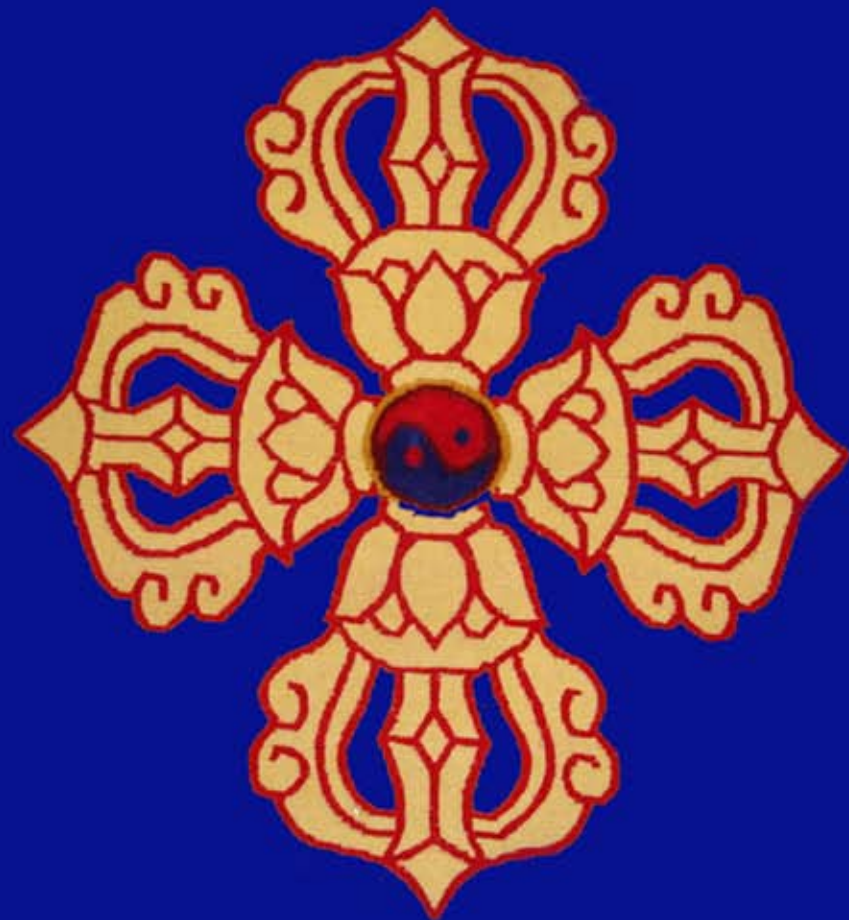


“Insurance is amongst the most prudent invention of mankind; it makes disaster tolerable.”

-Albert Einstein



**INSURE WITH RICB TO BE SURE**

Telephone: 00975-2-321161, 323487, 322426

Fax : 336086, 323677, 336085



**Life Insurance**



**General Insurance**



**Credit & Investment**

༄༄། འབྲུག་རྒྱལ་ཁེན་སྲུང་ལས་འཛིན་ཚད།  
Royal Insurance Corporation  
of  
Bhutan Limited

ལོ་བསྟར་སྟན་འཁུ།

**35th Annual Report - 2009**

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**Royal Insurance Corporation  
of  
Bhutan Limited**



ལོ་བསྟར་སྟེན་ཞུ།

**35<sup>TH</sup> ANNUAL REPORT 2009**



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## GENERAL INFORMATION

### ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

#### REGISTERED & HEAD OFFICE

Post Box No. 77, Samdrup Lam,  
Phuntsholing, Bhutan  
Tele Fax No. +975-5-252640 RICB PLG Bhutan  
Tele Fax No. 0890-305-RICB PLG BT (from India)  
0890-305- RICB PLG BT (from Abroad)  
Phone No. PABX +975-5- 252453/252482/252509/252869  
Hot Line: 151  
E-mail: ricbho@druknet.bt  
Website: www.ricb.com.bt

#### REGIONAL OFFICE

Post Box No. 315  
Thimphu, Bhutan  
Tele Fax No. +975-2-323677  
Phone No. PABX +975-2-322426/328308/321036/321037  
(Modem - 325725)  
Hot Line: 181  
E-mail: insure@druknet.bt

