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14th Annual Report

2022



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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

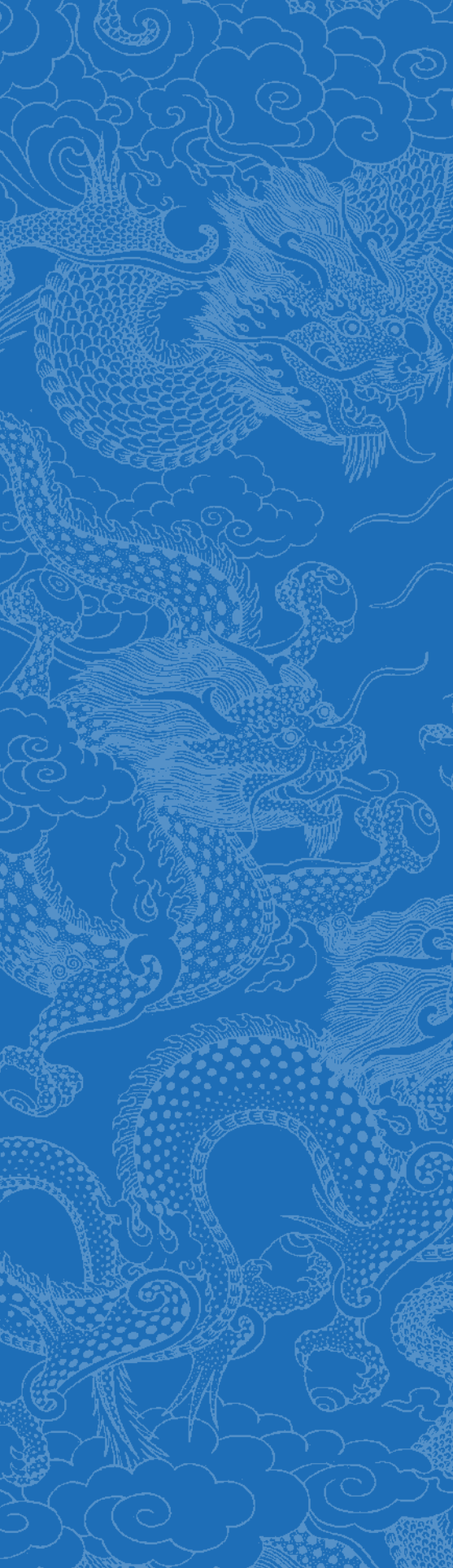
Your
insurer of
CHOICE

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

DIRECTORS' REPORT

Dear Shareholders,

It gives me immense pleasure to present the Directors' Report of Bhutan Insurance Limited for the fiscal year ended December 31st, 2022. It has been a challenging year, but I am proud to report that our company has managed to navigate through the difficulties and has achieved some remarkable milestones.

1. Business Performance Highlights

Our company's financial performance during the year has been impressive. Our profits have increased significantly, with Profit Before Tax and Profit After Tax amounting to Nu.370.75 million & Nu. 248.46 million respectively. Thus, resulting in increase in Profit Before Tax and Profit After Tax by 56% and 48% respectively in comparison with the profitability of 2021 financials.

	Fiscal year 2022 (figures in million)
Total assets	3561.61
Gross written premium	400.12
Operating profit Insurance Department	179.37
Operating profit Investment Department	168.8
Profit after tax for the year	248.46

Significant Ratios indicating the financial health and profitability of the company.

Performance Ratio	2022
Capital Adequacy as per prudential regulation	30.37 %
Core capital	21.50 %
Statutory liquidity ratio	17.94 %
Combined Ratio	60.13 %
Operating profit	197.64%
Book value per share	33.01%
Return on equity	18.23%
Net NPL Ratio	1.69%

2. Product Development

We have launched several new products during the year, including travel insurance at the entry points of the boarder gates to cater to the changing needs of our customers. This product has received an overwhelming response from the market, and we expect them to contribute significantly to our growth in the future.

3. Distribution Network

We continue to expand our distribution network, which now includes 4 branches, 16 extensions and agents across the country. Our digital initiatives have helped us to reach out to new customers and provide them with a seamless experience while doing business.

4. Corporate Governance

Bhutan Insurance Limited (BIL) has established the best practices in corporate governance. A crucial aspect of BIL's efforts to maintain high standards of corporate governance is the development of a corporate governance code. This code comprises principles of corporate governance, board bylaws, a code of conduct for senior managers and directors, as well as the terms of reference for the Governance Committee, Risk Management Committee, and Audit Committee.

4.1. The principles of corporate governance.

The principles of corporate governance help to ensure that a Company operates in an ethical, transparent, and accountable manner.

Some of the key principles of Corporate Governance include: Accountability, Transparency, Independence, Fairness, Responsibility, leadership, Risk Management, Compliance, Communication, and Continuous improvement. By following these principles, we can establish a culture of ethical behavior, build trust with stakeholders, and create long term value for shareholders.

a. Code of conduct and ethics.

The code of conduct and ethics approved by the board aims at consistent standard of conduct and ethical practices across the company. Any employee of the company violating the code of conduct and ethic are dealt with as per the HRSR of the company.

b. Board Directors and Board Committees.

BIL has a board constituted in compliance with the regulatory & statutory guidelines and laws in accordance with best practices in corporate governance.

Currently BIL board consist of six members. The members met six times in the fiscal year 2022. The details are:

Board Member	No. of Board Meetings attended
Mr. Karma Lotey, Chairman	6
Kutshab Kinzang Dorji, Independent Director	6
Mr. Sangay Wangdi, Ordinary Director	6
Mr. Tshering Dorji, Independent Director	1
Mr. Kalyan Humagai, Independent Director	5
Mr. Karma Dorjee, Ordinary Director	4
Mr. Damdi Dorji, CEO/Executive - Director	6

i. Composition of Board Committees.

The board has constituted three board committees, viz., Board Governance Committee, Board Audit Committee and Board Risk Management Committee.

The Board Governance Committee (GC) comprise of two directors and committee secretary. The GC is chaired by Mr. Sangay Wangdi, an ordinary director.

The Board Audit Committee (BAC) comprise of two directors and committee secretary. The BAC is chaired by Mr. Kalyan Humagai, an independent director.

The Board Risk Management Committee (BRMC) comprise of two directors and committee secretary. The BRMC is chaired by Mr. Karma Lotey, the Chairman.

5.Outlook

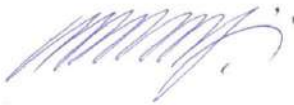
Looking ahead, we are confident of our ability to grow and maintain our market leadership position. We will continue to focus on our core strengths and leverage technology to enhance customer experience. Our objective is to provide our customers with innovative and customized insurance solutions while maintaining the highest standards of corporate governance.

Acknowledgement

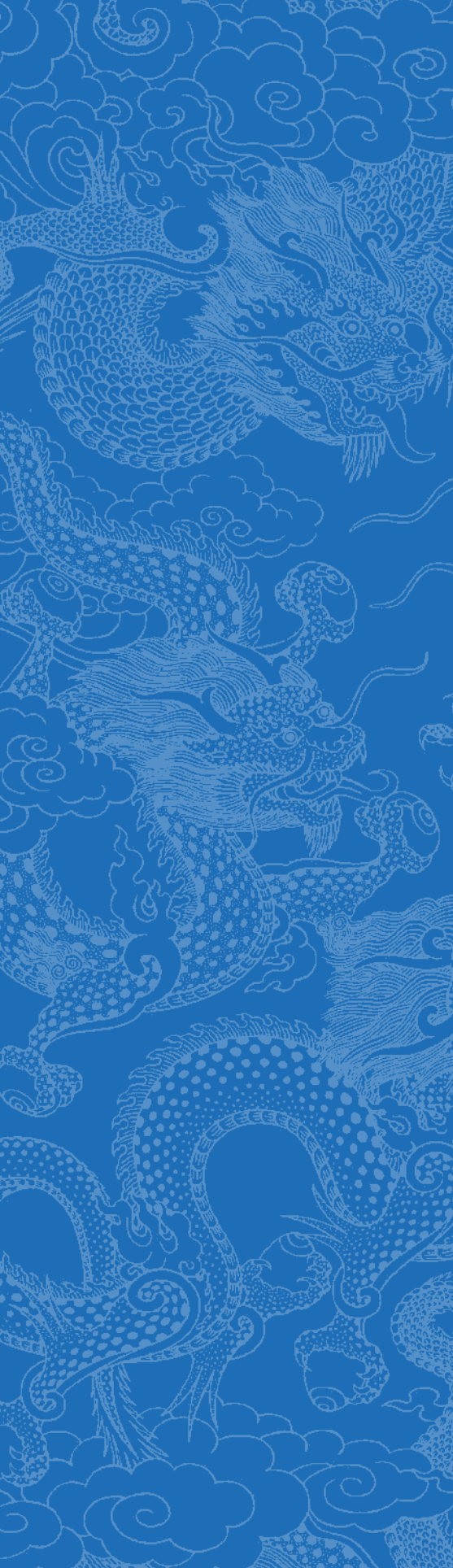
I would like to express my gratitude on behalf of the BIL Board and management to the Royal Government of Bhutan, RMA, and other regulatory bodies for their unwavering support, cooperation, and guidance. I would also like to extend our appreciation to the Referrals & agents, Reinsurance partners, and surveyors who have been instrumental in helping us achieve our objectives and aspirations.

Furthermore, I would like to thank our shareholders, policyholders, and clients for their continued loyalty, and I want to acknowledge the exceptional professionalism, dedication, and ingenuity of our employees, whose contributions have been crucial to the organization's growth and success, and continue to propel its advancement.

Tashi Delek!

A handwritten signature in blue ink, appearing to read 'Tashi Delek', with a stylized flourish at the end.

(Chairman)



Company Information

Company Profile

Bhutan Insurance Limited was 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 started operations on 20th August 2009, and today has a country wide network connected through the latest technology for quick communication and response with 22 offices in 18 Dzongkhags.

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

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, Dagapela, Thimphu Town, Babesa, and Lango which was made possible through the continued support of our clients and employees throughout the years. The Company today employs 115 people.

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 # 2011	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, opposite BDBL office, Bajo Town	02-481663/335	02-481495
Paro	2nd floor, BNBL office	08-272985/86	08-272984
Celephu	1st floor, Old Building, below NPPF office	06-252273/251198	06-251199

BIL EXTENSION OFFICES

Establishments	Address	Telephone No.	Fax No.
Samdrup Jongkhar	1st floor, Bhutan Post office building	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	Dina Nath building, near Tashi Cell office	06-471426	06-471427
Tashigang	Near T-Bank office	04-521343/344	04-521342
Trongsa	Ground floor, near TashiCell office	03-521541	03-521583
Samtse	Above Drodul Chorten, Lichibari, Samtse town	05-365568	05-365568
Zhemgang	Top floor, KD building, Zhemgang town	03-741165	03-741173
Nganglam	Near BNBL office, Nganglam town	07-481008	07-481009
Khuruthang	Behind BNBL office, Khuruthang town	02-584348	02-584351
Gedu	Ground floor, BDBL office, Lapsakha	05-282230	05-282231
Haa	Ground floor, Kiba Tshongkhong, Lower Market	08-375220	08-375332
Tashiyangtse	Near RSTA office	04-781251/5	
Dagapela	Near BOBL Branch Office	06-483134	06-483137
Babesa	Near BOBL Extension Office, Babesa	02-350948/7	
City Office	Norzin Lam, Main Town, Thimphu	02-332310	
Lango, Paro	Extension Office, Lango, Paro	08-276909	

BRANCH & EXTENSION OFFICE 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
01.03.2018	-	Extension office at Dagapela
15.08.2019	-	Extension office at Babesa
07.07.2020	-	City office at Norzin Lam, Thimphu
24.05.2021	-	Extension office at Lango, Paro

RE-INSURANCE

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.

- GIC Bhutan Re. Co. Ltd., Bhutan
- Klapton Insurance, Comoros.
- Aveni Re., Cote d'Ivoire
- MISR. Re., Egypt.
- Taiping Re., Hongkong.
- National Insurance company of India, India
- New India Assurance Ltd., India.
- GIC India Ltd., India.
- PT Togu Pratama, Indonesia.
- Kenya Re. Ltd., Kenya.
- Waica Re. Ltd., Kenya.
- Nepal Re. Ltd., Nepal.
- Himalayan Re. Ltd., Nepal.

- Oman Re., Oman.
- Swiss Re., Singapore.
- Liberty International, Singapore.
- Rochester Re., Tanzania.
- Asian Re. Ltd., Thailand.
- China Taiping Insurance, United Kingdom.
- Talbot Syndicate 1183, United Kingdom.
- Almin Syndicate 2001, United Kingdom.
- PVI Re. Ltd., Vietnam.
- Taiping Re, Hongkong.
- China Taiping Insurance UK Co Ltd., London, UK
- Talbot Syndicate 1183, London, UK
- Almin Syndicate 2001, London, UK
- PVI Re. Ltd, Vietnam

SERVICES OFFERED

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

Motor Insurance

- i. Comprehensive
- ii. Third Party

Fire Insurance Policy

- i. Standard Fire Policy
- ii. Special Allied Perils Policy
- iii. Industrial All Risk Policy
- iv. Enhanced Rural Fire Policy

Engineering Insurance

- i. Contractors All Risk Policy
- ii. Erection All Risk Policy
- iii. Contractors Plant and Machinery Policy

Miscellaneous Insurance

- i. Personal Accident Insurance
- ii. Liability Policy
- iii. Burglary Policy
- iv. Money Insurance Policy
- v. Fidelity Guarantee Policy
- vi. Workmen Compensation Policy
- vii. Student Care Insurance
- viii. Loan Protection Insurance (LPI)
- ix. Domestic Travel Insurance

Marine Insurance Policy

- i. Basic Road Risk
- ii. All Risk (by air, sea, rail/road)
- iii. Domestic Transit Insurance

Aviation Insurance

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

- i. Housing Loan
- ii. Industrial Loan
- iii. Loan against Shares
- iv. Loan against PPF
- v. Overdraft
- vi. Personal Loan
- vii. Venture Loan
- viii. 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.

DISTRIBUTION CHANNELS

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

- Referrals & Agents
- Direct field underwriters providing door to door service
- Interactive website facilitating online downloads and BIL Facebook Page and Instagram.
- Mbil (Mobile App)

Board Directors

1. Mr. Karma Lotey (Chairman)
M/s Yangphel Private Limited, Thimphu
Email: karma@yangphel.com
2. Mr. Karma Dorjee (Director)
MD Perfect TMT, Bhutan
Email: karma@karma.bt
3. Kutshab Kinzang Dorji (Independent Director)
Kutshab to Thailand
Email: kutshabkdorji@gmail.com
4. Mr. Sangay Wangdi (Director)
Former CEO, BBPL
Email: sangaywangdi357@gmail.com
5. Mr. Kalyan Humagai (Independent Director)
Bhutan Professional Services, Thimphu
Email: kal70gai2@gmail.com
6. Mr. Damdi Dorji (CEO/Director - Executive)
Bhutan Insurance Limited,
P.O.Box #779, Chorten Lam, Thimphu
Phone: 02-339892/93/94 Fax: 02-339895
Email: dmdorji@gmail.com

Company Secretary

Ms. Sonam Wangmo
Bhutan Insurance Limited, P. O. Box # 779, Chorten Lam, Thimphu
Phone: 17456393
Email: somohm@gmail.com

Auditors

M/s. Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner
ICAI Member No. 050621
UDIN: 22050621AJGBGJ1773
Place: Kolkata, India

Board Audit Committee Members

1. Mr. Kalyan Humagai (Chairperson)
Email: kal70gai2@gmail.com
2. Kutshab Kinzang Dorji
(Independent Director)
Email: kutshabkdorji@gmail.com
3. Mr. Pema Loday (Committee Secretary)
Internal Audit Department, BIL,
Thimphu Phone No: 02-339893/339894/ 17886580
Email: pema_loday@yahoo.com

Board Risk Committee Members

1. Mr. Karma Lotey (Chairman)
M/s Yangphel Private Limited, Thimphu
Email: karma@yangphel.com
2. Mr. Sangay Wangdi (Director)
Former CEO, BBPL
Email: sangaywangdi357@gmail.com
3. Mr. Lingi Jamtsho (Committee Secretary)
Chief Risk Officer, BIL, Thimphu.
Phone No: 17441395 thajjams@gmail.com

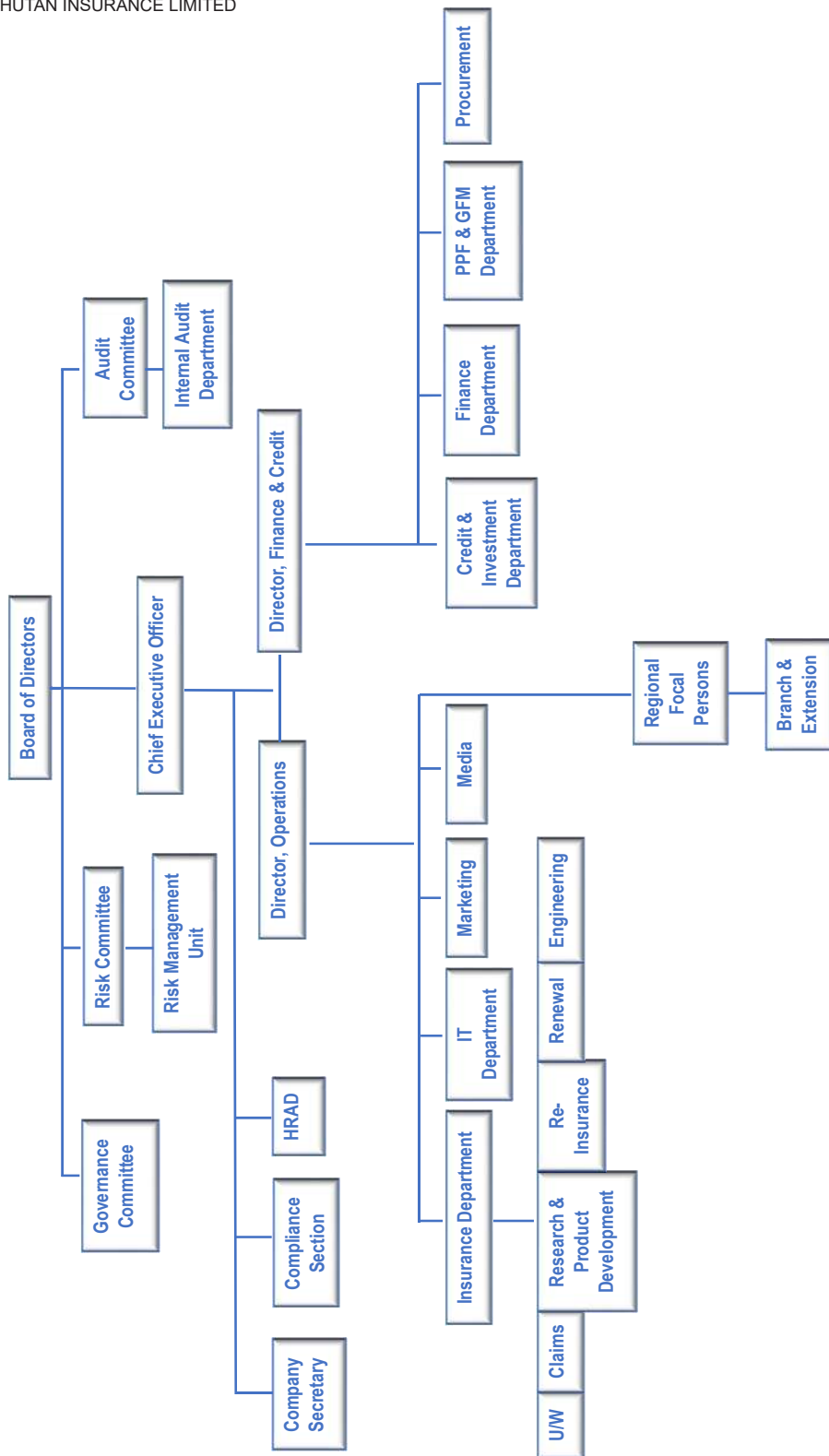
Corporate Governance Committee Members

1. Mr. Sangay Wangdi (Chairperson)
Former CEO, BBPL
Email: sangaywangdi357@gmail.com
2. Mr. Karma Dorjee (Ordinary Director)
Phone No: 17110194
Email: mdkarmagroup@gmail.com
3. Ms. Sonam Wangmo (Committee Secretary)
Company Secretary, BIL, Thimphu
Phone No: 17456393
Fax No: 02-339895
Email: somohm@gmail.com

