOTAL ASSETS:-		774,375,956	710,112,026
LIABILITIES			
Shareholders' Equity			
Issue,Subscribed & Paid-up capital	12	200,000,000	200,000,000
General Reserves	13c	284,361,560	206,346,532
Total Shareholders' Equity:-		484,361,560	406,346,532
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	70,481,508	83,354,600
Provisions	17a	99,532,887	100,410,894
Total current Liabilities:-		170,014,395	183,765,494
TOTAL LIABILITIES:-		774,375,956	710,112,026





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: 312063E

(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman


Statement of Financial Position for Financing & Investment Department as on 31st December 2017

Particulars	Note	2017 Nu.	2016 Nu.
ASSETS			
Non current Assets			
Term Loans	7	1,232,247,726	804,605,285
Total Non current Assets		1,232,247,726	804,605,285
Current Assets			
Cash & cash equivalents	8b	122,397,055	43,832,488
Short term Investment	9b	35,000,000	35,000,000
Loans & Overdatft	10	317,195,513	197,333,913
Other assets	11b	1,845,531	1,521,158
Total Current Assets		476,438,099	277,687,560
TOTAL ASSETS:-		1,708,685,825	1,082,292,844
LIABILITIES			
Non current Liabilities			
General Reserves	13d	217,455,699	167,789,048
Total Non Current Liabilities		217,455,699	167,789,048
Current Liabilities			
Borrowings & Funds	15a	1,356,958,879	835,686,693
Other Liabilities	16b	76,691,817	54,752,047
Provisions	17b	57,579,430	24,065,056
Total Current Liabilities		1,491,230,126	914,503,796
TOTAL LIABILITIES:-		1,708,685,825	1,082,292,844

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




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

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman



Consolidated Statement of Comprehensive Income as on 31st December 2017

Particulars	Note	2017 Nu.	2016 Nu.
Operating Profit transferred from Revenue A/c.			
General Insurance Department	Revenue A/c.	108,566,072	75,281,511
Financing & Investment Department	Revenue A/c.	49,666,652	65,762,013
Profit before Taxation		158,232,724	141,043,525
Provision for taxation		(42,722,835)	(42,313,057)
Profit after taxation		115,509,888	98,730,467
Prior period adjustment (Deffer tax)	30	-	(346,040)
Profit available for Appropriations		115,509,888	98,384,427
APPROPRIATIONS			
Transfer to General Reserve	13	28,877,472	43,384,427
Transfer to Retained Earnings	13a	85,632,416	54,000,000
Transfer to Catastrophe Reserve	13b	1,000,000	1,000,000
TOTAL APPROPRIATIONS		115,509,888	97,384,427
Earnings per share (Nu.)	31	5.78	4.92

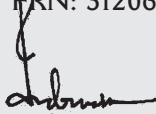
The schedules referred to above form an integral part of this Consolidated Statement of Comprehensive Income.

This is the Consolidated Statement of Comprehensive Income referred to in our report of even date.

Note:-


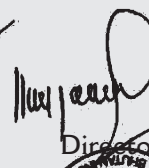

30% tax provision on Gross profit	47,469,817
Less:- Tax Rebate 10% for business employing 100% bhutanese national (section 12) chapter 2, section 9 of Rules on the Fiscal Incentives Act of Bhutan 2017	4,746,982
Net Tax	42,722,835

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman

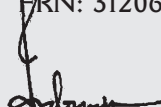


Revenue Account for General Insurance Department as of 31st December 2017

Particular	Note	2017 Nu.	2016 Nu.
Gross written Premium	18a+18b	398,985,732	386,100,899
Premium ceded to reinsurers	18c	(199,919,956)	(185,279,108)
Net written premium		199,065,776	200,821,792
Net change in reserve for unearned premium	18d	878,007	(7,322,368)
Net Earned Premium	18	199,943,783	193,499,424
Commission income (Reinsurers ceded)	19	42,262,885	35,105,808
Income from investments	20	32,083,091	28,037,521
Other income	21	3,908,940	3,187,041
Net Income		278,198,700	259,829,794
Gross claims	22	(174,007,925)	(192,586,032)
Reinsures recoveries	23	72,974,018	73,578,684
Net policyholder claims & benefits paid		(101,033,908)	(119,007,348)
Commission expenses (Referral fees & RI Accepted)	24	(4,609,326)	(4,453,097)
Operating & administration expenses	25	(56,809,170)	(53,868,112)
Other Expenses (ESP bond)	25b	(7,180,224)	(7,219,726)
Operating Profit transfer to consolidated Profit/Loss A/c.		108,566,072	75,281,511
Less: Prior Period adjustment (Deffer tax)	30	-	(346,040)
Net balance transfer to Reserve A/c.	13c	108,566,072	74,935,471

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.