#### BRANCHES IN BHUTAN

Gelephu	Tel/Fax	+975-6-251070
Samdrup Jongkhar	Phone	+975-7-251095, Fax: 251492
Bumthang	Tel/Fax	+975-3-631101
Mongar	Tel/Fax	+975-4-641116
Paro	Tel/Fax	+975-8-271281, Fax: 272019
Samtse	Phone	+975-5-365235, Fax: 365591
Trashigang	Phone	+975-4-521156, Fax: 521298
Khuruthang	Phone	+975-2-584310, Fax: 584309
Gedu	Tel/Fax	+975-5-272330

#### BANKERS

BANK OF BHUTAN  
H.O. Phuentsholing, Bhutan

BHUTAN NATIONAL BANK  
H.Q. Thimphu, Bhutan

BARCLAYS BANK PLC  
54, Lombard Street  
Post Box No. 554. London - EC3v 9Ex

HDFC Bank Ltd.  
India

#### AUDITORS

Gupta & Co.  
Chartered Accountants  
53A, Mirza Ghalib Street, Kolkata - 700 016



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED****Directors' Report for the Year 2009****To the Members:**

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 35<sup>th</sup> Annual Report together with the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> December 2009.

**Operational & Performance Highlights**

Financial Year 2009 was yet another year of impressive growth with record profit of Nu. 261.27 million (Nu. 182.89 million profit after tax). The total direct business recorded at Nu.877.09 million with the growth of 19.64% compared to Nu. 733.06 million in the previous year. The general insurance business alone contributed about Nu 391.55 million followed by investment business of Nu. 351.78 million and the remaining contribution registered from Life Insurance and GIS business.

The total business achieved from the insurance sectors is about Nu. 525.28 million and the net premium after affecting the re-insurance premiums posted Nu. 333.06 million. Correspondingly, the gross claims amounted to Nu. 194.65 million and the net claims after considering reinsurance premiums posted Nu.149.31 million. The overall net claim ratio during the financial year 2009 stands at 44.43% compared to 46.61% in the previous year.

The overall underwriting insurance net revenue posted Nu. 135.94 million compared to Nu.128.48 million last year, which is transferred to profit and loss account of the corporation. The investment division also continues to perform well. The gross interest earned for the year 2009 posted to Nu.351.78 million with the growth of 20.49% and the net interest earned after suspending the interest in line with the RMA prudential regulation 2002 posted to Nu. 320.65 million.

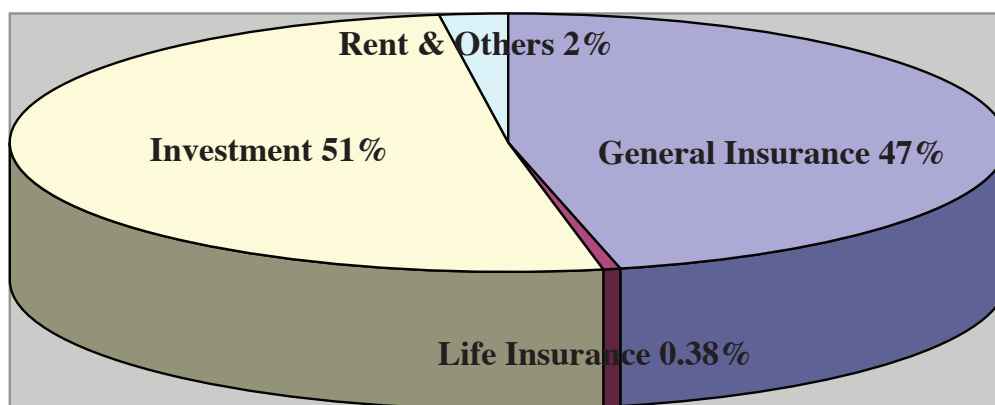
**Business Income for the Period ended 31.12.2009**