PRINCIPAL BANKERS

1. Bhutan National Bank Limited
2. Druk PNB Limited

Organizational Structure (2022)





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Bhutan Insurance Limited

Providing Security, Building Confidence

OUR PRODUCTS

Insurance Products



MOTOR 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



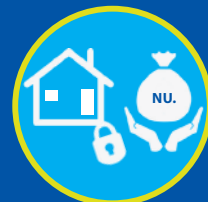
VEHICLE LOAN



PERSONAL LOAN



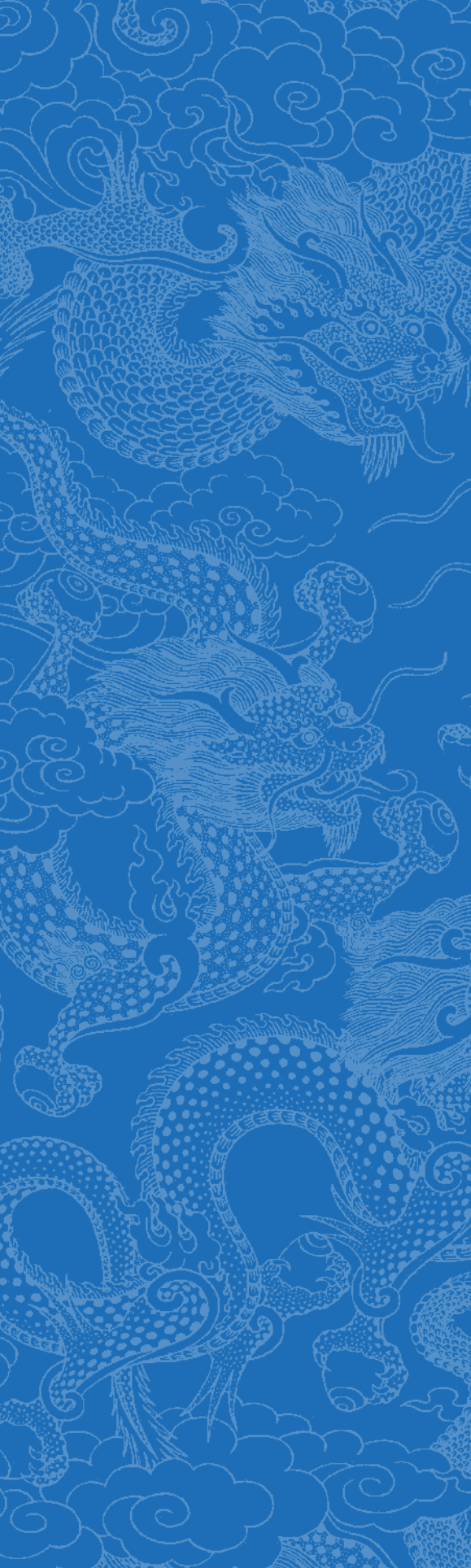
LOAN AGAINST PRIVATE
PROVIDENT FUND (PPF)



SECURED OVERDRAFT

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Fax: 339895, Email: bhutaninsurancelimited@gmail.com



Auditors' Report & Financial Statement



INDEPENDENT AUDITOR'S REPORT

To

The Members of

Bhutan Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Bhutan Insurance Limited** ("the Company"), which comprise the Statement of Financial Position as at 31st December, 2022, 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 give a true and fair view of the financial position of the Company as at 31st December 2022 and of its financial performance and its cash flows for the year then ended in accordance with applicable Bhutanese Financial Reporting Standards (BFRS) and the requirements of The Companies Act of Bhutan, 2016 ("the Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as prescribed in Section 266 of the Act. 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.

Emphasis of Matter

- i. We draw our attention to note no 22 with respect to calculation of unexpired risk reserve and its impact.
- ii. We draw our attention to note no. 43 regarding monetary measures taken by the Company as per guidelines issued by the Royal Monetary Authority (RMA) which includes details of deferment of loans in phases, relief on interest etc.

Our opinion is not modified to the extent of the above matters.



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 following matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	Auditor's Response
Provision for Non-Performing Loans as per RMA regulations. There is no change in the provision figure.	We have verified the Non-Performing loans by analyzing the party wise loan accounts, their classification as per Prudential Norms of RMA, 2017. We have also gone through the individual loan files (on sample basis).

Other Matter Paragraph

We have certified separate report on Financial Statements incorporating loan impairment provisions as per BFRS-9.

Our audit opinion is not modified in respect of this matter.

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 of the Company in accordance with the applicable Bhutanese Financial Reporting Standards and the requirements of the Act and for such internal controls as the 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 the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the Financial Statements of the Company as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 BFRS, requirements of the Act and 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. Additional responsibilities of the Auditor have been given in the Annexure-I.



Report on Other Legal and Regulatory Requirements

1. As required by Section 266 of the Companies Act of Bhutan 2016, we enclose in the ANNEXURE-II hereto, a statement on Minimum Audit Examination and Reporting Requirements prescribed by the Royal Audit Authority of Bhutan, to the extent applicable to the Company.

2. As required by Section 264 of the Companies Act of Bhutan 2016, we report that the financial statements present fairly in all material respect:

(a) the financial position of the Company as at 31st December, 2022;

(b) the financial performance;

(c) change in equity; and

(d) Its cash flows for the year ended 31st December 2022.

in accordance with the Accounting Standards prescribed by the Accounting and Auditing Standards Board of Bhutan.

3. As required by Section 265 of the Companies Act of Bhutan 2016, we report to the extent applicable that:

(a) we have sought and obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 during the course of audit;

(c) the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Statement of change in Equity dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of account.

(d) based on the information, explanations and management representations as provided by the Company, it appears that the Company has complied with all applicable and relevant legal and regulatory requirements.

For Chunder Khator & Associates

Chartered Accountants

ICAI Firm Regn. No. 322463E



Gautam Kumar Basu

Partner

ICAI Member No. 050621

UDIN: 23050621BGWTEV8593

Place: Kolkata, India

Date: 26.05.2023



Bhutan Insurance Limited

ANNEXURE II TO THE AUDIT REPORT

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(Referred to in Paragraph 1 of 'Report on Other Legal and Regulatory Requirements' of our report of even date)

1. The Company has maintained a Fixed Assets Register 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 and no discrepancies were found.
2. None of the items of 'Property, Plant and Equipment' of the Company have been revalued during the year under audit.
3. 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.
4. The Company has not granted any loan, secured or unsecured to other Companies, firms or other parties under same management. Therefore, terms of which whether prejudicial to the interest of the Company does not arise.
5. The Company has taken secured loan from banks and financial institutions. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
6. The Company has given staff advances in normal course of business, recovery thereof is made as per stipulation. The parties to whom the loans or advances have been given by the Company are generally repaying the principal amounts, as stipulated and are also generally regular in payment of interest, except for certain cases, where the outstanding loan balances comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2017 of the Royal Monetary Authority of Bhutan and for which accrued interest as recognized have been reversed and provisioning for principal amounts have been done as per the said Regulations.
7. No excessive/frequent staff advances are generally granted and accumulation of large advances against particular individual is generally avoided.
8. As per the information and explanations given to us by the management of the Company and from the various substantive and compliance test conducted by us on some transactions of the Company, it appears that the Company has an adequate system of internal controls to ensure completeness,



accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures. However, the management has been advised to strengthen the internal control procedures relating to key reporting areas and documentation process.

9. According to the information and explanations given to us, there is a reasonable system of competitive biddings commensurate with the size of the Company and the nature of its business, for purchase of goods and services including major items of stores, plant and machinery, equipment and other assets.
10. (a) As informed to us, certain transactions for sale of goods and services have been made in pursuance of contracts or arrangement with companies in which the directors are interested. Our examination has revealed that such transactions of sales were made at prices, which were reasonable having regard to the prevailing market prices for such goods and services or at the prices at which the transaction for similar goods or services have been made with other parties. Details of such transactions and amounts thereof are adequately disclosed in Note no. 39 of the notes to financial statements.

(b) In respect of transactions referred to in clause 10(a) above, our examination has revealed that such transactions are prima-facie not prejudicial to the interest of the other shareholders and the Company.
11. According to the records, the Company is regular in depositing rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. Provision for corporate tax is computed on the basis of Rules on the Income Tax Act of the Kingdom of Bhutan, 2001 and necessary adjustments have been made in the books of account.
12. According to the information and explanations given to us and as per the records of the Company, no undisputed amounts payable in respect of provident fund, other statutory dues salary tax, health tax, contractor tax as on 31 December, 2022.
13. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses have been charged to the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.
14. 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.
15. In our opinion there has been, in general, a reasonable system for continuous follow up of receivable recovery of its outstanding amounts from the parties but the same offers further scope for improvement. The Company keeps the records of overdue analysis of the parties as per Prudential Regulations 2017 of the Royal Monetary Authority of Bhutan.



16. According to the information and explanations given to us, we are of the opinion that the management of liquid resources, particularly cash/bank etc. is reasonably adequate and excessive amounts are not lying idle in non-interest bearing accounts. Withdrawal of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the Company.
17. According to the information and explanations given to us and on the basis of examination of available books and records of the Company, we are of the opinion that 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.
18. We are given to understand that Capital investment decisions are made by the Company with prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new projects.
19. The Company has established an effective budgetary control system.
20. According to information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors or any of their relatives (including spouse(s) and child/children) by the Company directly or indirectly are disclosed in Note No. 35 of notes to financial statements.
21. According to the information and explanations given to us, the directives of the Board have been complied with.
22. We are given to understand by the management that the officials of the Company are refrained from transmitting any price sensitive information which is not publicly available, unauthorizedly, to their relatives/friends/associates or close persons, who will directly or indirectly benefit themselves.
23. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/ equipment acquired on lease or leased out to others.

Reporting Requirements specific to Finance and Investment Company

24. The Company has 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.
25. 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.



26. In our opinion and on the basis of examination of books and records, the Company follows the accounting policy of making provisions for diminution, other than temporary, if any, in the value of investment in shares.
27. The requirements relating to provisioning for the non-performing assets including loans and advances in terms of Prudential Regulations of RMA has been complied with.
28. Recognition of interest income in respect of non-performing asset has been deferred in terms of Prudential Regulations of RMA.
29. Assets hypothecated against loan and advances have been generally physically verified, properly valued and mortgage deed executed and ensured that the assets are free of any prior lien or charges. In this regard we have relied on the information available from the management.
30. The Company has the system of monitoring projects for which loans have been provided to ensure that loan accounts are used for the specified purposes and project activities are progressing satisfactorily.
31. The Company, in general, has the system for carrying out proper analysis before permitting re-structuring/rescheduling of loans. On the basis of examination carried out in accordance with the generally accepted audit procedures and based on the information and explanations provided by the management to us, re-structuring has generally not been permitted in respect of non-performing loans,
32. Additional loans are not granted to those who have defaulted payment of previous advances.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has developed a customized software system for maintenance of accounts.
2. According to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities. Back up of operational data is taken on daily basis by system personnel and stored in safe locations as informed to us.
3. In our opinion and according to the information and explanations given to us, there are backup facilities of keeping files.
4. In our opinion and according to the information and explanations given to us, the operational controls are adequate to ensure correctness and validity of input data and out-put information. Many employees are involved for a particular work at different stages. This is done solely to have check and balance. Moreover, as explained to us effective approval hierarchy is in place.
5. In our opinion and according to the information and explanations given to us, the measures to prevent unauthorized access over the computer installation and files are in existence and adequate. The Company has a dedicated IT Unit to look after this aspect within the organization.
6. In our opinion and according to information and explanations given to us, generally data migration during change to new system are effectively managed to ensure completeness and integrity of data



as well as smooth operation of the System. Moreover, data migration is done only after approval from concerned authority and thoroughly checked.

GENERAL

1. Going Concern

From the review of financial statements of the Company and on an overall examination of financial and operational data, it appears that the Company is a going concern as on the date of the Statement of Financial Position as at 31st December 2022.

2. Ratio Analysis

Financial and Operational ratios including Ratio Analysis in respect of the Company has been worked out and presented in **Exhibit-1**.

3. Compliance with the Companies Act of Bhutan 2016

According to the information and explanations given to us and based on examination the Compliance Checklist complied by the Company and received during the course of our audit it can be reasonably stated that the Company has generally complied with provisions of the Companies Act of Bhutan, 2016.

4. Adherence to Laws, Rules and Regulations:

The audit of the Company is governed by the Company Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements based on data as provided by the management. During the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation relevant to the financial statements. Based on our examination of the books of accounts and documents which were made available to us we are of the view that the Company has complied with its Laws, Rules and Regulations, System Procedures, and recommended practices.

For Chunder Khator & Associates

Chartered Accountants

ICAI Firm Reg. No. 322463E


Gautam Kumar Basu

Partner

ICAI Membership No. 050621

UDIN : 23050621BGWTEV8593

Place : Kolkata, India

Date : 26.05.2023





Chunder Khator & Associates

Chartered Accountants

Head Office :
10A, British Indian Street, Kolkata - 700 069
☎ (033) 4603 2065
E-mail : chunderkhatork@ckaca.net

Annexure – I

Additional Responsibilities of the Auditor:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For

Chunder Khator & Associates.

Chartered Accountants

ICAI Firm Reg. No. 322463E

Gautam Kumar Basu

Partner

ICAI Membership No. 050621

UDIN: 23050621BGWTEV8593

Place: Kolkata, India

Date: 26.05.2023



BHUTAN INSURANCE LIMITED

Statement of Financial Position as on 31st. December 2022

In Bhutanese Ngultrum

Particulars	Note No.	2022	2021
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	3	261,198,274	203,925,303
Loans & Advances	4	527,476,350	413,025,321
Investment Held Till Maturity	5	175,000,000	125,000,000
Insurance Receivable	7	101,206,481	64,997,225
Deferred Tax Assets	16a	6,304,121	2,849,248
Other Assets	8	103,609,747	76,088,071
Total Current Assets		1,174,794,972	885,885,168
<u>Non Current Assets</u>			
Loans & Advances	4	2,151,388,358	1,934,234,341
Investment Held Till Maturity	5	-	60,000,000
Equity Investment-FVOCI	6	88,574,687	59,124,249
Property, Plant and Equipment	9	146,067,763	116,644,445
Intangible Assets	10	788,789	877,372
Total Non current Assets		2,386,819,597	2,170,880,407
TOTAL ASSETS		3,561,614,569	3,056,765,575
LIABILITIES			
<u>Current Liabilities</u>			
Insurance Contract	11	37,132,344	52,600,618
Reinsurance Contract	12	-	-
Borrowed Funds	14	1,560,830	1,740,668
Employee Benefit Obligation	15	16,559,957	16,130,078
Deferred Tax Liability	16b	10,759,532	1,745,150
Tax Payable	17	93,083,821	60,008,451
Provisions & Contingencies	18	202,080,004	327,187,607
Other Liabilities	19	197,810,144	191,743,264
Total Current Liabilities		558,986,632	651,155,836
<u>Non Current Liabilities</u>			
Subordinate Term Debt	13	120,000,000	120,000,000
Borrowed Funds	14	1,841,397,182	1,515,182,217
Total Non current Liabilities		1,961,397,182	1,635,182,217
Total Liabilities		2,520,383,814	2,286,338,053
<u>EQUITY & RESERVES</u>			
Share Capital-Paid up	20	300,000,000	300,000,000
General Reserve	21(i)	310,220,875	250,132,677
Retained earnings	21(ii)	380,774,902	200,510,308
CAT Reserve	21(iii)	13,803,938	12,803,938
Equity Investment Revaluation Reserve	21(iv)	36,431,039	6,980,601
Net assets attributable to the Company's owners		1,041,230,755	770,427,524
Non Controlling Interest			
Total Equity		1,041,230,755	770,427,524
TOTAL EQUITY & LIABILITIES		3,561,614,569	3,056,765,575

Note: -

i) Contingent Liabilities (Off balance sheet)	290,948,581	163,782,547
ii) Charged off Loans amount (Off balance sheet)	73,493,128	-
	364,441,709	163,782,547