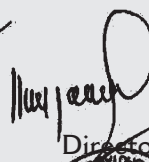

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner

Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman

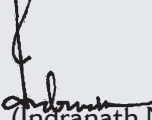


Revenue Account for Financing & Investment Department as of 31st December 2017

Particulars	Schedule	2017 Nu.	2016 Nu.
INCOME			
Interest on Loan	26	156,069,930	111,815,268
Other Income	27	7,885,442	8,947,908
Total Income:-		163,955,372	120,763,175
EXPENSES			
Interest Expenses	28	(77,084,835)	(54,373,831)
Management Expenses	29	(3,689,512)	(2,260,791)
Provision against Loans	17c	(33,514,374)	1,633,459
Operating Profit transfer to consolidated Profit/Loss A/c.		49,666,652	65,762,013
Net balance transferred to reserve	13d	49,666,652	65,762,013




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: 312063E


(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



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

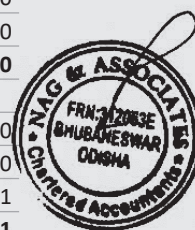
4 Intangible Assets	2017 Nu.	2016 Nu.
Acquisition cost		
Balance as at 1st January	9,287,320	9,287,320
Additions	-	-
Balance as at 31st December	9,287,320	9,287,320
Amortisation		
Balance as at 1st January	4,704,601	3,311,503
Amortisation charge for the year	1,393,098	1,393,098
Balance as at 31st December	6,097,699	4,704,601
Net carrying amount as at 31st December	3,189,621	4,582,719

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.

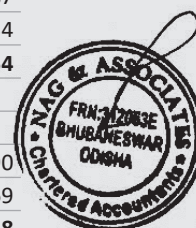
5

PROPERTY, PLANT & EQUIPMENT						
Cost	Office Equipment	Furniture & Fittings	Computers & Printers	Motor Vehicles	Total	
Balance as at 1st January 2017	2,256,047	2,819,493	6,568,105	7,337,841	18,981,486	
Additions during the year	453,183	377,049	949,670	-	1,779,902	
Disposals during the year	-	12,250	-	-	12,250	
Balance as at 31st December 2017	2,709,230	3,184,292	7,517,775	7,337,841	20,749,138	
Depreciation						
Balance as at 1st January 2017	1,443,293	1,836,364	4,585,933	5,245,599	13,111,189	
Depreciation charge for the year	406,384	477,644	1,127,666	1,100,676	3,112,371	
Balance as at 31st December 2017	1,849,677	2,314,008	5,713,599	6,346,275	16,223,560	
Carrying Amount						
Balance as at 31st December 2017	859,552	870,284	1,804,176	991,566	4,525,578	
Balance as at 31st December 2016	812,754	983,129	1,982,172	2,092,242	5,870,297	

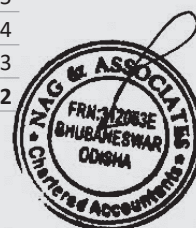
	2017 Nu.	2016 Nu.
6 LONG TERM INVESTMENT		
Capital contribution to Fls training Institute	6,000,000	6,000,000
Investment in Bond (RICB & Dungsam Cement)	60,000,000	60,000,000
Investment in CIB Share Capital Equity	1,750,000	1,750,000
Total:-	67,750,000	67,750,000
6a. General Insurance Department		
Capital contribution to Fls training Institute	6,000,000	6,000,000
Investment in CIB Share capital equity	1,750,000	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	67,750,000
7 TERM LOANS DUES > 1 YEAR		
Manufacturing/Industry Sector Loan	136,101,965	147,904,776
Service Sector Loan	53,422,815	69,451,005
Trade/Commerce Sector Loan	68,093,529	16,762,297
Housing Sector Loan	360,166,232	135,930,364
Transport Sector Loan	502,222,248	314,342,347
Loans to Purchase Securities	48,142,823	53,919,187
Personal Loan	18,959,363	24,922,541
Staff Loan	32,886,177	28,773,344
Agriculture loan	3,266,705	2,330,749
Consumer Loan	8,985,870	10,268,674
Total:-	1,232,247,726	804,605,285
8 CASH & CASH EQUIVALENTS		
Cash on hand & balances with banks (8a+8b)	191,761,788	109,330,393
Total:-	191,761,788	109,330,393
8a. General Insurance Dept		
Cash on hand & balance with banks	69,364,733	65,497,905
Total:-	69,364,733	65,497,905
8b. Financing & Investment Department		
Cash & Bank Balance	122,397,055	43,832,488
Total:-	122,397,055	43,832,488
9 SHORT TERM INVESTMENT		
Fixed Deposit (Maturing > 3 < or = 6 months)	65,000,000	65,000,000
Equity Investment (BNBL)	10,413,090	10,413,090
Total:-	75,413,090	75,413,090
9a. Short term Investment (Gen. Ins.)		
Fixed Deposit (Maturing > 3 < or = 6 months)	30,000,000	30,000,000
Equity Investment (BNBL)	10,413,090	10,413,090
Investment with FID	330,551,926	330,036,561
Total:-	370,965,016	370,449,651