	Figures in (Nu. Million)	Premium			Claims		
	Particulars	Gross Premium	Reinsurance	Net Premium	Gross Claims	Reinsurance	Net Claims
	Fire	135.41	81.35	54.06	26.28	6.57	19.71
	Miscellaneous	247.24	99.12	148.12	130.97	36.89	94.07
	Marine	8.89	6.92	1.98	1.03	0.55	0.48
<b>A</b>	<b>General Insurance</b>	<b>391.54</b>	<b>187.39</b>	<b>204.16</b>	<b>158.28</b>	<b>44.01</b>	<b>114.27</b>
<b>B</b>	<b>Life Insurance</b>	104.77	1.87	102.90	21.52	1.33	20.19
<b>C</b>	<b>Group Insurance</b>	28.97	-	28.97	14.85	-	14.85
	<b>Total = (A+B+C)</b>	<b>525.28</b>	<b>189.26</b>	<b>336.03</b>	<b>194.65</b>	<b>45.34</b>	<b>149.31</b>
<b>D</b>	<b>Investment</b>	Gross Interest Earned	Interest Suspense	Net -Interest Earned	Interest Expenses	Interest Differential	Further Provs.
		351.78	31.13	320.65	170.07	150.58	-
	<b>(A+B+C+D)</b>	<b>Total Business</b>		<b>877.06</b>			

### Financial Performance for the year 2008-2009

Particulars	2009 (Nu. Million)	2008 (Nu. Million)	Variance '09 & '08 %
<b><u>Income</u></b>			
General Insurance	134.85	127.51	5.76
Investment (Net)	147.68	56.23	162.64
Life (Surplus)	1.09	0.97	12.37
Other	6.51	6.68	(2.69)
<b>Total: ( I )</b>	<b>290.13</b>	<b>191.39</b>	<b>51.59</b>
<b><u>Expenses</u></b>			
Deprecation	10.54	7.40	42.43
Contribution to Gratuity Fund	8.23	8.72	(5.62)
Other Expenses	10.08	4.90	105.71
<b>Total: ( II )</b>	<b>28.85</b>	<b>21.02</b>	<b>37.25</b>
<b>Profit Before Tax ( I ) - ( II )</b>	<b>261.27</b>	<b>170.37</b>	<b>53.35</b>
<b>Profit After Tax</b>	<b>182.89</b>	<b>119.26</b>	<b>53.35</b>
<b>Earning Per Share</b>	<b>75.50</b>	<b>124.23</b>	<b>(39.02)</b>
<b>Book Value Per Share</b>	<b>333.26</b>	<b>672.97</b>	<b>(50.47)</b>
<b>Net-worth of the Company</b>	<b>799.83</b>	<b>646.05</b>	<b>23.80</b>
<b>Return on Core Equity</b>	<b>75.50</b>	<b>124.23</b>	<b>-</b>

It is significant to note that for the first time, the Investment Department has surpassed the contribution to the net revenue to the company with Nu.147.68 million (51%) , followed by 47 % from the General Insurance Department with Nu. 134.85 million (47%). The remaining contribution came from Life Department and other miscellaneous sources as presented below:

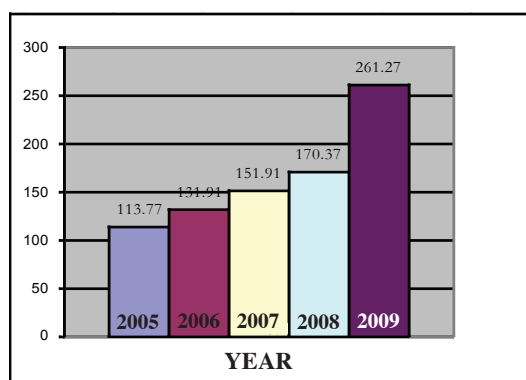


In line with the growth of the business income and subsequent allocation of profit to the Capital Fund, the earnings per share during the year have posted Nu. 75.50 vis-à-vis Nu. 124.23, in the last financial year. The net worth of the company as on 31.12.2009 stands at Nu.799.83 million, compared to Nu. 646.05 million in last year, and the book value per share translate to Nu. 333.26 (after issue of bonus share in the ratio of 1:1.50 per share in 2009), compared to Nu. 672.97 during the last financial year. The return to core equity posted 75.50% compared to 124.23% during the last financial year.

Based on the profitability and considering the fund position, the Board recommended a dividend to the Shareholders at 25% of the face value of share (Nu.25 per share) for the financial year 2009 (previous year 30%).