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

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner

ICAI Member No. 050621

UDIN: 22060621A00001779

Place: Kolkata, India

Date: 26.05.2023

On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director



BHUTAN INSURANCE LIMITED

Statement of Comprehensive Income for the year ended 31st. December 2022

in Bhutanese Ngultrum

Particular	Note No.	2022	2021
Net Earned Premium	22	184,368,359	172,978,383
Finance Income	23	7,974,885	11,678,219
Net Fees & Commission Income	24	32,997,950	34,962,394
Net Interest Income on Loans & Advances	25	162,051,112	138,957,533
Other Operating Income	26	53,254,320	36,326,336
Total Operating Income		440,646,627	394,902,865
Net Claims Expenses	27	(59,699,063)	(74,902,300)
Other Operating & Administrative Expenses	28	(89,895,662)	(79,541,417)
Depreciation	9	(6,220,000)	(3,014,200)
Amortization	10	(139,198)	(94,500)
Impairment gain/(Loss) on Loans & Advances	18a(iii)+18c+18d(ii)+18e	86,964,782	0
Total Operating Expense		(68,989,141)	(157,552,417)
Profit Before Tax		371,657,486	237,350,448
Income Tax	17	93,083,821	60,008,451
Deferred Tax	29	1,803,100	2,660,896
Prior period adjustment	30	31,231,483	12,636,271
Profit After Tax		249,145,283	167,366,622
Basic Earnings Per Share	32(i)	8.30	5.58
Diluted Earnings Per Share	32(i)	8.30	5.58
Profit Available for Appropriation			
Transfer to Catastrophic Reserve	21(iii)	1,000,000	-
Transfer to Statement of Other Comprehensive Income		248,145,283	167,366,622
Statement of Other Comprehensive Income as on 30th June 2022			
<i>in Bhutanese Ngultrum</i>			
Profit for the year after appropriation		248,145,283	167,366,622
Remeasurement Gain/(Loss)	15a(iii)	-429,879	-753,410
Total Comprehensive Income before Tax		247,715,404	166,613,212
Deferred Tax	31	-7,362,610	-1,556,797
Total Comprehensive Income After Tax available for appropriation		240,352,794	165,056,415
Transfer to General Reserve	208	60,088,198	44,565,232
Transfer to Retained Earnings	208	180,264,594	120,491,183
Total appropriation amount		240,352,793	165,056,415
Basic Earnings Per Share	32(ii)	8.05	5.50
Diluted Earnings Per Share	32(ii)	8.05	5.50

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

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 3224632

Gautam Kumar Basu
Partner
ICAI Member No. 050621
Place: Kolkata, India
Date: 26.05.2023



On Behalf of the Board of Directors

[Signature]
CEO

[Signature]
Director

[Signature]
Chairman



[Signature]
Finance Director

BHUTAN INSURANCE LIMITED

Statement of Changes in Equity for the year ended 31st. December 2022

in Bhutanese Ngultrum

Particulars	Share Capital	Retained Earnings	General Reserve	Investment Revaluation Reserve	Catastrophic Reserve	Total
Opening Balance as on 01.01.2021	300,000,000	80,019,125	205,567,445	6,980,601	12,803,938	605,371,109
Adjustment of Bonus Shares Issued during the year	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-
Earnings for the year as per BAS	-	120,491,182	44,565,232	-	-	165,056,414
Transfer to Catastrophic Reserve	-	-	-	-	-	-
Cash Dividend paid	-	-	-	-	-	-
Investment Revaluation during the year	-	-	-	-	-	-
Closing Balance as on 31.12.2021	300,000,000	200,510,307	250,132,677	6,980,601	12,803,938	770,427,524
Opening Balance as on 01.01.2022	300,000,000	200,510,307	250,132,677	6,980,601	12,803,938	770,427,524
Adjustment of Bonus Shares Issued during the year	-	-	-	-	-	-
Earnings for the year as per BAS	-	180,264,594	60,088,198	-	-	240,352,793
Transfer to Catastrophic Reserve	-	-	-	-	1,000,000	1,000,000
Cash Dividend paid	-	-	-	-	-	-
Investment Revaluation during the year	-	-	-	29,450,438	-	29,450,438
Closing Balance as on 31.12.2022	300,000,000	380,774,902	310,220,876	36,431,039	13,803,938	1,041,230,755

The Schedules referred to above form an integral part of this Statement of Changes In Equity.
This is the Statement of Changes In Equity referred to in our report of even date.

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner
ICAI Member No. 050621
Place: Kolkata, India
Date: 26.05.2023



On Behalf of the Board of Directors

CEO Director Chairman

Finance Director



BHUTAN INSURANCE LIMITED

Statement of Cash Flows for the year ended 31st. December 2022

Particulars		2022	2021
1. Cash Flow from Operating Activities			
Profit before tax		371,227,607	236,597,038
Add: Depreciation		6,220,000	3,014,200
Add: Amortisation		139,198	94,500
Add/Less: Increase/(Decrease) in Current Liabilities		-9,151,353	40,853,066
Add/Less: Increase/(Decrease) in Provision		(125,107,603)	(22,899,865)
Add/Less: Decrease/(Increase) in Current Assets		(61,927,831)	(58,551,391)
Less: Tax & Dividend Paid for last year profit		(59,828,614)	(27,210,617)
Less: Prior Period Taxes, Penalties Paid & Others		(33,034,583)	(12,562,923)
Net Cash Flow from Operating Activities	(A)	88,536,821	159,334,008
2. Cash Flow from Investing Activities			
Decrease/(Increase) in Investment		10,000,000	(33,980,558)
Decrease/(Increase) in Loans		(331,605,045)	(284,933,291)
Purchase of Property Plant & Equipment		(35,693,932)	(12,028,664)
Net Cash Flow from Investing Activities	(B)	(357,298,977)	(330,942,513)
3. Cash flow from Financing Activities			
Increase/(Decrease) in borrowings		326,035,127	187,076,038
Net Cash Flow from Financing Activities	(C)	326,035,127	187,076,038
Net Increase/(Decrease) in Cash and Cash Equivalent	(A+B+C)	57,272,971	15,467,533
Change in Cash & Cash Equivalents			
Closing Cash & Cash equivalent		261,198,274	203,925,303
Less: Opening Cash & Cash equivalent		203,925,303	188,457,770
Net changes in Cash & cash equivalent		57,272,971	15,467,533

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

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner

ICAI Member No. 050621

~~ICAI Member No. 050621~~

Place: Kolkata, India

Date: 26.05.2023



On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director

Statement of Financial Position for General Insurance Department as on 31st. December 2022

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

Date: 26.05.2023

Chairman

Finance Director

BHUTAN INSURANCE LIMITED

Revenue Account for General Insurance Department for the year ended 31st. December 2022

Particular	Note No.	2022 Nu.	2021 Nu.
Gross written Premium	22(a+b)	400,115,765	411,710,709
Premium ceded to reinsurers	22c	(212,523,919)	(234,070,524)
Net written premium		187,591,846	177,640,185
Net change in reserve for unearned premium	22d	-3,223,487	-4,661,802
Net Earned Premium		184,368,359	172,978,383
Finance Income	23a	35,057,988	32,031,358
Commission income (Reinsurers ceded)	24	38,848,120	40,324,912
Other operating income	26a	43,474,468	31,098,320
Net Income		301,748,936	276,432,973
Gross claims	27	(147,635,809)	(149,107,331)
Reinsurers recoveries	27f	87,936,746	74,205,031
Net policyholder claims & benefits paid		(59,699,063)	(74,902,300)
Commission expenses	24(a+b)	(5,850,170)	(5,362,518)
Other operating & administration expenses	28a	(45,304,500)	(40,965,960)
Gratuity & leave Remeasurement Gain/(Loss)	15a(iii)	(429,879)	(753,410)
Depreciation	9	(3,110,000)	(1,507,100)
Amortization	10	(69,599)	(47,250)
Other Expenses (ESP bond)	25d	(7,200,000)	(7,200,000)
Deferred Tax (Comprehensive Income)	29	1,803,100	-
Deferred Tax (Other Comprehensive Income)	31	(7,362,610)	-
Prior period adjustment	30a	4,843,386	(12,562,923)
Operating Profit/(Loss)		179,369,601	133,131,512

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 Chunder Khator & Associates

Chartered Accountants

ICAI Firm Regn. No. 322463E

Gautam Kumar Basu

Partner

ICAI Member No. 050621

~~UDIN: 22050621-000001075~~

Place: Kolkata, India

Date: 26.05.2023



On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director

BHUTAN INSURANCE LIMITED

Sub Revenue Account for the year ended 31st December 2022

Percentage of sub category of Insurance to total		Amount in Nu.									
PARTICULARS	Note No.	39%	41%	3%	2%	48%	48%	MISCELLANEOUS INSURANCE	10%	9%	TOTAL
		FIRE INSURANCE	2021	2022	2021	2022	2021	2022	2021	2022	2021
Premium Earned (Net)	22	72,059,334	71,114,691	6,191,782	3,289,492	88,108,468	83,739,120	18,008,775	14,835,080	184,368,359	172,978,383
Commission (Net)	24	18,183,549	23,068,303	1,405,229	670,316	4,698,721	4,751,659	8,710,451	6,472,116	32,997,950	34,962,394
Finance Income	23a	13,702,217	13,168,698	1,177,379	609,133	16,753,990	15,506,433	3,424,402	2,747,093	35,057,988	32,031,358
Other Income	26a	16,991,751	12,785,109	1,460,036	591,390	20,776,172	15,054,748	4,246,509	2,667,074	43,474,468	31,098,320
Total (A)		120,936,850	120,136,801	10,234,425	5,160,331	130,337,352	119,051,960	34,390,138	26,721,363	295,898,766	271,070,455
Claims Incurred (Net)	27	4,410,241	14,235,920	8,561,086	2,376,292	32,741,706	48,998,569	13,986,030	9,291,519	59,699,063	74,902,300
Operating Expenses	28a	17,490,516	17,451,508	1,197,681	579,087	14,112,410	12,090,162	12,503,893	10,845,203	45,304,500	40,965,960
Re-measurement Gain/(Loss)	15a(iii)	168,016	309,741	14,437	14,327	205,436	364,727	41,990	64,614	429,879	753,410
Investment Expenses	25e	2,814,079	2,960,056	241,803	136,921	3,440,834	3,485,532	703,283	617,491	7,200,000	7,200,000
Depreciation	9	1,215,526	619,597	104,445	28,660	1,486,249	729,590	303,779	129,253	3,110,000	1,507,100
Amortization	10	27,202	19,425	2,337	899	33,261	22,874	6,798	4,052	69,599	47,250
Total (B)		26,125,580	35,596,248	10,121,790	3,136,186	52,019,897	65,691,454	27,545,774	20,952,133	115,813,041	125,376,020
Deferred Tax (Comprehensive Income)		704,732		60,555		861,690		176,124		1,803,100	
Deferred Tax (Other Comprehensive Income)		-2,877,634		-247,264		-3,518,544		-719,167		(7,362,610)	
Prior Period Adjustment		(1,893,010)	5,164,856	(162,659)	238,906	(2,314,623)	6,081,732	(473,093)	1,077,429	(4,843,386)	12,562,923
Operating Profit (A - B)		94,531,377	79,375,698	88,585	1,785,239	77,975,224	47,278,775	6,774,415	4,691,801	179,369,601	133,131,512

Significant Accounting Policies & Notes to Accounts 1-3

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

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E



Gautam Kumar Basu
Partner
ICAI Member No. 050621
Place: Kolkata, India
Date: 26.05.2023

On Behalf of the Board of Directors

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



BHUTAN INSURANCE LIMITED

Statement of Financial Position for Financing & Investment Department as on 31st. December 2022

Particulars	Note No.	2022	2021
ASSETS			
<u>Non current Assets</u>			
Loans & advances	4a	2,109,823,489	1,913,580,740
Total Non current Assets		2,109,823,489	1,913,580,740
<u>Current Assets</u>			
Cash & cash equivalents	3b	149,906,909	94,882,726
Investment Held Till Maturity	5b	125,000,000	125,000,000
Loans & Overdraft	4a	525,796,069	413,025,321
Other Assets	8b	60,650,319	50,418,372
Total Current Assets		861,353,298	683,326,419
TOTAL ASSETS:-		2,971,176,787	2,596,907,159
LIABILITIES			
<u>Non current Liability</u>			
Borrowings & Funds	14a	916,793,156	690,251,407
Retained Earnings	21b	509,015,940	339,304,321
Total Non current Liabilities		1,425,809,096	1,029,555,728
<u>Current Liabilities</u>			
Borrowed Funds	14a	1,175,038,616	1,169,356,653
Other Liabilities	19b	254,632,214	153,603,230
Provisions	18b	115,696,861	244,391,548
Total Current Liabilities		1,545,367,691	1,567,351,431
TOTAL LIABILITIES & EQUITY		2,971,176,787	2,596,907,159

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

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

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463



Gautam Kumar Basu
Partner
ICAI Member No. 050621
Place: Kolkata, India
Date: 26.05.2023

On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director



BHUTAN INSURANCE LIMITED

Revenue Account for Financing & Investment Department for the year ended 31st. December 2022

Particulars	Note No.	2022	2021
INCOME			
Interest on Loan	25a	280,164,593	241,245,071
Finance Income	23b	5,086,233	6,428,219
Other Income	26b	9,779,852	5,228,016
Total Income:-		295,030,678	252,901,306
EXPENSES			
Interest Expenses	25d	(139,336,989)	(96,197,568)
Management Expenses	28b	(31,737,928)	(29,936,469)
Amortization Cost of Staff Loan	28b(i)	(677,799)	(1,899,521)
Depreciation & Amortization	9&10	(2,119,142)	(1,068,227)
Provision against Loans	18c	87,188,807	-
Asset Pending Reserve adjustment	18d(ii)	139,572	-
Prior period adjustment	30b	(38,775,578)	(73,348)
Total Expense:-		(125,319,057)	(129,175,133)
Operating Profit/(Loss)		169,711,621	123,726,173

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 Chunder Khator & Associates

Chartered Accountants

ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner

ICAI Member No. 050621

~~ICAI Member No. 050621~~

Place: Kolkata, India

Date: 26.05.2023

On Behalf of the Board of Directors



CEO

Director

Chairman

Finance Director



Statement of Financial Position for PPF & GFM Department as on 31st. December 2022 (Old Fund)

*The Schedules referred to above form an integral part of this Statement of Financial Position.
This is the Statement of Financial Position for PPF & GFM Department (Old Fund) referred to in our report of even date.*

On Behalf of the Board of Directors

ICAI Firm Regn, No. 322463E

CEO

Director

Chairman

Finance Director

UDN: 22050624AIG5GHE73

Place: Kolkata, India

Date: 26.05.2023



BHUTAN INSURANCE LIMITED

Revenue Account for PPF & GFM Department for the year ended 31st. December 2022 (Old Fund)

Particulars	Note No	2022	2021
INCOME			
Interest Income	25c	35,039,723	36,219,006
Total Income		35,039,723	36,219,006
EXPENSES			
Interest Expenses	25f	(35,039,723)	(36,219,006)
Total Expenses		(35,039,723)	(36,219,006)
Operating Profit /(Loss)		-	-

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

This is PPF & GFM Department (Old Fund) Revenue Account referred to in our report of even date.

For Chunder Khator & Associates

Chartered Accountants

ICAI Firm Regn. No. 322463E

Gautam Kumar Basu

Partner

ICAI Member No. 050621

UDIN-22050021-050621-22

Place: Kolkata, India

Date: 26.05.2023



On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director

BHUTAN INSURANCE LIMITED

Statement of Financial Position for PPF & GFM Department as on 31st. December 2022 (New Fund)

		Amount in Nu.	
Particulars	Note No.	2022	2021
ASSETS			
Non current Assets			
Loans & advances	4b	41,564,869	20,653,601
Equity Investment		8,552,118	4,855,818
Total Non current Assets		50,116,987	25,509,419
Current Assets			
Cash & Cash Equivalents	3c	46,893,959	22,908,954
Loan & advances	4b	1,680,280	-
Investment Held Till Maturity	5c	20,000,000	-
Equity & Short Term Investment	6c	720,348,670	761,923,695
Other Assets	8d	97,607,251	16,056,080
Total Current Assets		886,530,160	800,888,729
TOTAL ASSETS		936,647,147	826,398,148
EQUITY AND LIABILITIES			
Non current Liabilities			
Member's Contribution Funds	14c	913,357,904	824,930,810
Reserve-[Debit balance of Revenue Account]	21c(i)	-56,991,822	-42,347,229
Investment Revaluation Reserve	21c(ii)	3,696,300	-
Total Non Current Liabilities		860,062,383	782,583,581
Current Liabilities			
Other Liabilities	19d	76,130,801	43,724,192
Provisions	18e	453,963	90,367
Total Current Liabilities		76,584,764	43,814,559
TOTAL LIABILITIES		936,647,147	826,398,148

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

This is the Statement of Financial Position for PPF & GFM Department (New Fund) referred to in our report of even date.

For Chunder Khator & Associates
Chartered Accountants
ICAI Firm Regn. No. 322463E

Gautam Kumar Basu
Partner

ICAI Member No. 050621

~~ICAI Member No. 220306217958011473~~

Place: Kolkata, India

Date: 26.05.2023



On Behalf of the Board of Directors

CEO

Director

Chairman

Finance Director

BHUTAN INSURANCE LIMITED

Revenue Account for PPF & GFM Department for the year ended 31st. December 2022 (New Fund)

	Note No	2022	2021
INCOME			
Interest Income	25b	3,949,177	1,634,547
Finance Income	23c	50,040,542	16,056,080
Total Income		53,989,719	17,690,627
EXPENSES			
Interest Expense	25g	(57,735,547)	(43,361,955)
Management Expense	28c	(12,175,435)	(6,739,467)
Depreciation & Amortization	9&10	(1,060,457)	(486,123)
Provision against Loans	18f	(363,596)	0
Prior Period adjustment	30c	2,700,709	-
Total Expenses		(68,634,327)	(50,587,545)
Operating Profit/(Loss)		(14,644,608)	(32,896,918)

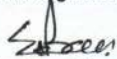
The Schedules referred to above form an integral part of this Revenue Account.

This is PPF & GFM Department (New Fund) Revenue Account referred to in our report of even date.

For Chunder Khator & Associates

Chartered Accountants

ICAI Firm Regn. No. 322463E



Gautam Kumar Basu

Partner

ICAI Member No. 050621

~~GFM-20200021-10000120~~

Place: Kolkata, India

Date: 26.05.2023



On Behalf of the Board of Directors


CEO


Director


Chairman


Finance Director



Bhutan Insurance Limited

Notes to Financial Statements-31st December 2022

1.1 Corporate Information

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 primarily engaged in the business of underwriting Non-Life Insurance and is also authorized by Royal Monetary Authority to provide Financing & Investment Services, Managing Private Provident Fund (PPF) and Gratuity Fund Management (GFM).