	2017 Nu.	2016 Nu.
9b. Short term Investment(FID)		
Fixed Deposit (Maturing > 3 < or = 6 months)	35,000,000	35,000,000
Total:-	35,000,000	35,000,000
10 LOANS & OVERDRAFT DUES < or = 1 YEAR		
Trade/Commerce Sector Loan	128,946,320	117,847,893
Service & Tourism sector loan	53,845,153	10,950,219
Manufacturing/Industry Sector Loan	30,663,044	21,714,694
Transport Sector Loan	5,761,582	2,909,071
Personal Loan	96,475,956	41,049,991
Agriculture loan	927,140	949,970
Late fees	576,318	1,912,076
Total:-	317,195,513	197,333,913
11 ADVANCE & OTHER ASSETS		
RMA Reserve A/c.	30,000	30,000
Security deposit for office space	134,000	118,000
Interest on Fixed Deposit receivable	2,109,863	2,228,830
Interest receivable on Bond	1,662,500	1,662,500
Aviation insurance premium receivable	44,105,046	50,723,970
Advance CIT & TDS paid to RRCO	16,052,924	13,557,695
RMA Penalty Deposit A/c.	100,000	100,000
Salvage amount receivable	126,019	645,827
Other advance	253,677	285,854
Aviation RI commission receivable	-	2,388,787
Total:-	64,574,029	71,741,463
11a. General Insurance Department		
RMA Reserve A/c.	30,000	30,000
Security deposit for office space	134,000	118,000
Interest on Fixed Deposit receivable	378,082	707,671
Interest on Investment fund Receivable (FID)	24,419,206	21,461,911
Interest receivable on Bond	1,662,500	1,662,500
Aviation/Engg. insurance premium receivable	44,105,046	50,723,970
Advance CIT & TDS paid to RRCO	15,939,174	13,557,695
RMA Penalty Deposit A/c.	100,000	100,000
Salvage amount receivable	126,019	645,827
FID Expenses receivable	3,644,255	2,252,204
Other advance	253,677	285,854
Aviation RI commission receivable	-	2,388,787
Counter entry of FID last year Reserve	167,789,048	102,027,034
Total:-	258,581,007	195,961,454
11b. Financing & Investment Department		
Interest receivable on Fixed deposit	1,731,781	1,476,090
TDS on Fixed Deposit paid to RRCO	113,750	45,069
Total:-	1,845,531	1,521,158



	2017 Nu.	2016 Nu.
12 CAPITAL FUND		
Authorised capital (50,000,000 Equity share of Nu 10 each)	500,000,000	500,000,000
Issued, Subscribed and Paid-up (20,000,000 Equity share of Nu 10 each)	200,000,000	200,000,000
13 GENERAL RESERVES		
General Reserve balance as at 1st January	166,991,550	123,607,123
General Reserve transferred during the year	28,877,472	43,384,427
Balance as at 31st December	195,869,022	166,991,550
13a. RETAINED EARNINGS		
Retained Earnings as at 1st January	54,000,000	33,500,000
Dividend paid for previous year	(54,000,000)	(33,500,000)
Retained Earnings transferred during the year	85,632,416	54,000,000
Balance as at 31st December	85,632,416	54,000,000
13b. CAT RESERVES		
CAT Reserve as at 1st January	8,803,938	7,803,938
CAT Reserve for the year	1,000,000	1,000,000
Balance as at 31st December	9,803,938	8,803,938
13c. General Insurance Department		
General Reserve balance as at 1st January	175,795,488	131,411,061
Profit for the year	108,566,072	74,935,471
Balance as at 31st December	284,361,560	206,346,532
13d. Financing & Investment Department		
General Reserve as at 1st January	167,789,048	102,027,034
Profit for the year	49,666,652	65,762,013
Balance as at 31st December	217,455,699	167,789,048
14 ESP bond Liabilities		
ESP bond	120,000,000	120,000,000
15 BORROWING & FUNDS		
Borrowings from BNBL & GIC Bhutan Re.	80,500,000	61,000,000
Borrowings from Druk PNBL	215,000,000	-
Funds from PPF Division	163,713,029	124,003,785
Funds from SWF	1,488,376	1,117,954
Funds from Staff Gratuity	565,705,548	319,528,393
Total:-	1,026,406,952	505,650,132