2.1 Basis of Preparation

The financial statements have been prepared on historical cost basis, except Equity Investments which is valued on fair Value. The financial statements are presented in Bhutanese Ngultrum (Nu). The following fundamental assumptions are followed in preparation of these financial statements:

- a) Accrual
- b) Going Concern
- c) Consistency

Date of Authorization of Issue

The Financial Statements of Bhutan Insurance Limited, for the year ended 31st December 2022 were authorized for issue in accordance with the resolution passed in the 60th Meeting of the Board of Directors held on 24th March 2023.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Bhutanese Accounting Standards (BAS) in line with International Financial Reporting Standards (IFRS).

Presentation of Financial Statements

The Company presents its Statement of Financial Position in order of liquidity an analysis regarding recovery or settlement within 12 months after the reporting date (current) or more than 12 months after the reporting date (non-current) is presented in notes herewith.

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.

Change Impact

Financial Impact emanated out of this first-time adoption is due to the following reasons:



- a) Adoption of Effective Interest Rate as stated in BAS-39, which does not have any financial impact currently.
- b) Valuation of Gratuity and Leave Encashment on the basis of Projected Unit Credit Method as stated in BAS-19.
- c) Fair Valuation of Equity Investments as per BFRS-13.
- d) Recognition of Deferred Tax Assets/Liabilities owing temporary timing differences as per BAS-12.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The management based its assumptions and estimates on the parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the entity's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential etc. The management has used Level-III technique as stated in BFRS-13 in valuation of Equity Investments.



Impairment Losses on Loans and Advances

The management reviews its individually significant loans and advances at each Reporting Date to assess whether an Impairment Loss should be recorded in the Income Statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and Advances that have been assessed individually and found not to be impaired are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes into account of data from the loan portfolio (such as levels of arrears, loan type etc.) and judgment on the effect of economic and market conditions. Impairment on Loans and Advances has been done as per incurred loss model of BAS 39 in line with RMA Prudential Norms, 2017. The impairment loss on loans and advances is disclosed in more detail in the notes attached herewith.

2.3 First-Time Adoption of Bhutanese Accounting Standards (in line with IFRS)

The Company has decided to implement Bhutanese Accounting Standard-Phase 1 as per the notification issued by Accounting and Auditing Standards Board of Bhutan with effect from 1st January, 2013 which is referred as the "Transition Date". Phase-2 and Phase-3 of Bhutanese Accounting Standard has been implemented with effect from 01.01.2016.

Statement of Compliance

The Financial Statements of the Company has been prepared and presented in accordance with Bhutanese Accounting Standards 2020 as notified by Accounting and Auditing Standards Board with Bhutan and other relevant provisions of the Companies Act of Bhutan, 2016.

The remeasurement statement as per BFRS-1 has been presented in **Annexure-1A & 1B**.

2.4 Summary of Significant Accounting Policies

Foreign Currency Translation

Transactions in Foreign Currency are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary Assets and Liabilities in Foreign currencies are translated into functional currency at the exchange rates prevailing at the end of the reporting period. Exchange gains and losses on foreign currency translation are dealt with in the Income Statement.

Non-monetary items are measured at historical cost.

Cash & Cash Equivalents

Cash and Cash Equivalents in the Statement of Financial Position comprise Cash and Bank in hand and other short-term investment that are expected to be liquidated within next 3 months from the date of investment



Cash Flow Statement

Cash Flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The Cash Flows from operating, investing & financing activities of the Company are segregated based on the available information.

Loans & Advances to Customers

After initial measurement, Loans & Advances to Customers are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized Cost is calculated by taking into account any discount or premium on acquisition and fees and Costs that are an integral part of the Effective Interest Rate (EIR). The amortization is included in Interest and similar income in the Income Statement. The loss arising from impairment are recognized in the Income Statement.

Financial Instruments-Classifications

The Company has classified Financial Instruments in the following manner as specified in BAS-39 (in line with IAS-39):

Financial Assets

- i) Fair Value through Profit & Loss Account
- ii) Loans & Advances
- iii) Held Till Maturity
- iv) Available for Sale

Presently the Company is having assets in Category (i),(ii) & (iii).

Financial Liabilities

- i) Fair Value through Profit and Loss Account
- ii) Other Liabilities

Presently the Company is having liabilities in category(ii).

De-recognition of Financial Assets & Liabilities

i) Financial Assets

A financial asset is de-recognized in the following cases:

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.
- The Company has transferred substantially all the risks and rewards of the asset.
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



ii) Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the considerations paid is recognized in Income Statement.

Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and is appropriate. The Company uses active market data for valuing financial assets, held as collateral.

Offsetting Financial Instruments

Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Lease

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases that do not transfer to the Company substantially all the risks and rewards incidental to the ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the Income Statement on a straight-line basis over the lease term. Contingent Rental Payable is recognized as an expense in the period in which they are incurred. Right of use of the leasehold properties has not been measured as per BFRS-16 as the lease contracts are short term in nature.

Reinsurance

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



Reinsurance Commissions

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

Premiums Receivable

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

Other Receivables

Other Receivables and dues from related parties are recognized at carrying cost.

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 premiums 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 it cancelled.

Recognition of Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums

Premiums are recognized as income, as and when due on assumption of risk. Reinsurance Premium ceded is accounted at the time of recognition of premium income in accordance with the treaty or in-principal arrangement with the re-insurers.

Interest and similar Income and Expense

Interest and similar income and expense has been recognized using the effective interest rate. Effective Interest Rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.



Commission Income

The Company earns commission income by issuing Bank Guarantee.
The Commission income earned is accounted on Cash basis.

Dividend Income

Revenue is recognized when the company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

Expenditure Recognition

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

Reinsurance Claims

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

Property, Plant & Equipment

After recognition as an asset, an item of property, plant & equipment has been carried at cost less accumulated depreciation and any accumulated impairment losses. Management physically verified the assets and found them to be worthy of use till the absorption of full cost after charging depreciation on the basis of useful life as estimated by the management. Historical Cost includes expenditure directly attributable to the acquisition of items. Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Income Statement in the financial period in which they are incurred. Depreciation has been calculated on straight line basis as per the useful life estimated by the management and calculated on pro-rata basis from the date of purchase. The useful life of assets and rates of depreciation are as follows:

<u>Details of Assets</u>	<u>Useful Life (in years)</u>	<u>Rates (%)</u>
Furniture	6.67	15
Office Equipment	6.67	15
Computer Equipment	6.67	15
Vehicle	6.67	15



Intangible Assets

Intangible Assets are stated at cost less accumulated amortization and net of impairments, if any. An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and its cost can be measured reliably. Intangible Assets having finite useful lives are amortized on straight line basis over their estimated useful lives. The useful life of the asset and rates of amortization is as follows:

<u>Details of Asset</u>	<u>Useful Life (in years)</u>	<u>Rates (%)</u>
Software	6.67	15

Gains & Losses on Disposal

Gains & Losses on Disposal of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment, and are recognized net within "Other Income/Other Expenses" in the Statement of Comprehensive Income.

De-Recognition

The carrying Amount of an item of Property, Plant & 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 & Equipment are included in the Statement of Comprehensive Income when the item is de-recognized.

Equity Investments

Investments in Equity has been recognized at Fair Value on the basis of Level-III technique of BFRS-13. The value of investments is tested for impairment as and when there is an indicator of the same.

Share Capital

Ordinary Shares are classified as "Share Capital" in Equity.

Dividends

Dividends on ordinary shares are recognized as a liability and deducted from equity when it is approved by the Shareholders of the Company. Interim Dividends are deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Proposed Dividends & Issuance of Bonus Shares

Dividends Proposed/Declared by the Board of Directors after the reporting date is not recognized as a liability. The 60th Meeting of the Board of Directors held on 24th March, 2023 has approved the dividend for the year 2022 at 20% of the paid-up capital amounting to Nu. 60,000,000 and the issuance of 1:1 Bonus Shares which was endorsed in 14th Annual General Meeting held on the



same date. It is also approved by Royal Monetary Authority (RMA) as per Prudential Regulations 2017 vide letter No. RMA/DFRS/22/2022-2023/4601 dated 03rd April 2023 which is disclosed as a Note to the Financial Statements.

Income Taxes

Income Taxes has been provided for in the financial statements in accordance with legislation enacted or substantively enacted by end of the reporting period. The Income Tax charge comprises current tax is recognized in the Statement of Comprehensive Income for the year. Current Tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for Income Tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Deferred Tax

The Bank calculates deferred taxation based on temporary timing differences, that is the difference between the carrying amount of assets/liabilities and their tax base.

Staff Costs and related contributions

The Company measures the present value of the Gratuity obligation, which is a defined benefit plan with the advice of an independent professional actuary using the projected unit credit method.

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of an assets or Cash Generating Unit's fair value less costs to sell and its value in use. When the carrying amount of an asset or Cash Generating Unit's exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Provisions, Contingent Assets & Contingent Liabilities

The Company recognizes provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Contingent Liability is disclosed unless the possibility of an outflow of resources embodying economic is in remote. Contingent Assets are not recognized in the financial statements.



Operating Segments

An Operating Segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information provided to the Chief Operating Decision maker and are reported separately.



3. Cash & Cash Equivalents

in Bhutanese Ngultrum

Cash in hand & balances with banks (3a+3b+3c+3d)
Total:-

31st. December 2022	31st. December 2021
261,198,274	203,925,303
261,198,274	203,925,303

3a. General Insurance Dept

Cash in hand & balance with banks

Total:-

53,959,027	83,727,855
53,959,027	83,727,855

3b. Financing & Investment Department

Cash & Bank Balance

Total:-

149,906,909	94,882,726
149,906,909	94,882,726

3c. Private Provident & Gratuity Fund Department (New Fund)

Cash in hand & balance with banks

Total:-

46,893,959	22,908,954
46,893,959	22,908,954

3d. Private Provident & Gratuity Fund Department (Old Fund)

Cash in hand & balance with banks

Total:-

10,438,379	2,405,769
10,438,379	2,405,769

The term "Cash & Cash Equivalents" included Cash at Bank, in hand and any investments which are to be liquidated within the period of 3 Months from the date of investment.

4. Loans & Advances to Customers

in Bhutanese Ngultrum

Manufacturing/Industry Sector Loan
Service Sector Loan
Trade/Commerce Sector Loan
Housing Sector Loan
Transport Sector Loan
Loans to Purchase Securities
Personal Loan
Staff Loan
Consumer Loan
Agriculture & PSL Loan
Late Fees

Total Gross Loans & Advances

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
78,666,695	216,577,822	45,898,483	188,141,970
30,414,550	31,586,951	41,647,574	32,819,162
177,378,981	295,727,377	180,878,011	160,398,340
7,356,792	804,495,468	-	786,505,852
-	646,719,860	-	626,665,835
24,224,241	72,344,876	-	66,082,514
-	44,591,120	-	36,553,771
-	28,730,165	-	28,583,494
209,369,489	2,249,966	144,343,970	2,781,617
-	8,364,752	-	5,701,786
65,603	-	257,283	-
527,476,350	2,151,388,358	413,025,321	1,994,234,341

Details of Provision for Loan Impairment are as follows:

in Bhutanese Ngultrum

Impairment as per BAS-39-Incurred Loss Model

Total Provision for Loan Impairment as per BAS-39/RMA PR Norms, 2017

116,150,825	244,481,915
116,150,825	244,481,915

Percentage of Provision for Loan Impairment is 10.51 % (P.Y.:13.25% of Total Loans & Advances.)

Over all Economic sector risk concentrations within the gross loans & advances to customers are:-

in Bhutanese Ngultrum

Manufacturing/Industry Sector Loan
Service Sector Loan
Trade/Commerce Sector Loan
Housing Sector Loan
Transport Sector Loan
Loans to Purchase Securities
Personal Loan
Staff Loan
Consumer Loan
Agriculture & PSL Loan
Late Fees

Total Gross Loans & Advances to Customers

31st. December 2022		31st. December 2021	
	%		%
295,244,517	11.02	234,040,453	9.97
62,001,501	2.31	74,466,736	3.17
473,106,358	17.66	341,276,351	14.54
811,852,260	30.31	786,505,852	33.51
646,719,860	24.14	626,665,835	26.70
96,569,117	3.60	66,082,514	2.82
44,591,120	1.66	36,553,771	1.56
28,730,165	1.07	28,583,494	1.32
211,619,454	7.90	147,125,587	6.37
8,364,752	0.31	5,701,786	0.24
65,603	0.00	257,283	0.01
2,678,864,707	100	2,347,259,662	100

4a. Finance & Investment Department

in Bhutanese Ngultrum

Manufacturing/Industry Sector Loan
Service Sector Loan
Trade/Commerce Sector Loan
Housing Sector Loan
Transport Sector Loan
Loans to Purchase Securities
Personal Loan
Staff Loan
Consumer Loan
Agriculture & PSL Loan
Late Fees Outstanding

Total Gross Loans & Advances

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
78,666,695	209,736,114	45,898,483	188,141,970
30,414,550	31,586,951	41,647,574	32,819,162
177,378,981	288,475,287	180,878,011	160,398,340
7,356,792	804,495,468	-	786,505,852
-	628,864,151	-	613,275,029
24,224,241	72,344,876	-	66,082,514
-	42,770,714	-	34,076,324
-	28,730,165	-	28,583,494
207,689,813	2,249,966	144,343,970	2,781,617
-	549,797	-	916,438
64,998	-	257,283	-
525,796,069	2,109,823,489	413,025,321	1,913,580,740

Details of Provision for Loan Impairment are as follows:

in Bhutanese Ngultrum

Impairment as per BAS-39-Incurred Loss Model

Total Provision for Loan Impairment as per BAS-39/RMA PR Norms, 2017

115,696,861	244,391,548
115,696,861	244,391,548



Economic sector risk concentrations within the gross loans & advances to customers for FID

<i>in Bhutanese Ngultrum</i>	31st. December 2022	%	31st. December 2021	%
Manufacturing/Industry Sector Loan	288,402,809	10.94	234,040,453	10.06
Service Sector Loan	62,001,501	2.35	74,466,736	3.20
Trade/Commerce Sector Loan	465,854,268	17.68	341,276,351	14.67
Housing Sector Loan	811,852,260	30.80	786,505,852	33.80
Transport Sector Loan	628,884,151	23.86	613,275,029	26.36
Loans to Purchase Securities	96,569,117	3.66	66,082,514	2.84
Personal Loan	42,770,714	1.62	34,076,324	1.46
Staff Loan	28,730,165	1.09	28,583,494	1.23
Consumer Loan	209,939,778	7.97	147,125,587	6.32
Agriculture & PSL Loan	549,797	0.02	916,438	0.04
Late Fees	64,998	0.00	257,283	0.01
Total Gross Loans & Advances to Customers	2,685,619,559	100	2,326,606,061	100

4h. PPF & GFM Department (New Fund)

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
Consumer Loan (Loan against PPF)	-	7,814,955	-	4,785,348
Transport Sector Loan	-	17,835,709	-	13,390,806
Trade & Commerce loan	-	7,252,090	-	-
Manufacturing/Industry loan	-	6,841,708	-	-
Consumer Loan	1,679,676	-	-	-
Staff Vehicle Loan	-	-	-	-
Personal Loan	-	1,820,406	-	2,477,447
Late Fees	604	-	-	-
Total Loans & Advances	1,680,280	41,564,869	-	20,653,601

Economic sector risk concentrations within the gross loans & advances to customers of PF/GF Dept.

<i>in Bhutanese Ngultrum</i>	31st. December 2022	%	31st. December 2021	%
Consumer Loan (Loan against PPF)	7,814,955	18.07	4,785,348	23.17
Transport Sector Loan	17,835,709	41.24	13,390,806	64.84
Trade & Commerce loan	7,252,090	16.77	-	-
Manufacturing/Industry loan	6,841,708	15.82	-	-
Consumer Loan	1,679,676	3.88	-	-
Staff Vehicle Loan	-	-	-	-
Personal Loan	1,820,406	4.21	2,477,447	12.00
Total	43,244,544	100	20,653,601	100

Details of Provision for Loan Impairment are as follows:

<i>in Bhutanese Ngultrum</i>	31st. December 2022	31st. December 2021
Impairment as per BAS-39-Incurred Loss Model	453,963	90,367
Total Provision for Loan Impairment as per BAS-39/RMA PR Norms, 2017	453,963	90,367

Percentage of Provision for Loan Impairment is 10.51 % (P.Y.:13.25% of Total Loans & Advances.)

5 Instruments Held Till Maturity

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non-Current	Current	Non-Current
Investment in RICBL Bond (30,000 Bonds @ 1000 per bond)	-	-	-	30,000,000
Investment in Dungsum Cement Bond (30,000 Bonds @ 1000 per bond)	-	-	-	30,000,000
Fixed Deposit (Maturing within 12 Months)	175,000,000	-	125,000,000	-
Total	175,000,000	-	125,000,000	60,000,000

Total Investment Held Till Maturity (3A+5B)

5a. General Insurance Department

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non-Current	Current	Non-Current
Investment in RICBL Bond (30,000 Bonds @ 1000 per bond)	-	-	-	30,000,000
Investment in Dungsum Cement Bond (30,000 Bonds @ 1000 per bond)	-	-	-	30,000,000
Fixed Deposit (Maturing within 12 Months)	30,000,000	-	-	-
Total	30,000,000	-	-	60,000,000

5b. Finance & Investment Department

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non-Current	Current	Non-Current
Fixed Deposit (Maturing within 12 Months)	125,000,000	-	125,000,000	-
Total	125,000,000	-	125,000,000	-

5c. PPF & GFM Department (New Fund)

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non-Current	Current	Non-Current
Fixed Deposit (Maturing within 12 Months)	20,000,000	-	-	-
Total	20,000,000	-	-	-

6 Equity & Other Investment

<i>in Bhutanese Ngultrum</i>	31st. December 2022		31st. December 2021	
	Current	Non-Current	Current	Non-Current
Equity Investment with BNBL	-	78,186,536	-	49,129,090
Equity Investment with CIB	-	4,388,151	-	3,995,159
Equity Investment with FITI	-	6,000,000	-	6,000,000
Total	-	88,574,687	-	59,124,249



The Equity Investment has valued based on Audited Financial Statements of CIB and FITI of year 2021 as per the Level-III technique as stated in BFRS-13 (in line with IFRS-13). The details of valuation is as follows:

5e. General Insurance Department
in Bhutanese Ngultrum

Equity Investment with BNBL
Equity Investment with CIB
Equity Investment with FITI
Investment fund with FID

Total

31st. December 2022		31st December 2021	
Current	Non-Current	Current	Non-Current
-	69,634,418	-	44,273,272
-	4,388,151	-	3,995,159
-	6,000,000	-	6,000,000
453,129,116	-	405,692,290	-
453,129,116	80,022,569	405,692,290	54,268,431

The Equity Investment has valued based on Audited Financial Statements of CIB and FITI of year 2021 as per the Level-III technique as stated in BFRS-13 (in line with IFRS-13). The details of valuation is as follows:

5b. PPF & GFM Department (Old Fund)

PPF Investment fund with Inv. Dept (Old Fund)
GFM Investment fund with Inv. Dept (Old Fund)
Total

31st. December 2022		31st December 2021	
Current	Non-Current	Current	Non-Current
319,466,422	-	304,572,175	-
136,449,394	-	189,369,860	-
455,915,816	-	493,942,035	-

5c. PPF & GFM Department (New Fund)

Investment Fund with FID
Equity investment with BNBL

31st. December 2022		31st December 2021	
Current	Non-Current	Current	Non-Current
720,348,670	-	761,923,695	-
-	8,552,118	-	4,855,818
720,348,670	8,552,118	761,923,695	4,855,818



7 Insurance Receivable
in Bhutanese Ngultrum

Insurance Premium Receivable
RI Receivable
Total Insurance Receivable

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
52,105,448	-	49,770,549	-
49,101,032	-	15,226,676	-
101,206,481	-	64,997,225	-

7a. General Insurance Department
in Bhutanese Ngultrum

Insurance Premium Receivable
RI Receivable
Total Insurance Receivable

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
52,105,448	-	49,770,549	-
49,101,032	-	15,226,676	-
101,206,481	-	64,997,225	-

All the insurance assets has not been tested for impairment as on reporting date owing to lack of objective evidences as per BFRS-4.