	2017 Nu.	2016 Nu.
15a. Financing & Investment Department		
Borrowings from GIC Bhutan Re.	80,500,000	61,000,000
Borrowings from Druk PNBL	215,000,000	-
Funds from General Insurance Dept.	330,551,926	330,036,560
Funds from PPF Division	163,713,029	124,003,785
Funds from SWF	1,488,376	1,117,954
Funds from Staff Gratuity	565,705,548	319,528,393
Total:-	1,356,958,879	835,686,693

16 OTHER LIABILITIES

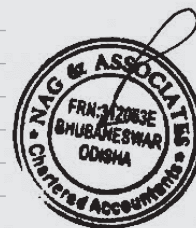
Outstanding expenses	583,105	384,578
Outstanding claim	30,140,302	38,441,184
Referral fees payable	3,355,370	2,739,885
Gratuity fund payable	1,531,686	1,477,636
Stale cheques	493,872	502,352
Unclaim Dividend	7,143,361	4,680,477
Differ tax liability	242,363	-
TDS payable to RRCO	5,057	7,651
RI ceded payable	21,739,208	29,853,878
Interest payable to Druk PNBL	1,266,904	-
Interest payable to PPF Division	9,054,307	7,308,085
Interest payable to SWF	83,704	70,422
Interest in suspense A/c.	3,845,537	1,645,829
Late fee suspense A/c.	543,905	176,899
Interest payable to Staff Gratuity A/c.	33,814,333	21,791,481
CIB Charges payable	-	25,550
Interest payable to ESP fund	5,266,849	5,286,625
Total:-	119,109,863	114,392,533

16a. General Insurance Department

Outstanding expenses	583,105	384,578
Outstanding claim	30,140,302	38,441,184
Referral fees payable	3,355,370	2,739,885
Gratuity fund payable	1,531,686	1,477,636
Stale cheques	474,207	482,686
Unclaim Dividend	7,143,361	4,680,477
Differ tax liability	242,363	-
TDS payable to RRCO	5,057	7,651
RI ceded payable	21,739,208	29,853,878
Interest payable to ESP Fund	5,266,849	5,286,625
Total:-	70,481,508	83,354,600



	2017 Nu.	2016 Nu.
16b. Financing & Investment Department		
Interest payable to Druk PNBL	1,266,904	-
Interest payable to General Insurance Dept.	24,419,206	21,461,911
Interest payable to PPF Division	9,054,307	7,308,085
Interest payable to SWF	83,704	70,422
Mgt. Expenses payable to Gen. Insurance	3,644,255	2,252,204
Interest in suspense A/c.	3,845,537	1,645,829
Late fee suspense A/c.	543,905	176,899
Interest payable to Gratuity Fund A/c.	33,814,333	21,791,481
CIB Charges payable	-	25,550
Stale cheque	19,666	19,666
Total:-	76,691,817	54,752,047
17 PROVISIONS		
Provision for unexpired risk (17a)	99,532,887	100,410,894
Provision for Loan (17b)	57,579,430	24,065,056
Provision for taxation	42,722,835	42,313,057
Total:-	199,835,153	166,789,007
17a. General Insurance Department		
Provision for unexpired risk as per last Account	100,410,894	93,088,526
Add: Provision for unexpired risk current year	(878,007)	7,322,368
Total:-	99,532,887	100,410,894
17b. Financing & Investment Department		
i) Provision for standard Loan as per last year A/c.	7,759,990	5,416,112
Add:- Additional Provision for current year	3,135,572	2,343,878
Total:-	10,895,562	7,759,990
ii) Provision for Watch Loan as per last year A/c.	2,566,057	3,361,514
Add:- Additional Provision for current year	3,315,186	(795,457)
Total:-	5,881,243	2,566,057
iii) Provision for Sub standard Loan & above as per last year A/c.	13,739,009	16,920,889
Add:- Additional Provision for current year	27,063,616	(3,181,880)
Total:-	40,802,625	13,739,009
Total (i + ii + iii):-	57,579,430	24,065,056
17c. Provision against loan charged for the year		
i) Provision for standard Loan for the year	3,135,572	2,343,878
ii) Provision for Watch Loan for the last year	3,315,186	(795,457)
iii) Provision for Sub standard Loan for the year	27,063,616	(3,181,880)
Total:-	33,514,374	(1,633,459)



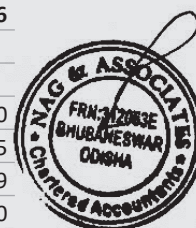
Provision on Loan outstanding Principal amount for the Non-Performing Loans is made as per the guidelines issued by Royal Monetary Authority of Bhutan at the following rate revised with effect from 31st. December 2012 and further amendment as per the Prudential Regulation 2016.

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

	2017 Nu.	2016 Nu.
18 NET EARNED PREMIUM (Direct + Accepted)		
Fire	106,988,365	95,937,393
Marine	11,093,927	14,697,451
Motor	157,248,956	141,415,302
Misc.	123,654,484	134,050,753
Gross written premium (18a + 18b)	398,985,732	386,100,899
Premium ceded to reinsurers (18c)	(199,919,956)	(185,279,108)
Net written premium	199,065,776	200,821,792
Net change in reserve for unearned premium (18d)	878,007	(7,322,368)
Net earned premium	199,943,783	193,499,424
18a. Premium Direct		
Fire	94,193,830	92,439,345
Marine	11,093,927	14,697,451
Motor	157,248,956	141,415,302
Misc	77,986,782	56,033,608
Total:-	340,523,495	304,585,707
18b. Premium Accepted		
Fire	12,794,536	3,498,048
Misc & Aviation	45,667,702	78,017,144
Total:-	58,462,237	81,515,192
18c. Premium Ceded to reinsurers		
Fire	48,551,447	49,043,525
Marine	7,024,946	9,174,632
Motor	10,575,666	18,617,744
Misc	133,767,897	108,443,207
Total:-	199,919,956	185,279,108



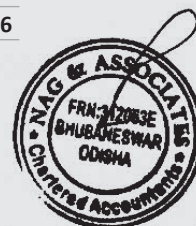
	2017 Nu.	2016 Nu.
18d. Net change in reserve for unearned premium		
Opening balance as per last account	100,410,894	93,088,526
Add/Less: Increase/(decrease) during the year	(878,007)	7,322,368
Total:-	99,532,887	100,410,894
19 COMMISSION INCOME (Reinsurers ceded)		
Fire	14,657,544	14,977,342
Marine	2,152,703	2,763,963
Motor	1,063,771	1,117,548
Misc.	24,388,866	16,246,955
Total:-	42,262,885	35,105,808
20 INCOME FROM INVESTMENT		
Fixed Deposit	1,948,767	707,671
Dividend income	465,118	543,795
Interest from Bond (RICB & Dungsam Cement)	5,250,000	5,324,144
Interest Received from FID (Gen. Insurance Fund)	24,419,206	21,461,911
Total:-	32,083,091	28,037,521
21 OTHER INCOME		
Sale of Scraps	3,827,670	3,787,206
Misc. Income	12,442	-
Exchange gain/(loss)	68,829	(600,165)
Total:-	3,908,940	3,187,041
22 GROSS CLAIMS		
Claims paid (Including advance) (22a)	182,308,807	172,764,316
Add: Outstanding claims (excluding advance) (22b)	30,140,302	38,441,184
Less: O/s. claims at the beginning of the year (22c)	(38,441,184)	(18,619,468)
Total:-	174,007,925	192,586,032
22a. Total Gross claims		
Claims paid (Including advance):-		
Fire	22,352,589	18,572,624
Marine	134,850	23,276,886
Motor	115,526,607	115,501,851
Misc.	44,294,761	15,412,955
Total:-	182,308,807	172,764,316
22b. Outstanding claims (Excluding advance)		
Fire	7,407,677	2,299,980
Marine	633,950	965,895
Motor	17,121,310	26,795,809
Misc.	4,977,365	8,379,500
Total :-	30,140,302	38,441,184



	2017 Nu.	2016 Nu.
22c. Outstanding claims at the beginning of the year		
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
23 REINSURERS RECOVERIES ON CLAIMS		
Fire	10,162,354	8,849,742
Marine	9,440	21,466,038
Motor	33,910,835	35,010,392
Misc.	28,891,390	8,252,511
Total:-	72,974,018	73,578,684
24 COMMISSION EXPENSES (24a + 24b)		
Fire	1,227,024	959,502
Marine	144,617	147,111
Motor	2,048,589	1,414,348
Misc.	1,189,097	1,932,137
Total:-	4,609,326	4,453,097
24a. Commission Expenses (Referral fees)		
Fire	1,227,024	959,502
Marine	144,617	147,111
Motor	2,048,589	1,414,348
Misc.	1,015,866	1,340,214
Total:-	4,436,095	3,861,175
24b. Commission/Brokerage Expenses (RI Accepted)		
Misc.	173,231	591,923
Total:-	173,231	591,923