8 Other Assets

in Bhutanese Ngultrum

Salvage Amount Receivable
Security Deposit for Office Space
RMA Reserve
Advance CIT & TDS
RMA Penalty Deposit A/c
Other Advance
Interest Receivable on Bonds
BIL Employees Gratuity Fund Investment (RICBL)
Interest Receivable on BIL Employee Gratuity fund investment (RICBL)
Advance Payment for Purchase of building at Gelephu
Land development advances
Vehicle Scrap Purchase Advance Payment
Tax Refund Receivable from RRCO
Differential tax assets
Interest Receivable on Fixed Deposits
Prepaid Staff loan Cost
Loan Charge-off advances
Asset Pending Foreclosure Account
Total

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
-	-	668,019	-
344,395	-	327,358	-
30,000	-	30,000	-
38,572,194	-	18,827,738	-
100,000	-	100,000	-
1,743,465	-	1,371,769	-
-	-	1,662,500	-
13,319,407	-	5,398,018	-
-	-	350,871	-
-	-	-	-
-	-	-	-
961,815	-	961,815	-
-	-	632,256	-
72,487	-	-	-
2,620,171	-	3,972,945	-
6,607,091	-	3,498,589	-
1,092,102	-	-	-
38,146,621	-	38,286,193	-
103,609,747	-	76,088,071	-

8a. General Insurance Department
in Bhutanese Ngultrum

Salvage Amount Receivable
Security Deposit for Office Space
RMA Reserve
Advance CIT & TDS
RMA Penalty Deposit A/c
Other Advance
Interest Receivable on Bonds
Interest Receivable on Fixed Deposits
BIL Employees Gratuity Fund Investment (RICBL)
Interest Receivable on BIL Employee Gratuity fund investment (RICBL)
Advance Payment for Purchase of building at Gelephu
Land development advances
Vehicle Scrap Purchase Advance Payment
Tax Refund Receivable from RRCO
Interest receivable on Funds to Finance & Investment Department
Counter Entry of FID Last Year Reserve
Differential tax assets
Management Fees Receivable from FID
Management Fees Receivable from PPF & GFM dept.
Total

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
-	-	668,019	-
344,395	-	327,358	-
30,000	-	30,000	-
38,225,216	-	18,472,383	-
100,000	-	100,000	-
1,743,465	-	1,371,769	-
-	-	1,662,500	-
352,603	-	-	-
13,319,407	-	5,398,018	-
-	-	350,871	-
-	-	-	-
-	-	-	-
961,815	-	961,815	-
-	-	632,256	-
32,317,886	-	26,781,358	-
339,304,319	-	213,605,292	-
72,487	-	-	-
30,211,237	-	9,838,525	-
13,233,960	-	362,232	-
470,216,789	-	280,562,395	-



8b. Finance & Investment Department*in Bhutanese Naultrum*

Interest Receivable on Fixed Deposits
 Prepaid Staff Loan Cost
 Advance CIT & TDS
 Asset Pending Foreclosure Account
 Loan Charge-off advances
 PF/GF department control A/c. (old Fund)
 GAD control A/c.

Total

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
2,119,623	-	3,972,945	-
6,607,091	-	3,498,589	-
346,978	-	355,356	-
38,146,621	-	38,286,193	-
1,092,102	-	-	-
10,438,379	-	2,405,769	-
1,899,525	-	1,899,521	-
60,650,319	-	50,418,372	-

8c. PPF & GFM Department (Old Fund)*in Bhutanese Naultrum*

PPF Interest Receivable on Investment fund with Inv. Dept (Old Fund)
 GFM Interest Receivable on Investment fund with Inv. Dept (Old Fund)

Total

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
20,269,472	-	19,651,136	-
14,770,250	-	16,567,870	-
35,039,723	-	36,219,006	-

8d. PPF & GFM Department (New Fund)*in Bhutanese Naultrum*

Interest receivable on investment with FID (New Fund)
 Interest receivable on Fixed Deposit
 Investment Dept. control A/c. (Old Fund)

Total

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
49,891,993	-	16,056,080	-
147,945	-	-	-
47,567,313	-	-	-
97,607,251	-	16,056,080	-



9 Property, Plant & Equipment
in Bhutanese Ngultrum

	Cost	Computer, Printer						Total
		Office Equipment	Furniture & Fittings	Others	Motor Vehicles	Land	Building	
Balance as at 1st January	4,372,173	5,253,804	13,885,968	6,848,308	105,322,125	8,241,000	143,923,378	
Additions during the year	831,600	1,152,418	5,535,536	6,123,762	-	22,000,000	35,643,316	
Disposals during the year adjusted	-	-	-	1,689,492	-	-	1,689,492	
Balance as at 31st. December 2022	5,203,773	6,406,222	19,421,504	11,282,578	105,322,125	30,241,000	177,877,202	
Depreciation								
Balance as at 1st January	3,820,536	5,120,404	11,851,318	6,404,039	-	82,636	27,278,932	
Depreciation charge for the year	780,566	960,933	2,913,226	658,045	-	907,230	6,220,000	
Accumulated Depreciation adjusted	-	-	-	1,689,492	-	-	1,689,492	
Balance as at 31st. December 2022	4,601,102	6,081,337	14,764,544	5,372,591	-	989,866	31,809,440	
Book Value as on 31st. December 2022								
	602,671	324,885	4,656,960	5,909,987	105,322,125	29,251,135	146,067,763	
Book value as at 31st. December 2021	551,637	133,400	2,034,650	444,269	105,322,125	8,158,364	116,644,445	

All the units of Property, Plant & Equipment has not been tested for impairment as on the reporting date owing to lack of objective evidences as per BAS-36. CEO's pool vehicle (Toyota Fortuner) amounting Nu.6.123 million was purchased during the year as approved in 54th Board meeting held on 29th April 2022.

10 Intangible Assets

in Bhutanese Ngultrum

	31st. Dec. 2022	31st. Dec. 2021
Cost		
Balance as at 1st January	9,949,055	9,829,055
Additions during the year	50,615	120,000
Balance as on 31st. December	9,999,670	9,949,055
Amortization		
Balance as at 1st January	9,071,683	8,977,183
Amortisation charge for the year	139,198	94,500
Balance as on 31st. December	9,210,881	9,071,683
Book Value as on 31st. December	788,789	877,372

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. Both the above system softwares got obsolete and replaced by new softwares developed inhouse by our IT staff.

	31st. Dec. 2022	31st. Dec. 2021
Segment wise Depreciation		
General Insurance Department	3,110,000	1,507,100
Finance & Investment Department	2,072,755	1,035,754
PF/GF(New) Fund	1,037,244	471,346
Total	6,220,000	3,014,200
Segment wise Amortization		
General Insurance Department	69,599	47,250
Finance & Investment Department	46,386	32,473
PF/GF(New) Fund	23,213	14,777
Total	139,198	94,500



Bhutan Insurance Limited

Notes to Financial Statements-31st. December 2022

11 Insurance Contract Liabilities

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Claim Outstanding	34,582,924	-	48,866,200	-
Insurance premium refundable	219,706	-	-	-
Referral Fees Payable	2,329,714	-	3,734,418	-
Total Insurance Contract Liabilities	37,132,344	-	52,600,618	-

12 Reinsurance Contract Liabilities

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
RI Ceded Payable	-	-	-	-
Total Reinsurance Liabilities	-	-	-	-

The Company has internally tested the Insurance Liabilities as per BFRS-4 and it is found to adequate.

13 Subordinate Term Debt

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
ESP Bond	-	120,000,000	-	120,000,000
Total Subordinate Term Debt	-	120,000,000	-	120,000,000

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

14 Borrowings & Funds

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Borrowings from GIC Bhutan Re	-	450,000,000	-	180,000,000
Borrowings from BNBL	-	10,877,340	-	16,309,372
Borrowing from T-Bank	-	-	-	-
Fund from PPF (Old Fund)	-	319,466,422	-	304,572,175
Fund from SWF	1,560,830	-	1,740,668	-
Fund from Gratuity Fund (Old Fund)	-	136,449,394	-	189,369,860
Fund from PPF (New Fund)	-	78,084,849	-	63,212,277
Fund from Gratuity Fund (New Fund)	-	835,273,055	-	761,718,533
Borrowing from Druk PNB bank	-	11,246,122	-	-
Total	1,560,830	1,841,397,182	1,740,668	1,515,182,217

14a. Finance & Investment

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Borrowings from GIC Bhutan Re	-	450,000,000	-	180,000,000
Borrowings from BNBL	-	10,877,340	-	16,309,372
Borrowing from T-Bank	-	-	-	-
Fund from PPF (Old Fund)	-	319,466,422	-	304,572,175
Fund from SWF	1,560,830	-	1,740,668	-
Fund from Gratuity Fund (Old Fund)	-	136,449,394	-	189,369,860
Funds Borrowed from PF/GF Department(New)	720,348,670	-	761,923,695	-
Fund from General Insurance Dept.	453,129,117	-	405,692,290	-
Total	1,175,038,616	916,793,156	1,169,356,653	690,251,407

14b. PPF & GFM Department (Old fund)

In Bhutanese Ngultrum

Member's Contribution Fund

Less Refund

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Private Provident Fund	-	319,466,422	-	304,572,175
Gratuity Fund	-	136,449,394	-	189,369,860
Total	-	455,915,816	-	493,942,035

14c. PPF & GFM Department (New Fund)

Member's Contribution Fund

Less Refund

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Private Provident Fund	-	78,084,849	-	63,212,277
Gratuity Fund	-	835,273,055	-	761,718,533
Total	-	913,357,904	-	824,930,810

14d. General Insurance Dept.

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Borrowing from Druk PNB bank	-	11,246,122	-	-
Total	-	11,246,122	-	-



15 Employees Defined Benefit Obligation

in Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
Employees Gratuity obligation	13,686,433	-	13,330,896	-
Employees Leave Encashment obligation	2,873,524	-	2,799,182	-
Total Employee Benefit Obligation	16,559,957	-	16,130,078	-

15a. Employees Defined Benefit Obligation

in Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non current	Current	Non current
i) Defined benefit obligation (Gratuity) as per last year A/c.	13,330,896	-	5,398,018	-
Add:- Current year obligation	355,537	-	7,932,878	-
Total	13,686,433	-	13,330,896	-
ii) Defined benefit obligation (Leave) as per last year A/c.	2,799,182	-	2,305,404	-
Add:- Current year obligation	74,342	-	493,778	-
Total	2,873,524	-	2,799,182	-
iii) Net Remeasurement (Gain)/Loss on Defined Benefit Plan (Shown separately in Comprehensive Income)				
Gratuity liability	355,537	-	-1,367,947	-
Leave Liability	74,342	-	2,121,357	-
Total	429,879	-	753,410	-

The movement in the Net Defined Benefit Obligation of Gratuity Liability is as follows:

Opening Balance	13,330,896	12,363,196
Service Cost	2,015,909	1,848,386
Interest Cost	805,392	869,101
Benefits Paid During the year	-4,164,802	-381,840
Net Actuarial (Gain) / Loss	1,699,038	-1,367,947
Closing Balance	13,686,433	13,330,896

The Employee Benefit Obligations for Gratuity and Leave Encashment has valued as per projected unit credit method as stated in BAS-19. The Valuation has been done by external actuaries on the basis of following assumptions:

a) Discount Rate(%)	7.16	7.14
c) Rate of Compensation Increase(%)	6	6
d) Average Expected Future Service	24/12/0	24/14/0
e) Average Duration of Liabilities	7	7
f) Superannuation at Age-Male	56/58/60	56/58/60
g) Superannuation at Age-Female	56/58/60	56/58/60
h) Early Retirement & Disablement	10 per thousand p.a 6 above age 45 3 between 29 and 45 1 below age 29	10 per thousand p.a 6 above age 45 3 between 29 and 45 1 below age 29
i) Voluntary Retirement	Ignored	Ignored
j) Mortality Table	IALM(2012-2014)	IALM(2012-2014)

The Company has specific segment which manages the Gratuity Fund of various corporates.

The movement in the Net Defined Benefit Obligation of Leave Liability is as follows:

Opening Balance	2,799,182	2,305,404
Service Cost	527,264	210,647
Interest Cost	127,561	95,569
Benefits Paid During the year	-2,035,211	-1,933,795
Net Actuarial (Gain) / Loss	1,454,728	2,121,357
Closing Balance	2,873,524	2,799,182

The Employee Benefit Obligations for Gratuity and Leave Encashment has valued as per projected unit credit method as stated in BAS-19. The Valuation has been done by external actuaries on the basis of following assumptions:

a) Discount Rate(%)	7.16	7.14
c) Rate of Compensation Increase(%)	6	6
d) Average Expected Future Service	24/12/0	24/14/0
e) Average Duration of Liabilities	7	7
f) Superannuation at Age-Male	56/58/60	56/58/60
g) Superannuation at Age-Female	56/58/60	56/58/60
h) Early Retirement & Disablement	10 per thousand p.a 6 above age 45	10 per thousand p.a 6 above age 45



3 between 29 and 45
1 below age 29

3 between 29 and 45
1 below age 29

i) Voluntary Retirement
j) Mortality Table

Ignored
IALM(2012-2014)

Ignored
IALM(2012-2014)

16a Deferred Tax Assets

in Bhutanese Ngultrum

Deferred Tax Assets

Total Deferred Tax Assets

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
6,304,121	-	2,849,248	-
6,304,121	-	2,849,248	-

16a(i). Deferred Tax Assets

Deferred tax assets as per last year accounts

Add:- Deferred tax assets current year

Total

2,849,248	-	-	-
3,454,873	-	2,849,248	-
6,304,121	-	2,849,248	-

16b Deferred Tax Liabilities

in Bhutanese Ngultrum

Deferred Tax Liabilities

Total Deferred Tax Liabilities

31st. December 2022		31st. December 2021	
Current	Non Current	Current	Non Current
10,759,532	-	1,745,150	-
10,759,532	-	1,745,150	-

16b(i). Deferred Tax Liabilities

Deferred tax liabilities as per last year accounts

Add:- Deferred tax liabilities current year

Total

1,745,150	-	-	-
9,014,382	-	1,745,150	-
10,759,532	-	1,745,150	-

The detail Deferred Tax Liabilities are as follows:

Deferred Tax Assets

Deferred Tax Liabilities

Deferred Tax Assets/Liabilities

31st. December 2022		31st. December 2021	
6,304,121	-	-	-
10,759,532	-	-	-
-4,455,412	-	-	-



Bhutan Insurance Limited

Notes to Financial Statements-31st. December 2022

17 Tax Payable

(in Bhutanese Ngultrum)

Provision for Tax	
Total Tax Payable	

31st. December 2022

Current	Non Current
93,083,821	-
93,083,821	-

31st. December 2021

Current	Non Current
60,008,451	-
60,008,451	-

18 Provisions & Contingencies

(in Bhutanese Ngultrum)

Unexpired Risk Reserve	
Provision for other doubtful debts	
Impairment on Loan	
Total Provisions & Contingencies	

31st. December 2022

Current	Non Current
85,758,922	-
170,257	-
116,150,825	-
202,080,004	-

31st. December 2021

Current	Non Current
82,535,435	-
170,257	-
244,481,915	-
327,187,607	-

18a. General Insurance Department

	31st. December 2022	31st. December 2021
i) Provision for Unexpired Risk as per Last Account	82,535,435	77,873,633
Add: Provision for Unexpired Risk Current Year	3,223,487	4,661,802
Total	85,758,922	82,535,435
ii) Provision for Doubtful Debt as per last year Account	170,257	170,257
Add: Provision for doubtful debt Current Year	-	-
Total	170,257	170,257
Total (i+ii)	85,929,179	82,705,692

Provision on Loan has been measured on the basis of Prudential Regulations, 2017 as a matter of conservative approach.