	2017 Nu.	2016 Nu.
25 OPERATING EXPENSES		
Employees remuneration and welfare benefit (25a)	35,258,513	33,380,256
Communication expenses	4,350,741	4,150,436
Training expenses	1,839,403	2,141,806
Rental charges	2,833,352	2,779,476
Repairs & Maintenance	666,533	528,395
Printing and stationary	1,040,897	1,167,395
Legal and Professional Charges	4,163,197	3,171,690
Advertisement and publicity	1,488,237	1,609,327
Other Misc. expenses	662,829	699,011
Depreciation & Amortization (4 & 5)	4,505,469	4,240,321
Total:-	56,809,170	53,868,112
Expenses Allocation:		
Fire Insurance	15,713,416	13,386,226
Marine Insurance	1,851,979	2,052,375
Motor Insurance	26,234,475	19,731,889
Miscellaneous Insurance	13,009,300	18,697,621
Total Expenses allocation	56,809,170	53,868,112
25a. Employee remuneration & welfare benefits		
Salaries to staff	17,788,883	16,448,062
PF (BIL Share)	1,660,038	1,594,623
Communication allowance	247,594	254,812
Fuel allowance	455,540	446,221
Cash handling allowance	88,500	77,700
Corporate allowance	4,599,064	4,558,958
Housing allowance	2,665,892	2,598,859
Contract allowance	600,000	429,865
Leave Encashment amount	920,676	997,545
Staff Insurance premium	87,500	50,750
Staff Canteen & refreshment expenses	483,762	323,972
LTC	943,575	897,490
Gratuity expenses & contribution	570,098	1,544,316
Staff incentive expenses	4,147,391	3,157,082
Total:-	35,258,513	33,380,256
25b. Other Expenses on ESP bond & Equity		
Interest paid on ESP bond	7,180,224	7,219,726
Total:-	7,180,224	7,219,726



	2017 Nu.	2016 Nu.
26 INTEREST INCOME (Net of Suspense)		
Commercial vehicle Loan	54,717,604	32,538,855
Commercial Establishment Loan	682,005	896,205
Industrial Manufacturing Loan	20,084,535	13,615,450
Services & Tourism	10,161,183	9,588,004
Housing Loan	27,687,717	13,530,170
Personal Loan	13,154,827	11,395,417
Staff Loan	3,164,555	2,141,887
Venture Loan	21,570,320	20,530,545
PPF Loan	388,824	350,311
GE/PE Loan	3,341	16,664
Agriculture Loan	532,218	352,466
Loan against shares	6,122,510	4,677,699
Total:-	158,269,638	109,633,674
Add/Less: Interest in suspense provision	(2,199,708)	2,181,595
Net interest received	156,069,930	111,815,268
27 OTHER INCOME		
Guarantee Commission	3,724,286	2,914,629
Administration & other Charges	147,950	191,050
Interest from Fixed Deposit	2,664,800	3,337,361
Late fees Income (Net of Suspense)	1,348,406	2,504,867
Total:-	7,885,442	8,947,908
28 INTEREST EXPENSES		
Interest on borrowing Funds (GIC Re Bhutan)	3,934,936	3,741,931
Interest on borrowing Funds (DPNB)	5,121,656	-
Interest on borrowing fund (BNBL)	656,692	-
Interest on General Insurance Fund	24,419,206	21,461,911
Interest on PPF Fund	9,054,307	7,308,085
Interest on SWF	83,704	70,422
Interest on Staff Gratuity A/c.	33,814,333	21,791,481
Total :-	77,084,835	54,373,831