The details has been presented as:

Category	Days	% Rate
1. Standard	Upto 30	1%
2. Watch	31 - 90	1.5%
3. Sub standard	91 - 180	20% and 30% for highest exposure except Agriculture sector
4. Doubtful	181 - 365	50% and 60% for highest exposure except Agriculture sector
5. Loss	> 366	100%
6. Term Expired	-	100%

18b. Financing & Investment Department

	31st. December 2022	31st. December 2021
i) Provision for Standard Loan as per Last Year A/c.	18,004,099	11,881,406
Add:- Additional Provision for Current Year	1,447,555	6,122,693
Total	19,451,654	18,004,099
ii) Provision for Watch Loan as per Last Year A/c.	3,734,077	5,589,383
Add:- Additional Provision for Current Year	2,718,789	(1,855,306)
Total	6,452,866	3,734,077
iii) Provision for Sub standard Loan as per Last Year A/c.	8,438,436	45,548,264
Add:- Additional Provision for Current Year	(5,828,425)	(37,109,828)
Total	2,610,011	8,438,436
iv) Provision for Doubtful Loan as per Last Year A/c.	11,665,493	46,373,674
Add:- Additional Provision for Current Year	(3,495,439)	(34,708,181)
Total	8,170,054	11,665,493
v) Provision for Loss exposure Loan as per Last Year A/c.	23,561,864	37,152,090
Add:- Additional Provision for Current Year	38,929,063	27,915,654
Total	62,490,927	65,067,744
vi) Provision for Term expired Loan as per Last Year A/c.	21,876,950	35,241,037
Add:- Additional Provision for Current Year	(21,876,950)	(13,364,087)
Total	-	21,876,950
vii) Dynamic Provision as per last year A/c.	-	62,605,694
Add:- Additional Provision for Current Year	16,521,350	(62,605,694)
Total	16,521,350	-
viii) Specific provision adjustment for writeback last year A/c.	115,604,749	-
Add:- Additional Provision for Current Year	(115,604,749)	115,604,749
Total	-	115,604,749
Total (i + ii + iii + iv + v + vi + vii + viii)	115,696,861	244,391,548

18c. Provision Against Loan Charged for the Year (FID)

	31st. December 2022	31st. December 2021
i) Provision for Standard Loan for the Year	1,447,555	6,122,693
ii) Provision for Watch Loan for the Year	2,718,789	(1,855,306)
iii) Provision for Sub-standard Loan for the Year	(5,828,425)	(37,109,828)
iv) Provision for Doubtful Loan for the Year	(3,495,439)	(34,708,181)
v) Provision for Loss Exposure Loan for the Year	38,929,063	27,915,654
vi) Provision for Term Expired Loan for the Year	(21,876,950)	(13,364,087)
vii) Dynamic Provision for current Year	16,521,350	(62,605,694)
viii) Writeback Provision adjustment for current Year	(115,604,749)	115,604,749
Total	(87,188,807)	-

18d(i). Asset Pending Foreclosure Reserve

	31st. December 2022	31st. December 2021
i) Principal outstanding opening balance	27,068,779	-
Add/(Less):- during the year	-95,726	-



Total	26,973,054	-
ii) Interest Outstanding opening balance	11,017,612	-
Add/(Less):- during the year	-27,054	-
Total	10,990,558	-
iii) Late fee outstanding opening balance	199,802	-
Add/(Less):- during the year	-16,792	-
Total	183,010	-
Total (i + ii + iii)	38,146,621	-

18d(iii). Asset Pending Foreclosure Reserve charged for the year

i) Principal amount	-95,726	-
ii) Interest amount	-27,054	-
iii) Late fee amount	-16,792	-
Total	-139,572	-

18e. PPF & GFM Department (New Fund Loan)

	31st. December 2022	31st. December 2021
i) Provision for Standard Loan as per Last Year A/c.	152,086	65,505
Add:- Additional Provision for current Year	172,719	86,581
Total	324,805	152,086
ii) Provision for Watch Loan as per Last Year A/c.	66,046	24,862
Add:- Additional Provision for current Year	63,112	41,184
Total	129,158	66,046
iii) Provision for Sub standard Loan as per Last Year A/c.	-	-
Add:- Additional Provision for Current Year	-	-
Total	-	-
iv) Provision for Term Expired Loan as per Last Year A/c.	-	-
Add:- Additional Provision for current Year	-	-
Total	-	-
v) Specific provision adjustment for writeback last year A/c.	-127,766	-
Add:- Additional Provision for current Year	127,766	(127,766)
Total	-	(127,766)
Total (i+ii+iii)	453,963	90,367

18f. Provision Against Loan Charged for the Year (PF/GF Dept.)

	31st. December 2022	31st. December 2021
i) Provision for Standard Loan for the Year	172,719	86,581
ii) Provision for Watch Loan for the Last Year	63,112	41,184
iii) Provision for Sub standard for the Year	-	-
iv) Provision for Term Expired for the Year	-	-
iv) Writeback Provision adjustment for current Year	127,766	(127,766)
Total	363,596	-0

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 2017.

19 Other Liabilities

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
Outstanding Expenses	1,276,554	-	1,313,998	-
Stale Cheques	909,986	-	981,671	-
Uncollected Dividend	10,723,134	-	12,281,537	-
Differential Tax Liability	-	-	-4,537	-
TDS Payable to RRCO	32,813	-	-	-
Tax Rebate Payable	-	-	5,660,510	-
Interest Payable to ESP Fund	5,266,849	-	5,266,849	-
Salvage & procurement (EMD & security deposit)	930,703	-	-	-
Unearned Insurance Charges	15,057,198	-	21,590,658	-
Bill Employee Gratuity Liabilities	336,594	-	-	-
Gelephu building purchase payable	5,204,912	-	-	-
Other Payables	876,355	-	450,498	-
PF/GF Refund payable	5,153,701	-	-	-
Unamortization of staff loan	8,656,526	-	5,398,110	-
Interest Payable to BNBL	894	-	1,341	-
Interest Payable to PPF A/c (Old Fund)	20,269,472	-	19,651,136	-
Interest Payable to Gratuity Fund (Old Fund)	14,770,250	-	16,567,870	-
Interest Payable to PF/GF A/c (New Fund)	7,141,737	-	4,770,864	-
Interest Payable to Gratuity Liability (New Fund)	50,593,810	-	38,591,096	-
Interest Payable to SWF	128,856	-	145,162	-
Interest in Suspense-RMA Provision	9,961,849	-	20,533,028	-
Late Fee Suspense A/c	230,666	-	257,280	-
CRST & CIB Charges Payable	50,000	-	-	-
IPS Plough back payable	2,090,662	-	-	-
Asset Pending Foreclosure Reserve A/c	38,146,621	-	38,286,193	-
Total	197,810,144	-	191,743,264	-

19a. General Insurance Department

In Bhutanese Ngultrum

	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
Outstanding Expenses	1,276,554	-	1,313,998	-
Stale Cheques	852,179	-	946,102	-
Uncollected Dividend	10,723,134	-	12,281,537	-



Differential Tax Liability	-	-	-4,537	-
TDS Payable to RRCC	32,813	-	-	-
Tax Rebate Payable	-	-	5,660,510	-
Interest Payable to ESP Fund	5,266,849	-	5,266,849	-
Salvage & procurement (EMD & security deposit)	930,703	-	-	-
Unearned Insurance Charges	15,057,198	-	21,590,658	-
BIL Employee Gratuity Liabilities	336,594	-	-	-
Gelephu building purchase payable	5,204,912	-	-	-
Other Payables	588,581	-	398,920	-
FID control A/c	1,899,525	-	-	-
Counter Entry of PF & GFM Last Year Reserve(New Fund)	42,347,214	-	9,450,311	-
Total	84,516,257	-	56,904,348	-

19b. Finance & Investment Department

(In Bhutanese Ngultrum)

	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
Interest Payable to BNBL	894	-	1,341	-
Interest Payable to PPF A/c (Old Fund)	20,269,472	-	19,651,136	-
Interest Payable to PF/GF A/c (New Fund)	49,891,993	-	16,056,080	-
Interest Payable to SWF	128,856	-	145,162	-
Interest Payable to Gratuity Fund (Old Fund)	14,770,250	-	16,567,870	-
Interest in Suspense-RMA Provision	9,961,849	-	20,533,028	-
Late Fee Suspense A/c	230,666	-	257,280	-
CRST & CIB Charges Payable	50,000	-	-	-
Asset Pending Foreclosure Reserve A/c (schedule 18d(i))	38,146,621	-	38,286,193	-
Other Payables	287,774	-	51,578	-
State Cheques	50,215	-	35,569	-
PF/GF control A/c. (New Fund)	47,567,313	-	-	-
Unamortization of staff loan	8,656,526	-	5,398,110	-
Interest Payable to Insurance Department	32,317,886	-	26,781,358	-
IPS Plough back payable	2,090,662	-	-	-
Management Fees Payable to Insurance Dept.	30,211,237	-	9,838,525	-
Total	254,632,214	-	153,603,230	-

19c. PPF & GFM Department (Old Fund)

(In Bhutanese Ngultrum)

	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
PPF Interest Payable to Member's Contribution	20,269,472	-	19,651,136	-
GFM Interest Payable to Member's Contribution	14,770,250	-	16,567,870	-
Finance & Investment Dept. control A/c	10,438,379	-	2,405,769	-
Total	45,478,101	-	38,624,775	-

19d. PPF & GFM Department (New Fund)

(In Bhutanese Ngultrum)

	31st. December 2022		31st. December 2021	
	Current	Non Current	Current	Non Current
PPF Interest Payable to Member's Contribution	7,141,737	-	4,770,864	-
GFM Interest Payable to Member's Contribution	50,593,810	-	38,591,096	-
Management Expenses Payable to Insurance Dept.	13,233,960	-	362,232	-
State cheque	7,593	-	-	-
PF/GF Refund payable	5,153,701	-	-	-
Interest in Suspense A/c	-	-	-	-
Late Fee Suspense A/c	-	-	-	-
Total	76,130,801	-	43,724,192	-

20 Share Capital

(In Bhutanese Ngultrum)

	31st. December 2022	31st. December 2021
Authorized Capital	5,000,000,000	500,000,000
(500,000,000 Equity Shares of Nu.10 each)		
An authorized share capital of the company has been increased to Nu. 5 billion from Nu.500 million in 13th AGM held on 29th April 2022 and same has been amended in the Articles of Incorporation.		

Issued, Subscribed and Paid Up - Opening Balance	300,000,000	300,000,000
(30,000,000 Equity Shares of Nu.10 each)		
Total Paid-up Capital	300,000,000	300,000,000

21 Reserve & Surplus

(In Bhutanese Ngultrum)

	31st. December 2022	31st. December 2021
i) General Reserve as at 1st January	250,132,677	205,567,445
Add:- General Reserve during the year	60,088,198	44,565,232
Total	310,220,875	250,132,677
ii) Retained Earnings as at 1st January	200,510,308	80,019,125
Add:- Retained Earnings during the year	180,264,594	120,491,183
Total	380,774,902	200,510,308
iii) CAT Reserve as at 1st January	12,803,938	12,803,938
Add:- CAT Reserve during the year	1,000,000	-
Total	13,803,938	12,803,938



iv) Investment Revaluation as at 1st January

Add:- Investment Revaluation Reserve

Total

Total Equity

6,980,601

29,450,438

36,431,039

1,041,230,755

6,980,601

-

6,980,601

770,427,524

21a. General Insurance Department

i) Reserve balance as at 1st January

Add:- Reserve transferred during the year

463,446,922

179,369,601

642,816,523

299,421,261

133,131,512

432,552,774

ii) Investment Revaluation as at 1st January

Add:- Investment Revaluation Reserve during the year

Total

6,980,601

25,754,138

32,734,739

6,980,601

-

6,980,601

21b. Finance & Investment Department

Reserve as at 1st January

Add:- Reserve transferred during the year

Total

339,304,319

169,711,621

509,015,940

215,578,148

123,726,173

339,304,321

21c. PF/GF Department (New Fund)

i) Reserve as at 1st January

Add:- Reserve transferred during the year

Total

-42,347,214

-14,644,608

-56,991,822

-9,450,311

-32,896,918

-42,347,229

ii) Investment Revaluation as at 1st January

Add:- Investment Revaluation Reserve during the year

Total

3,696,300

3,696,300



Bhutan Insurance Limited
Notes to Financial Statements-31st December 2022

22 Net Earned Premium

In Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Fire	154,470,994	175,388,849
Marine	10,577,560	5,819,861
Motor	124,636,575	121,506,961
Misc.	110,430,636	108,995,038
Gross Written Premium (22a+22b)	400,115,765	411,710,709
Premium Ceded to Reinsurers (22c)	-212,523,919	-234,070,524
Net Written Premium	187,591,846	177,640,185
Change in Unexpired Risk Reserve (22d)	-3,223,487	-4,661,802
Net Earned Premium	184,368,359	172,978,383

22a. Premium Direct

Fire	140,795,503	161,803,244
Marine	10,577,560	5,819,861
Motor	124,636,575	121,506,961
Misc.	110,430,636	108,995,038
Total Premium (Direct)	386,440,274	398,125,104

22b. Premium Accepted

Fire	13,675,491	13,585,605
Total Premium (Accepted)	13,675,491	13,585,605

22c. Premium Ceded to Reinsurers

Fire	84,686,983	101,938,092
Marine	4,662,819	2,674,457
Motor	32,365,510	37,585,517
Misc.	90,808,607	91,872,458
Total Premium Ceded to Reinsurers	212,523,919	234,070,524

22d. Net Change in reserve for Unearned Premium

Opening Balance as per Last Year account	82,535,435	77,873,633
Add/Less: Increase/(Decrease) during the year	3,223,487	4,661,802
	85,758,922	82,535,435

Reserves for un-expired risks amounting to Nu. 80,200,191 (PY Nu. 80,808,100) has been recognized in respect of General Insurance Business at 1/24th method.

23 Finance Income

In Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Interest Income on Bond	2,387,500	5,250,000
Interest Income on Fixed Deposits	5,586,781	6,428,219
Loan late fee income of PF/GF dept. (New Fund)	604	-
Dividend Income	-	-
Total Finance Income	7,974,885	11,678,219

23a. General Insurance Department

In Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Interest Income on Bond	2,387,500	5,250,000
Dividend Income	-	-
Interest Income on Fixed Deposits	352,603	-
Interest on Funds to Finance & Investment	32,317,886	26,781,358
Total	35,057,988	32,031,358



23b. Finance & Investment Department*in Bhutanese Ngultrum*

Interest Income on Fixed Deposits

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
5,086,233	6,428,219
5,086,233	6,428,219

23c. PF/GF Department (New Fund)*in Bhutanese Ngultrum*

Interest Income on Funds Disbursed to Finance & Investment Dept

Interest Income on Fixed Deposits

Loan late fee income

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
49,891,993	16,056,080
147,945	-
604	-
50,040,542	16,056,080

24 Commission Income (Resinsurance Ceded)*in Bhutanese Ngultrum*

Fire

Marine

Motor

Misc.

Total Commission income

<u>31st. December 2022</u>	<u>31st. December 2021</u>
20,442,099	25,352,737
1,559,885	746,120
6,521,057	6,334,283
10,325,079	7,891,772
38,848,120	40,324,912

Commission Expenses (24a+24b)

Fire

Marine

Motor

Misc.

Total Commission expenses**Net Commission Income**

2,258,550	2,284,434
154,657	75,804
1,822,335	1,582,624
1,614,628	1,419,656
5,850,170	5,362,518
32,997,950	34,962,394

24a. Commission Expenses (Referral Fees)*in Bhutanese Ngultrum*

Fire

Marine

Motor

Misc.

Total Commission Expenses (Referral Fees)

<u>31st. December 2022</u>	<u>31st. December 2021</u>
1,953,118	1,952,224
133,742	64,780
1,575,894	1,352,473
1,396,275	1,213,205
5,059,029	4,582,682

24b. Brokerage Expenses (Broker)*in Bhutanese Ngultrum*

Fire

Marine

Motor

Misc.

<u>31st. December 2022</u>	<u>31st. December 2021</u>
305,433	332,210
20,915	11,024
246,442	230,151
218,352	206,451
791,141	779,836



25 Net interest income on loan & advances*in Bhutanese Ngultrum*

	31st. December 2022	31st. December 2021
Manufacturing/Industry sector Loan	26,020,413	19,841,865
Services Sector loan	6,588,497	5,742,720
Trade/Commerce Sector Loan	54,000,926	32,955,498
Housing Sector Loan	82,487,327	79,970,198
Transport Sector Loan	73,567,929	68,113,583
Loan to Purchase Securities	9,981,682	5,915,467
Personal Loan	5,020,794	16,605,778
Staff Loan	2,346,819	1,943,698
Consumer Loan	25,498,695	799,701
Agriculture & PSL Loan	95,906	155,405
Total	285,608,989	232,043,914
Add/(Less): Interest in Suspense-As per RMA Provision	-1,495,219	10,835,704
Total Interest Income	284,113,770	242,879,618

Interest Expense

Interest on borrowed Funds (GIC Re.)	21,264,726	16,421,438
Interest on PPF Fund (Old Fund)	20,269,472	19,651,136
Interest on PPF Fund (New Fund)	7,141,737	4,770,864
Interest on Gratuity fund (New Fund)	50,593,810	38,591,091
Interest on Loan from BNBL	414,167	574,524
Interest on loan from T-Bank	279,639	-
Interest on SWF	128,856	145,162
Interest on Staff Gratuity A/c (Old Fund)	14,770,250	16,567,870
Interest paid on ESP bond	7,200,000	7,200,000
Total Interest expense	122,062,658	103,922,085

Total Net Interest Income on loan & advances

162,051,112	138,957,533
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25a. Net interest Income for FID*in Bhutanese Ngultrum*

	31st. December 2022	31st. December 2021
Manufacturing/Industry sector Loan	25,505,705	19,841,865
Services Sector loan	6,588,497	5,742,720
Trade/Commerce Sector Loan	53,499,872	32,955,498
Housing Sector Loan	82,487,327	79,970,198
Transport Sector Loan	71,759,238	67,112,980
Loan to Purchase Securities	9,981,682	5,915,467
Personal Loan	4,782,865	16,417,880
Staff Loan	2,346,819	1,943,698
Consumer Loan	24,611,900	353,656
Agriculture & PSL Loan	95,906	155,405
Total	281,659,812	230,409,367
Add/(Less): Interest in Suspense-As per RMA Provision	-1,495,219	10,835,704
Total Net Interest Income	280,164,593	241,245,071

25b. Net Interest Income for PF/GF Department (New Fund)*in Bhutanese Ngultrum*

	31st. December 2022	31st. December 2021
Consumer Loan (Loan against PPF)	687,096	446,045
Transport Loan	1,808,692	1,000,603
Trade & Commerce Loan	501,054	-
Manufacturing/Industries loan	514,708	-
Consumer Loan	199,699	-
Personal Loan	237,928	187,898
Total:-	3,949,177	1,634,547
Add/Less: Interest in suspense provision	-	-
Net interest Income	3,949,177	1,634,547



25c. Interest income PPF & GFM Department (old Fund)

PPF interest income from investment Dept (old Fund)

GFM interest income from investment Dept (old Fund)

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
20,269,472	19,651,136
14,770,250	16,567,870
35,039,723	36,219,006

25d. Interest Expense of FID*in Bhutanese Ngultrum*

Interest on borrowed Funds (GIC Re.)

Interest on PPF Fund (old Fund)

Interest on PF/GF (New Fund)

Interest on Loan from BNBL

Interest on loan from T-Bank

Interest on SWF

Interest on Staff Gratuity A/c (Old Fund)

Interest on Funds Borrowed from General Insurance Department

Total Interest Expense

<u>31st. December 2022</u>	<u>31st. December 2021</u>
21,264,726	16,421,438
20,269,472	19,651,136
49,891,993	16,056,080
414,167	574,524
279,639	-
128,856	145,162
14,770,250	16,567,870
32,317,886	26,781,358
139,336,989	96,197,568

25e. Interest Expenses of Insurance Dept.*in Bhutanese Ngultrum*

Interest on ESP Bond

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
7,200,000	7,200,000
7,200,000	7,200,000

25f. Interest expense of PF/GF dept. (Old Fund)*in Bhutanese Ngultrum*

PPF Interest to Member's Contribution

GFM Interest to Member's Contribution

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
20,269,472	19,651,136
14,770,250	16,567,870
35,039,723	36,219,006

25g. Interest expense of PF/GF dept. (New Fund)*in Bhutanese Ngultrum*

PPF Interest to Member's Contribution

GFM Interest to Member's Contribution

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
7,141,737	4,770,864
50,593,810	38,591,091
57,735,547	43,361,955

26 Other Operating Income*in Bhutanese Ngultrum*

Guarantee Commission

Administration & other Charges

Charged off loan Recovery (other income)

Late fees Income (Net of Suspense)

Earned Insurance Charges

Sale of Scraps

Gain on sale of old office Vehicle

Exchange gain/(loss)

Misc Income

Total Other Operating Income

<u>31st. December 2022</u>	<u>31st. December 2021</u>
6,569,453	3,046,885
180,195	175,362
3,049,233	-
-19,029	2,005,769
39,470,063	24,878,698
1,097,181	5,619,286
1,793,425	-
1,080,099	520,200
33,701	80,136
53,254,320	36,326,336

26a. General Insurance Department*in Bhutanese Ngultrum*

Earned Insurance Charges

Sale of Scraps

Gain on sale of old office Vehicle

Exchange Gain/(Loss)

Misc Income

Total

<u>31st. December 2022</u>	<u>31st. December 2021</u>
39,470,063	24,878,698
1,097,181	5,619,286
1,793,425	-
1,080,099	520,200
33,701	80,136
43,474,468	31,098,320



26b. Finance & Investment Department***in Bhutanese Ngultrum***

Guarantee Commission	
Administration & other Charges	
Charged off loan Recovery (other Income)	
Late fees Income (Net of Suspense)	

Total

31st. December 2022	31st. December 2021
6,569,453	3,046,885
180,195	175,362
3,049,233	-
-19,029	2,005,769
9,779,852	5,228,016

27 Claim Expenses***in Bhutanese Ngultrum***

Claims Paid (including Advance) (27a)	
Add: Claims outstanding at the end of year (27b)	
Add: IBNR Claims at the end of the year (27c)	
Less: Claims outstanding at the beginning of the year (27d)	
Less: IBNR Claims at the beginning of the year (27e)	

Total Gross Claims Expenses

Less: Claims Ceded to Reinsurers (27f)

Net claim paid

31st. December 2022	31st. December 2021
161,919,085	147,424,629
29,902,258	47,651,200
4,680,666	1,215,000
47,651,200	46,373,498
1,215,000	810,000
147,635,809	149,107,331
87,936,746	74,205,031
59,699,063	74,902,300

27a. Claims Paid (including advance)

Fire	
Marine	
Motor	
Misc.	

Total Claims Paid

31st. December 2022	31st. December 2021
17,601,258	14,513,610
39,489,172	-
76,138,182	116,383,709
28,690,474	16,527,310
161,919,085	147,424,629

27b. Outstanding Claims for the Year

Fire	
Marine	
Motor	
Misc.	

Total

31st. December 2022	31st. December 2021
2,238,194	7,433,739
1,178,840	3,702,700
22,863,260	31,135,961
3,621,964	5,378,800
29,902,258	47,651,200

27c. Outstanding IBNR Claims for the Year

Fire	
Marine	
Motor	
Misc.	

Total

31st. December 2022	31st. December 2021
400,000	300,000
-	-
1,668,500	300,000
2,612,166	615,000
4,680,666	1,215,000

27d. Outstanding Claims at the beginning of the Year

Fire	
Marine	
Motor	
Misc.	

Total

31st. December 2022	31st. December 2021
7,433,739	439,000
3,702,700	1,316,900
31,135,961	40,432,104
5,378,800	4,185,494
47,651,200	46,373,498

27e. Outstanding IBNR Claims at the beginning of the Year

Fire	
Marine	
Motor	
Misc.	

Total

31st. December 2022	31st. December 2021
300,000	200,000
-	-
300,000	200,000
615,000	410,000
1,215,000	810,000



27f. Claims on Reinsurance Ceded

	31st. December 2022	31st. December 2021
Fire	8,095,472	7,372,429
Marine	28,404,225	9,508
Motor	36,492,275	58,188,997
Misc.	14,944,774	8,634,097
Total on Claims on Reinsurance Ceded	87,936,746	74,205,031

28 Other Operating & Administrative Expenses*in Bhutanese Ngultrum*

	31st. December 2022	31st. December 2021
Operating Expenditure-General Insurance Department (28a)	45,304,500	40,965,960
Operating Expenditure-Finance & Investment Department(28b)	31,737,928	29,936,469
Employee Staff loan cost 28b(ii)	677,799	1,899,521
Operating Expenditure-PF/GF(New Fund) (28c)	12,175,435	6,739,467
Total	89,895,662	79,541,417

28a. Operating Expenses- (General Insurance Department)*in Bhutanese Ngultrum*

	31st. December 2022	31st. December 2021
Employees remuneration and welfare benefit (28a(i))	33,179,248	32,314,917
Communication expenses	2,473,596	1,878,708
Training & conference expenses	1,189,415	224,863
Rental charges	2,432,338	2,332,588
Repairs & Maintenance	346,167	414,896
Printing and stationary	794,592	662,644
Legal and Professional Charges	2,250,485	1,408,720
Advertisement and business promotion	1,460,159	999,202
Other Misc. expenses	1,178,501	729,422
Total Operating & Administrative Expenses	45,304,500	40,965,960

Expenses Allocation

	31st. December 2022	31st. December 2021
Fire Insurance	17,490,516	17,451,508
Marine Insurance	1,197,681	579,087
Motor Insurance	14,112,410	12,090,162
Miscellaneous Insurance	12,503,893	10,845,203
Total	45,304,500	40,965,960

28a(i) Details of Employee Remuneration & Welfare Benefit

	31st. December 2022	31st. December 2021
Salaries & wages A/c.	17,007,556	15,626,521
PF (BIL Share)	1,333,810	1,489,415
Communication allowance	216,338	195,365
Fuel allowance	521,149	473,138
Cash handling allowance	52,971	49,163
Corporate allowance	4,135,425	4,217,849
Housing allowance	3,090,264	2,812,674
Contract allowance	930,004	651,912
HR, Technical, Professional & other allowance	805,806	-
Leave Encashment amount	1,038,617	2,427,573
Staff Insurance premium	67,750	59,750
Staff Canteen & refreshment expenses	537,614	409,640
LTC	819,830	863,678
Staff Gratuity expenses	18,943	596,130
Staff Incentive expenses	2,603,173	2,442,109
Total	33,179,248	32,314,917



28b. Operating Expenditure-Finance & Investment Department

	31st. December 2022	31st. December 2021
Employees remuneration and welfare benefit	16,486,357	19,563,535
Communication expenses	1,066,287	1,213,908
Training & conference expenses	594,707	134,914
Rental charges	1,216,169	1,554,167
Repairs & Maintenance	173,084	270,939
Printing & Stationary expenses	397,296	452,550
Legal and Professional Charges	1,157,276	1,613,185
Advertisement and business promotion	747,364	691,378
Other Misc. expenses	342,261	406,517
Loan writtenoff expenses	3,479,581	-
Total	25,660,384	25,901,093
Add: PPF & GFM Expenses for Old Fund charged in Inv Dep	6,077,544	4,035,376
Total	31,737,928	29,936,469

28b(i) Employee staff loan cost

Amortization Cost of Staff Loan	677,799	1,899,521
Total	677,799	1,899,521

28c. Operating Expenditure-(PPF & GFM Department)

	31st. December 2022	31st. December 2021
Employees remuneration and welfare benefit	12,740,515	8,177,062
Communication expenses	1,028,680	576,524
Training expenses	538,191	89,949
Rental charges	1,216,169	778,421
Repairs & Maintainance	173,084	143,957
Printing and stationary	397,296	210,094
Legal and Professional Charges	1,077,160	330,827
Advertisement and publicity	762,364	272,844
Other Misc. expenses	319,521	195,165
Total	18,252,979	10,774,843

Expense allocation

PF/GF management expense (Old Fund)	6,077,544	4,035,376
PF/GF management expense (New Fund)	12,175,435	6,739,467
Total	18,252,979	10,774,843



Bhutan Insurance Limited
Notes to Financial Statements-31st December 2022

29 Deferred Tax (Comprehensive Income)

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Gratuity Obligations	1,747,036	1,486,220
Amortization Cost of Staff Loan	37,478	474,880
Leave Encashment	18,586	699,796
Total	1,803,100	2,660,896

30 Prior Period Adjustment

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Differential Tax and Penalty	1,425,466	12,562,923
Prior period adjustment of gratuity obligation of previous year	-4,843,386	
Charge off loan assets provision variation of previous year	20,212,978	
Amortization cost of staff loan for previous year	-527,885	73,348
IPS Refund (FID)	17,665,018	-
PF/GF liability written back	-2,700,709	
Total	31,231,483	12,636,271

30a. Prior Period adjustment (General Insurance Dept.)

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Prior period adjustment of gratuity obligation of previous year	-4,843,386	
Differential tax & Penalty	-	12,562,923
Total	-4,843,386	12,562,923

30b. Prior Period adjustment (Finance & Investment Dept.)

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Differential tax & Penalty	1,425,466	-
Charge off loan assets provision variation of previous year	20,212,978	-
Amortization cost of staff loan for previous year	-527,885	73,348
IPS Refund (FID)	17,665,018	-
Total	38,775,578	73,348

30c. Prior Period adjustment (PF/GF Dept. New fund)

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
PF/GF liability written back	-2,700,709	-
Total	-2,700,709	-

31 Deferred Tax (Other Comprehensive Income)

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Remeasurement Loss on Gratuity & Leave Encashment	-	188,353
Surplus on Investment Revaluation	-7,362,610	-1,745,150
Total	-7,362,610	-1,556,797



32 Earnings Per Share

(i). Comprehensive Income

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Earnings Before Tax	371,657,486	237,350,448
Less: Income Tax	93,083,821	60,008,451
Less: Prior period adjustment	31,231,483	12,636,271
Less: Deferred Tax	1,803,100	2,660,896
Total Earnings after tax attributable to the Equity Shareholders	245,539,082	167,366,622

Basic Earning Per Share	8.18	5.58
Diluted Earning Per Share	8.18	5.58

(ii). Other Comprehensive Income

in Bhutanese Ngultrum

	<u>31st. December 2022</u>	<u>31st. December 2021</u>
Earnings after Tax	249,145,283	167,366,622
Add/Less:- Remeasurment gain/loss on defined benefit	-429,879	-753,410
Deferred Tax	-7,362,610	-1,556,797
Total Earnings after tax attributable to the Equity Shareholders	241,352,794	165,056,415

Basic Earning Per Share	8.05	5.50
Diluted Earning Per Share	8.05	5.50



Bhutan insurance Limited

Notes to Financial Statements-31st December 2022

33 Segment Analysis

The Company's reportable segments are strategic business units that offer following products and services:

Non-Life Insurance-The Company deals with fire, marine, motor and misc. insurance.

Financing & Investment- The Company provides both funds based and non-fund-based financing facilities on long term and short-term basis. The Company also deals with investment in Corporate Bonds & Term Deposits.

Gratuity Fund Management: The Company manages the Gratuity fund of various corporates domiciled in Bhutan.

Private Provident Fund Management: The Company manages the Private Provident Fund of various corporates domiciled in Bhutan.



34 Financial Risk Management

The Company's approach to manage risks is composed of three key elements:

- (i) Risk Governance
- (ii) Risk Identification
- (iii) Risk Assessment, management & control

Risk Governance: The Board of Directors of the Company has overall responsibility for setting and monitoring the risk management framework.

The Audit Committee is responsible for reviewing the internal control framework, assessing the adequacy of risk management and compliance policies and procedures. It convenes regularly and provides recommendations to the Board of Directors on development of management framework as well as its views on the quality of risk management and compliance.

The Executive Board of the Company is responsible for monitoring and implementation of risk mitigation measures and assuring that the Company operates within the established risk parameters. The Risk Management Department is responsible for the overall risk management functions, ensuring the implementation of common principles and methods for identifying, measuring, and managing risks.

Credit, Market and Liquidity risks at both portfolio and transaction levels are managed and controlled through a system of credit committees and through Asset and Liability Management Committee (ALCO). In order to facilitate efficient decision making the Company has established a hierarchy of credit committees depending on the type and amount of exposure. The Risk Management Department deals with Credit Risk for Corporate Clients, financial institutions, small & medium size enterprises, along with market risk and operational risk. The Credit review deals with all Loans & Advances and associated risks and the associated risks with it regarding non-recovery and other loan compliances.

Risk Identification: The Company identifies both external & internal risk factors and managed throughout the Company's organizational structure. The Company gives particular attention to developing risk overviews that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures.



Risk Assessment, management & control: The Company's risk assessment reporting and control procedures vary by type of risk, but share a common methodology developed and updated by the Company's Management. Compliance with the Company's standards is supported by periodic reviews undertaken by the

Internal Audit Department. The results of Internal Audit reviews are discussed with the management of the business unit which they relate and presented to the Audit Committee and senior management of the Company.

Categories of Risk

In the Risk Management process, identification and categorization of risks are two important aspects. The Company classifies the risk in the following manner:

Operational Risk: This is the possibility of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This is the risk of direct or indirect loss arising from a wide variety of causes associated with the process, 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. The Company 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:

- (a) Requirements for having appropriate segregation of duties
- (b) Requirements for the reconciliation and monitoring of transactions
- (c) Compliance with regulatory and other legal requirements.
- (d) Documentation of Controls and Procedures
- (e) Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risk identified.

Market Risk: Market Risk associated with fluctuations of market affecting the customer base of the Company. It is the risk of uncertainty in the future value of a portfolio, either an investment folio or a trading portfolio due to change in rates, movement of equity/commodity prices etc. in values of the market risk factors such as interest rates, foreign exchange

The Company has a system of monitoring the changes in market and framing the policies on the basis of such changes.

Financial Risk: Risk associated with finance decisions and environment in which business operates. This risk can further be classified in the following manner:



(a) **Liquidity Risk:** Risk of not being able to honor its obligations when fall due in full or without resorting to high-cost borrowings. The Company is having a system of monitoring Cash & Cash Equivalents throughout the year and it is considered adequate.

(b) **Interest Rate Risk:** The Company is exposed to fixed interest-bearing debt instruments.

(c) **Foreign Exchange Risk:** This risk is associated with the fluctuations in Foreign Exchange Rates. The Company has a robust system of monitoring the fluctuations in foreign Exchange Rates.

(d) **Credit Risk:** The Company takes an exposure to Credit Risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Companies of Borrowers, and to industry sectors etc. Such risks are monitored on a revolving basis and subject to regular review. The Executive Board regularly approves limits on the level of Credit Risk by product, borrower and industry sectors. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to Credit Risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. The Company defines its risk appetite by approving a lending policy, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions. The Lending policy sets forth the framework for monitoring exposure to credit risk, including portfolio concentration limits and definition of responsibilities. The Company has developed a Credit Review Unit and Recovery Cell to constantly the monitor the Credit Qualities.

Strategic Risks: It refers to the strategic decisions/plans/objectives which may go wrong due to actions or inactions by the parties to strategic decision-making process, adversely affecting the shareholder wealth of the Company e.g., incorrect decisions, inadequate information for decision making, delayed remedial actions etc.

Compliance Risks: Risk when an organization does not comply with legal, regulatory, contractual or internal compliance requirements.

Reputation Risk: It refers to the potential and complaints, negative/adversely publicity etc., which can arise from the Company's reputation being tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction.



Bhutan Insurance Limited

Notes to Financial Statements-31st December 2022

Note-35

Statement showing details of Maturity Analysis

<i>in Bhutanese Ngultrum</i>	<u>Within 12 Months</u>	<u>More than 12 Months</u>	<u>Total</u>
Liabilities			
ESP Bond	-	120,000,000	120,000,000
Borrowed Funds	1,560,830	1,841,397,182	1,842,958,012
Insurance Contract Liabilities	37,132,344	-	37,132,344
Reinsurance Contract Liabilities	-	-	-
Total Potential future payments for financial obligation	38,693,174	1,961,397,182	2,000,090,356
<i>in Bhutanese Ngultrum</i>	<u>Within 12 Months</u>	<u>More than 12 Months</u>	<u>Total</u>
Assets			
Cash & Cash Equivalents	261,198,274	-	261,198,274
Loans & Advances to Customers	527,476,350	2,151,388,358	2,678,864,707
Investment held till Maturity	175,000,000	-	175,000,000
Equity Investment	-	88,574,687	88,574,687
Insurance Receivable	101,206,481	-	101,206,481
Total Potential future receipts from financial assets	1,064,881,104	2,239,963,045	3,304,844,149



Bhutan Insurance Limited
Notes to Financial Statements for the year ended 31.12.2022

Note-36

Determination of Fair Value and Fair Value Hierarchy

The Company follows the methodology for fair valuation as specified by BFRS-13 which is in line with IFRS-13. BFRS-13 specifies the following techniques for fair valuation:

Level 1-Quoted Market Price(unadjusted): It is applicable for instruments with quoted prices and tradeable in the active market.

Level 2-Valuation technique using observable inputs: It is applicable for instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.