	2017 Nu.	2016 Nu.
29 OPERATING EXPENSES (Financing & Inv. Dept)		
Salary,wages,allowance & PF	2,424,372	1,182,346
Leave Encashment benefit	22,187	19,295
LTC	92,967	56,597
Travelling Expenses	23,114	12,858
Printing & Stationary expenses	340,662	336,849
Postage & Telegram expenses	-	18,246
Legal Charges	6,695	7,200
Telephone & Fax expenses	79,709	90,872
Canteen Expenses	101,676	75,884
Internet expenses	98,673	136,641
Electricity Charges	50,641	42,650
Gratuity expenses	135,792	62,382
Staff incentives	-	69,692
CIB & CRS charges	37,500	-
Advertisement expenses	268,014	147,892
Bank charges	7,511	1,387
Total:-	3,689,512	2,260,791
30 PRIOR PERIOD ADJUSTMENT		
Differ tax of previous year	-	346,040
Total:-	-	346,040
31 EARNINGS PER SHARE		
Profit attributable to ordinary shareholders	115,509,888	98,384,427
Weighted average No. of ordinary shares	20,000,000	20,000,000
Earnings per share (Nu.)	5.78	4.92

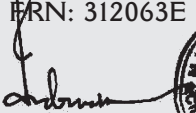


Statement of Cash Flow as of 31st December 2017

		2017 Nu.	2016 Nu.
1. Cash flow from Operating Activities			
Profit before tax		158,232,724	141,043,525
Add: Depreciation	3,112,371		
Add: Amortisation	1,393,098	4,505,469	4,240,321
Add/Less:		4,717,330	45,501,101
Increase/(Decrease) in Current Liabilities			
Add/Less:		32,636,367	5,688,909
Increase/(Decrease) in Provision			
Add/Less:		7,167,434	377,666
Decrease/(Increase) in Current Assets			
Less:		(96,313,057)	(62,411,813)
Tax & Dividend Paid for last year profit			
Less: P		-	(346,040)
rior period taxes, penalties paid & others			
Net Cash flow from operating activities	(A)	110,946,267	134,093,669
2. Cash flow from Investing Activities			
Add/Less:	-		(30,000,000)
Decrease/(Increase) in Investment			
Less: Purchase of Fixed Assets	(1,767,652)		(931,545)
Net Cash flow from Investing activities	(B)	(1,767,652)	(30,931,545)
3. Cash flow from Financing Activities			
Add/Less:	520,756,820		74,750,940
Increase/(Decrease) in borrowings			
Add/Less: Decrease/(Increase) in Loans	(547,504,041)		(203,099,063)
Net Cash flow from Financing activities	(C)	(26,747,221)	(128,348,123)
Net Increase/(Decrease) in cash and cash equivalent	(A+B+C)	82,431,395	(25,185,999)
Change in Cash & Cash Equivalents			
Closing Cash & Cash equivalent		191,761,788	109,330,393
Less: Opening Cash & Cash equivalent		109,330,393	134,516,392
Net changes in Cash & cash equivalent		82,431,395	(25,185,999)


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

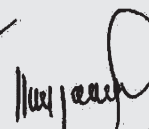
For Nag & Associates
Chartered Accountants
FRN: 312063E



(Indranath Nag)
Partner


Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan

On behalf of The Board of Directors


CEO


Director


Chairman



Statement of Changes in Equity as of 31st December 2017

Item	Share Capital	Reserve & Contingency	Proposed Cash Dividend	Profit & Loss Appropriation A/c.	Total
Opening Balance as on 1st January 2016	200,000,000	302,135,488	(72,340,000)	-	429,795,488
Cash Dividend Distributed during the year	-	-	(54,000,000)	-	(54,000,000)
Right Issue Share	-	-	-	-	-
Profit After Taxation	-	-	-	115,509,888	115,509,888
Appropriation made during the year	-	115,509,888	-	(115,509,888)	-
Closing Balance as on 31st December 2017	200,000,000	417,645,376	(126,340,000)	-	491,305,376
Closing Balance as on 31st December 2016	200,000,000	302,135,488	(72,340,000)	-	429,795,488

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

For Nag & Associates
Chartered Accountants
PAN: 312063E



(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan

On behalf of The Board of Directors

 CEO
 Chairman



Statement of Financial Position for Private Provident Fund as on 31st December 2017

Particulars	Schedule	Nu.	2017	Nu.	2016
LIABILITIES					
Employees' & Employers' Contribution (Net)	1		147,861,556		113,327,981
Interest Credited to Members' Accounts (Net)	2		24,907,232		17,983,875
Total:-			172,768,788		131,311,855
ASSETS					
Fund Deposited with BIL	3		163,714,480		124,003,768
Other Assets	4		9,054,307		7,308,087
Total:-			172,768,788		131,311,855

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
ERN: 312063E


(Indranath Nag)
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman

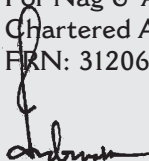


Revenue Account for Private Provident Fund as on 31st December 2017

Particulars	Schedule	Nu. 2017	Nu. 2016
INCOME			
Return on deposit with BIL		9,054,307	7,308,087
Total:-		9,054,307	7,308,087
EXPENSES			
Return on employees' contribution		4,527,153	3,654,044
Return on employers' contribution		4,527,153	3,654,044
Total:-		9,054,307	7,308,087

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


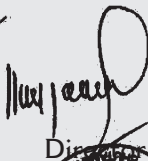

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner

Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman



Schedules attached to and forming part of the Accounts as on 31st December 2017

		2017		2016	
1	Employees' & Employers' Contribution				
	Particular	Employees' Contribution	Employers' Contribution	Employees' Contribution	Total Contribution
	As per last Account (Net of refund)	56,671,218	56,656,760	43,296,391	86,585,798
	Add:- contribution during the year	24,418,262	24,446,655	21,514,622	43,037,247
		81,089,480	81,103,415	64,819,016	129,623,045
	Less: Refund during the year	(7,165,671)	(7,165,671)	(8,147,798)	(16,295,065)
	Total:-	73,923,809	73,937,744	56,671,218	113,327,981
2	Interest on Employees' & Employers' Contribution				
	Particular	Employees' Contribution Interest	Employers' Contribution Interest	Employees' Contribution Interest	Total Interest
	As per last Account (Net of refund)	8,901,161	9,082,715	6,420,475	12,842,171
	Add:- contribution during the year	4,508,636	4,545,670	3,563,877	7,308,087
		13,409,797	13,628,385	9,984,352	20,150,258
	Less: Refund during the year	(1,065,473)	(1,065,476)	(1,083,191)	(2,166,383)
	Total:-	12,344,324	12,562,909	8,901,161	17,983,875
3	Investment with BIL				
	As per last Account	124,003,768	93,983,992		
	Add:- Deposited during the year	39,710,712	30,019,776		
	Total:-	163,714,480	124,003,768		
4	Other Assets				
	Receivable from BIL (Interest Accrued)	9,054,307	7,308,087		



**Statement of Financial Position or Gratuity Fund Management as on 31st.
December 2017**

Particulars	Schedule	Nu.	2017	Nu.	2016
LIABILITIES					
Contribution (Net)	1	533,503,097	309,081,395		
Interest Credited to Members' Accounts (Net)	2	66,016,793	32,238,489		
Total:-		599,519,892	341,319,884		
ASSETS					
Fund Deposited with BIL	3	565,705,559	319,528,404		
Other Assets	4	33,814,333	21,791,481		
Total:-		599,519,892	341,319,884		

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: 312063E


Pradyumn Nath
Partner
Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman

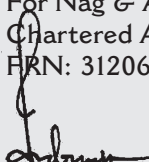


Revenue Account for Gratuity Fund Management as on 31st December 2017

Particulars	Schedule	Nu. 2017	Nu. 2016
INCOME			
Return on deposit with BIL		33,814,333	21,791,481
Total :-		33,814,333	21,791,481
EXPENSES			
Return on contribution		33,814,333	21,791,481
Total:-		33,814,333	21,791,481

The schedules referred to above form an integral part of this Revenue Account
This is the Revenue Account of Gratuity Fund Management referred to in our report
of even date


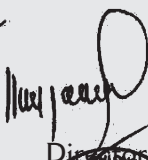

For Nag & Associates
Chartered Accountants
FRN: 312063E


(Indranath Nag)
Partner

Membership No. 050531
Date: 24.03.2018
Place: Thimphu, Bhutan



On behalf of The Board of Directors

 CEO
 Director
 Chairman



Schedules attached to and forming part of the Accounts as on 31st. December 2017

1	Contribution	2017	2016
	Particular	Contribution	Contribution
	As per last Account (Net of refund)	309,081,395	249,820,235
	Add:- contribution during the year	236,997,659	73,053,733
		546,079,054	322,873,968
	Less: Refund during the year	(12,575,957)	(13,792,573)
	Total:-	533,503,097	309,081,395
2	Interest on Contribution		
	Particular	Interest on Contribution	Interest on Contribution
	As per last Account (Net of refund)	32,238,489	10,715,452
	Add:- contribution during the year	33,814,333	21,791,481
		66,052,822	32,506,933
	Less: Refund during the year	(36,029)	(268,444)
	Total:-	66,016,793	32,238,489
3	Investment with BIL		
	As per last Account	319,528,404	250,141,614
	Add:- Deposited during the year	246,177,155	69,386,790
	Total:-	565,705,559	319,528,404
4	Other Assets		
	Receivable from BIL (Interest Accrued)	33,814,333	21,791,481