Level 3-Valuation Technique with significant unobservable inputs: It is applicable for instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial Instrument and Related Disclosure in Bhutanese Ngultrum					
Fair Value of Financial Assets and Financial Liabilities with Fair Value Hierarchy As at 31st December, 2022					
Financial assets and financial liabilities at fair value	Level 1	Level 2	Level 3	Amortised Cost	Total
Financial assets					
Financial assets at FVTPL					
- Investments	-	-	-	-	-
Financial assets at OCI					
- Investments	-	-	88,574,687	-	88,574,687
Financial assets at Amortised cost					
- Cash & Cash Equivalents	-	-	-	261,198,274	261,198,274
- Loans	-	-	-	2,678,864,707	2,678,864,707
- Investments	-	-	-	175,000,000	175,000,000
- Other Financial Assets	-	-	-	101,206,481	101,206,481
Total Financial assets	-	-	88,574,687	3,216,269,462	3,304,844,149
Financial Liabilities					
Financial Liabilities at Amortised Cost					
- Subordinate Term Debt	-	-	-	120,000,000	120,000,000
- Borrowed Funds	-	-	-	1,842,958,012	1,842,958,012
- Other Financial Liabilities	-	-	-	37,132,344	37,132,344
Total Financial Liabilities	-	-	-	2,000,090,356	2,000,090,356



Bhutan Insurance Limited

Notes to Financial Statements-31st December 2022

37 Management of Capital

The Company's main objectives at the time of managing capital are:

- (i) to comply with the Capital Requirements set by the Royal Monetary Authority and debt covenants,
- (ii) to safeguard the Company's ability to continue as a going concern, and
- (iii) to maintain a sufficient capital base to achieve a Capital Adequacy Ratio of the Company based on Prudential Regulation 2017 issued by Royal Monetary Authority of Bhutan of at least 12.5%. Capital Adequacy Ratio is monitored daily for compliance with the requirements set by the Royal Monetary Authority and monthly for other objectives of Capital Management. The Company's policy of Capital Management is designated to maintain the capital base sufficient to keep the confidence of stakeholders and to secure the future development of the Company. The Royal Monetary Authority establishes and monitors capital adequacy limits for the Company. The Company performs medium- and long-term planning of growth in the asset side considering sufficiency of capital. When necessary, the Company develops and implements measures to increase its capital base. To ensure compliance with the Capital adequacy ratios in the short run, the Company monitors use of capital by business segments. Responsibility for approval procedures and monitoring of the Capital use is with the management of the Company.

<i>in Bhutanese Ngultrum</i>	<u>2022</u>	<u>2021</u>
Tier 1 Capital		
Paid up Share Capital	300,000,000	300,000,000
General Reserve	310,220,875	250,132,677
Retained Earnings	380,774,902	200,510,308
Non-Controlling Interest	-	-
	990,995,777	750,642,985
Tier 2 Capital		
Foreign Exchange Fluctuation Reserve	-	-
Investment Revaluation Reserve	36,431,039	6,980,601
Subordinate debt	120,000,000	120,000,000
CAT Reserve	13,803,938	12,803,938
	170,234,977	139,784,539
Total	1,161,230,755	890,427,524

Management of the Company is of the opinion that the Company complied with all the Capital adequacy requirements during 2022.



Bhutan Insurance Limited
Notes to Financial Statements-31st December 2022

38 Contingencies and Commitments

Credit Related Commitments: The Primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial Guarantees and standby letter of credits, if any, which represent irrevocable assurances that the Company will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and Commercial letters of credit, which are written undertakings by the Company on behalf of a customer authorizing a third party to draw drafts on the Company up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. In addition to credit related commitments, the Company issues performance guarantees which are insurance contracts. Outstanding credit related commitments and performance guarantees were as follows:

<i>in Bhutanese Ngultrum</i>	2022	2021
Financial Gurantees	290,948,581	163,782,547
Import Letters of Credit	-	-
Export Letters of Credit	-	-
Total Credit Related Commitments	290,948,581	163,782,547
Performance Gurantees	-	-
Total Credit Related Commimments and Performance Gurantees	290,948,581	163,782,547

Assets pledged and restricted: The Company had the following assets pledged as collateral:
in Bhutanese Ngultrum

Loans and advances to customers pledged to RMA -
Loans and advances to customers pledged to the Government Deposit Insurance Agency -
Margin Call Deposits -
Collateral Value of Security -
Trading Securities classified as repurchase receivables -
Restricted Cash -
Total -



39 Related Party Transactions

For the purpose of these financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by BAS-24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The outstanding balances as at the end of year and income and expense items as well as other transactions for the year with related parties were as follows:

Parties	Nature of Relationship	Nature of transactions	Outstanding Amount as on 31.12.2022	Outstanding Amount as on 31.12.2021
Mr. Karma Lotey	Chairman	Commercial Establishment Loan	572,183	631,670
Mr. Karma Lotey	Chairman	Housing Loan	2,856,191	2,697,367
Sangay Wangdi	Director	Overdraft	5,071	43,299
Karma Dorji	Director	Housing Loan Overdraft	Closed	27,976,069
Karma Dorji	Director	Bank Guarantee	53,952,992	23,130,255
Damdi Dorji	Chief Executive Officer	Staff Establishment & Personal Gurant	993,822	268,467
			58,380,259	54,747,128

Key Management of the Company represents members of the Board of Directors and the Executive Board of the Company and the Board of Directors of the Company. Key Management compensation is as follows:

Key Management Compensation expense for the year

<i>in Bhutanese Ngultrum</i>	2022	2021
Compensation paid to Chief Executive Officer:		
i) Salary, Gratuity, Leave Encashment, LTC and Allowance	2,829,024	2,238,868
ii) Contribution to Provident Fund	162,132	-
iii) Sitting fees	90,000	
Total	3,081,156	2,238,868
Compensation paid to Other Directors		
Sitting Fees paid to other Directors	595,000	473,560
Total	3,676,156	2,712,428



Bhutan Insurance Limited
Notes to Financial Statements-31st December 2022

40 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.

41 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.

42 The Company has the following Rental Liability payable:

Over 6 months	405,389.75
Over 12 months	4,864,677.00
Over 18 months	7,297,015.50
Over 24 months	9,729,354.00

43 As the entire Nation is gearing towards combatting Covid 19, it has not only affected human life but also led to a disruption in the entire chain of business across the country. RMA has issued a monetary measure in response to Covid 19 which are aimed at providing short term monetary relief to sectors facing such financial distress in addition to assisting business and local production. The interventions are guided by His Majesty's wisdom to ensure that relief measures are adequate and inclusive.

Following are the four phases of monetary measures issued by RMA:

i) Phase 1 (April 2020-June 2020):

- a) All loans, both performing and non-performing has been deferred for the period of three months excluding loans to FIs, Govt. and staff incentive loans.
- b) 100% of interest for all the loans excluding loans to FIs, Govt and staff incentives loans has been shared equally between the Govt. and the Company.
- c) Term based soft working capital facilities for tourism related business has been provided at concessional interest rate of 5% per annum to meet operational expenses.

ii) Phase 2 (July 2020-June 2021):

- a) All loan accounts as on 30th June 2020 has been given the option to defer their loan repayment by one year i.e., till 30th June 2021.
- b) 100% relief of interest payment has been granted as the Druk Gyalpo's relief Kidu from the National resilience fund for a period of three months i.e., 1st July-30th September 2020.



c) 50% relief on interest payment has been granted as the Druk Gyalpo's relief Kidu from the National resilience fund for a period of six months i.e., 1st October 2020 – 30th June, 2021. The remaining 50% shall be paid by the borrowers.

d) The Company shall offer 1% interest rate reduction to borrowers who repay their EMIs regularly and fully as per the agreed repayment schedule during the entire deferment period which will be adjusted at the end of deferment period.

e) soft term loan to business (Bridging Loans) has been provided at concessional interest rate of 5% per annum for a period of one year which is treated as gestation period. At the end of gestation period the interest accrued shall be capitalized and the amount shall be amortized/repaid over the period of four years.

f) The Company shall offer 1% interest rate reduction to borrowers who repay their EMI regularly and fully as per the agreed repayment schedule during the entire deferment period which will be adjusted at the end of the deferment period.

iii) Phase 3 (July 2021-June 2022):

a) All loans sanctioned as of June 30, 2020 shall be eligible for the deferment of loan repayment for another one year until June, 2022.

Notwithstanding the above provision, the Financial Service Providers (FSPs) may negotiate with the borrowers for revival/rehabilitation or foreclosure of non-performing loans.

b) In order to ease the burden of loan repayment on the borrowers, the FSPs may extend the loan tenure by the deferred period or by up to five years depending on the repayment capacity of the borrowers.

c) The FSPs shall not capitalize the interest accrued during the deferment period. The total accumulated interest from April 2020 to June 2022 shall be payable in equal installments after the end of deferment period.

d) The FSPs shall provide gestation for another one year until June 2022 for the Bridging Loans or Soft Term Loans granted to the business entities under the Phase II Monetary measures. The FSPs shall not capitalize the interest accrued during the gestation period. The total accumulated interest from April 2020-June 2022 shall be payable in equal installments after the end of the gestation period.

f) In case of project financing/business loans, the FSPs may provide loans up to the LTV limit of 100 percent of the collateral value. However, the maximum debt to equity financing limit shall continue to apply. The LTV limits for housing loans and vehicle loans shall remain unchanged.

g) The Company shall continue to offer 1% interest rate reduction to borrowers who repay their EMI regularly and fully as per the agreed repayment schedule during the entire deferment period which will be adjusted at the end of the deferment period.



iv) Phase 4:

a) All loans outstanding as of June 30, 2022 whose repayment status is 'Performing' shall be eligible for the targeted support measures. However, following shall not be eligible for the support measures under this targeted support framework:

i) Loans to Government, Loans to Financial Institutions, Staff Incentive Loans & Credit Cards;

ii) Soft Working Capital/ Bridging Loans granted under the previous Monetary Measures;

iii) Fixed Equated Instalment Facility (FIEF) accounts;

iv) Non-Performing Loans, including loans suspended, under litigation or Assets Pending Foreclosure.

b) As per the risk and impact assessment, the sectors and subsectors are classified into three different risk categories viz., High, Moderate and Low. Based on these risk classifications and the affordability of the borrowers, the FSPs may provide one or more loan restructuring measures.

c) The maximum loan term for the construction or setting-up of hotels and restaurants shall be up to 30 years (excluding gestation period). It shall be applicable for both existing loans as well as new loans.

d) The FSPs shall not capitalize the interest accrued for loans under deferment of repayment of partial repayment (if interest portion is uncovered by partial repayment) provided under this Monetary Measures. At the end of the deferment period, the total accumulated interest for the entire deferment period provided from Phase I to Phase IV Monetary Measures shall be converted into 'Fixed Equated Installment Facility (FIEF)' payable in equal installments for a period up to five years.

e) For those loans, including soft working capital loans whose deferment or gestation period is ending on June 30, 2022, the FSPs shall open FIEF accounts for the transfer of accumulated interest and commencement of repayment.

f) Since FIEF account is created out of the accumulated interest during the deferment period, the FSPs shall not charge interest on this facility.

44 Previous Figures have been regrouped, rearranged and restated wherever applicable.

45 Based on the guidelines on the transfer of non-Performing loan Assets, 2020 issued by the RMA the company has transferred 13 loan accounts to Asset pending for closure amounting to Nu.38,286,193.00 Moreover, the amount of Nu.38,286,193.00 has been transferred from previous year loan provision to Asset pending foreclosure reserve account.

46 As per Directive on Framework for Charge Off & Transfer of Non-Performing Loans to Off Balance Sheets vide number **RMA/DFRS/47/2021-22/2018 dated 14th July 2022 and Final Charge Off Framework issued in June 2022** by the Royal Monetary Authority, the outstanding



amount of Nu. 74,153,394.31 has been charged off and transferred to Off Balance Sheets as on 1st October 2022 and the details are as follows:

Term Loan Nu. 27,371,339.80

Overdraft Nu. 46,782,054.51

47 The audit fees and expenses are as follows:

Particulars	2022	2021
a. Audit fees	90,000	90,000
b. Audit Expenses	145,000	-



	Performance Ratio	Formula	31st. Dec. 2022	31st. Dec. 2021
A. Earnings Ratio				
1	Gross Premium to Shareholder's fund	$\frac{\text{Gross Premium}}{\text{Average Capital Employed}}$	400,115,765 905,829,140 44.17%	411,710,709 687,899,317 59.85%
2	Premium Growth	$\frac{\text{Gross premium current year} - \text{Gross premium previous year}}{\text{Gross premium previous year}}$	-11,594,944 411,710,709 -2.82%	92,244,777 319,465,932 28.87%
3	Persistency Ratio	$\frac{\text{Total No. of active policies during the year}}{\text{Total No. of Policies issued during the year}}$	21,557 21,646 99.59%	19,792 19,915 99.38%
4	Risk Retention	$\frac{\text{Net Premium}}{\text{Gross premium}}$	187,591,846 400,115,765 46.88%	177,640,185 411,710,709 43.15%
5	Commission to Net Premium	$\frac{\text{Net Commission}}{\text{Net Premium}}$	32,997,950 187,591,846 17.59%	34,962,394 177,640,185 19.68%
6	Management Expenses to Gross premium	$\frac{\text{Management Expenses}}{\text{Gross Premium}}$	45,304,500 400,115,765 11.32%	40,965,960 411,710,709 9.95%
7	Claim Settlement Ratio	$\frac{\text{No. of claims settled during the year}}{\text{No. of claim registered during the year}}$	229 355 64.51%	238 358 66.48%
8	Loss Ratio	$\frac{\text{Net Claim}}{\text{Earned Premium}}$	59,699,063 184,368,359 32.38%	74,902,300 172,978,383 43.30%
9	Expense Ratio	$\frac{\text{Management expenses} + (-) \text{Net commission paid} / (\text{Earned})}{\text{Earned Premium}}$	51,154,670 184,368,359 27.75%	46,328,478 172,978,383 26.78%
10	Combined Ratio	Loss Ratio + Expense Ratio	60.13%	70.08%
11	Technical Reserve	$\frac{\text{Unexpired risk} + \text{CAT Reserve} + \text{Claims O/s}}{\text{Net Premium}}$	134,145,784 187,591,846 0.715	144,205,573 177,640,185 0.812
12	Operating Profit	$\frac{\text{Profit before Tax}}{\text{Net Premium}}$	371,657,486 187,591,846 198.12%	237,350,448 177,640,185 133.61%
13	Net Earning Ratio	$\frac{\text{Profit after Tax}}{\text{Net Premium}}$	249,145,283 187,591,846 132.81%	167,366,622 177,640,185 94.22%
14	Return on net worth	$\frac{\text{Profit after Tax}}{\text{Average Net worth (Paid-up Capital with free Reserve)}}$	249,145,283 990,995,777 25.14%	167,366,622 750,642,985 22.30%
15	Book value per share	$\frac{\text{Share Capital} + \text{Free Reserve}}{\text{No. of share outstanding}}$	990,995,777 30,000,000 33.03	750,642,985 30,000,000 25.02



16	Earning per share	<u>Profit After Tax</u> No. of share outstanding	249,145,283 30,000,000 8.30	167,366,622 30,000,000 5.58
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17	Net-Worth of the Company	Paid-up Capital + Free Reserve	990,995,777	750,642,985
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18	Return of Equity	<u>Profit after Tax</u> Average Capital Employed	249,145,283 905,829,140 27.50%	167,366,622 687,899,317 24.33%
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19	Net-worth to Total Liabilities	<u>Net-worth</u> Total Liabilities	990,995,777 3,561,614,569 27.82%	750,642,985 3,056,765,575 24.56%
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20	Gross NPL Ratio	<u>Total NPL Loan O/s. balance</u> Total Loan O/s. balance	124,651,452 2,739,209,812 4.55%	167,428,190 2,347,259,677 7.13%
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21	Net NPL Ratio	<u>Total Net NPL Loan o/s. balance</u> Total Net Loan o/s. balance	44,876,963 2,659,435,323 1.69%	39,589,260 2,219,420,747 1.78%
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22	Underwriting Balance Ratio	Underwriting profit/Net Premium FIRE MARINE MOTOR MISC.	50.39% 0.05% 41.57% 3.61%	44.68% 1.00% 26.61% 2.64%
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B. Liquidity Ratio

1	Statutory Liquidity Ratio	<u>Liquid Assets</u> Total liabilities excluding capital fund & RMA liabilities	436,198,274 2,431,471,514 17.94%	328,925,303 2,129,617,685 15.45%
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2	Quick Ratio	<u>Liquid current Assets</u> Liquid current Liabilities	729,589,189 346,147,097 2.11	529,134,848 322,223,079 1.64
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3	Current Ratio	<u>Current Assets</u> Current Liabilities	1,174,794,972 558,986,632 2.10	885,885,168 651,155,836 1.36
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4	Liquid Assets to Technical Reserve Ratio	<u>Liquid Assets</u> Technical Reserve	436,198,274 134,145,784 325.17%	328,925,303 144,205,573 228.09%
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C. Solvency Parameters

1	Capital Adequacy Ratio as per PR	<u>Tier I & Tier II Capital</u> Total Risk weighted Assets	1,061,138,799 3,492,713,387 30.38%	840,165,700 2,727,088,125 30.81%
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2	Core Capital Ratio	<u>Tier I Capital</u> Total Risk Weighted Assets	750,642,985 3,492,713,387 21.49%	585,586,570 2,727,088,125 21.47%
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3	Leverage Ratio	<u>Tire I Capital</u> Total Exposure excluding specific provision & margin money	750,642,985 2,953,514,126 25.42%	585,586,570 2,377,805,184 24.63%
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4	Operating Leverage Ratio	<u>Net Premium written</u> Total Network	187,591,846 990,995,777 18.93%	177,640,185 750,642,985 23.67%
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5	Solvency Ratio as per Insurance Regulation	<u>Net Financial Resources</u> Total Risk Requirement	936,701,685 177,000,899	820,711,572 165,698,771
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6 CAR as per Insurance Regulation

Total Financial Resources
Total Risk Requirement

529.21%	495.30%
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1,416,448,863	1,315,969,212
366,463,973	321,691,639
386.52%	409.08%





Bhutan Insurance Limited

Providing Security. Building Confidence

*Your Insurer
of Choice*



STUDENT CARE INSURANCE

This policy can be bought by the parent/guardian for their school & college going children (including other educational or vocational institutes) which can serve as backup for the student to continue their education.

COVER UNDER THIS POLICY

In the event of demise of the parent/guardian due to accident, an annual education allowance to tune of Sum Ensured shall be paid over a period of 4 years.

DETAILS OF RISK COVER

This policy covers two perils for both the student and parent

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

WHO CAN BUY?

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

CATEGORIES OF THE STUDENT CARE INSURANCE

1. School Students (age 3 and above - between KG to class 12)
2. College students (up to age 25)

2011 (Toll Free)

Chorten Lam, Post Box: 779, EPABX:00975-02-339893/339894, Fax 00975-02-339895,
Email us at: bhutaninsurancelimited@gmail.com. website: <http://www.bhutaninsurance.com.bt>



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Insure the safety of your goods.

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- Office Transfer Transit Policy
- Contractor's Transit Policy
- Merchant Transit Policy
- Sanampa Transit Policy



Providing Security. Building Confidence.
Your Insurer of Choice.



DOMESTIC TRAVEL INSURANCE

Insurance you need for the surprises you meet.

- Individual Travel Insurance
- Family Travel Insurance
- *Nyamro* Travel Insurance
- Office Travel Insurance
- *Ney-Kora* Travel Insurance

Providing Security. Building Confidence.
Your Insurer of Choice.



Global Travel Insurance

Your Emergency Assistant



Providing Security, Building Confidence
Your Insurer of Choice