### **Performance Highlights (Gross Profit) from 2005 - 2009**

Year	Nu. in Million	%
2005	113.77	8.61%
2006	131.91	15.94%
2007	151.91	15.16%
2008	170.37	12.15%
2009	261.27	53.35%



In terms of the growth of the profit (before tax) y-o-y, the company continued to perform consistently with growth of 53.35% during the financial year 2009, to Nu.261.27 million compared to Nu. 170.37 million in the previous year.

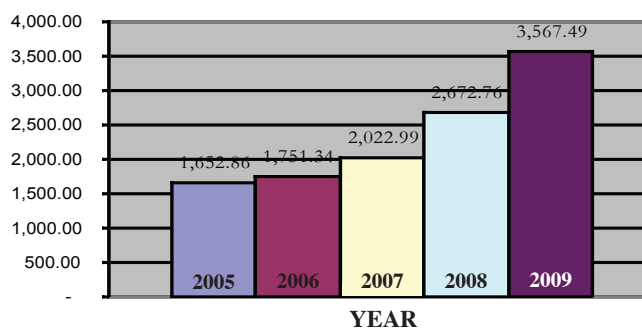
### **Financial Position of the Company**

The total asset of the company has increased by 33.47% to Nu.3.57 billion during the year compared to Nu. 2.67 billion in the previous financial year. The net worth of the company/ Capital Fund has increased to Nu.799.83 million, an increase by about 23.80% from the previous year of Nu. 646.05 million, which was transferred from profit and loss account along with the general provisions of Nu. 53.36 million. Further the net fund balance has increased to Nu. 2,315.59 million from Nu. 1,694.39 million in the previous year. The Corporation is expected to contribute about Nu. 78.38 million, to the national exchequer in the form of Corporate Income Tax for the Financial Year 2009.



**Growth in Balance sheet size :**

Year	Nu. in Million	%
2005	1,652.86	13.67%
2006	1,751.34	5.96%
2007	2,022.99	15.51%
2008	2,672.76	32.12%
2009	3,567.49	33.48%

**Statutory Compliances****Royal Monetary Authority**

Most of the RMA prudential norms have been complied with. Comparative analysis of Recovery Rate, Statutory Liquidity Ratio, and the ratio of NPL for the last five years are presented below:

Year	Recovery Rate	Statutory Liquidity Ratio	Ratio of NPL
2005	91.09 %	4.43 %	19.75 %
2006	91.38 %	10.08 %	25.49 %
2007	91.32 %	7.11 %	18.43 %
2008	92.30 %	19.75 %	12.32 %
2009	93.42 %	12.53 %	8.27 %

**Royal Audit Authority**

The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2008. The company is in the process of resolving the issues raised by RAA.

**Statutory Auditors**

M/s Gupta & Company, Chartered Accountants was appointed as the Statutory Auditors of RICBL for the financial year 2009 in the 34<sup>th</sup> Annual General Meeting of the shareholders.

**Company Registrar**

The Company Registrar has inspected and audited the company's compliances to the Companies Act of the Kingdom of Bhutan 2000 in the Financial Year 2009 and no adverse comments were noted.

## **Business Plans 2009 - 2010**

The year 2009 has been eventful especially in the financial sector with the issue of new licenses to financial institutions. The change was dramatic for RICB with the direct competitor in the insurance sector. In the light of above, RICB felt it appropriate and urgent to review its entire business operation with the objectives of maintaining consistent growth in terms of the size and profitability of the company.

Generally in insurance sector, two things are certain in the competitive environment, and for RICB, first, the underwriting business portfolio may not be able to make profit as in the past and with intense competition to retain business, substantial reduction in premium and relaxation in the claims settlement will result in underwriting losses in the foreseeable future. Secondly, the company will be forced to strengthen the investment business which may be the only portfolio generating profit for the company.

In the light of above RICB felt the need to rationalize its position in the market and strategize to move forward in the future. The way forward is to reassess its business strategy, review its business processes, reassess underlying risks and appropriately re-pricing it, and constantly reviewing all the products are some of the options available for the company. To this end, Strategic and Business Planning Exercise was carried out and came up with its Vision, Mission, Core Values and its business plans as presented below:

### **VISION**

*“VISION of the RICB is to be the Premier Financial Service provider in the country and beyond securing the ever evolving aspirations of Society”*

### **MISSION**

*“We offer premier insurance, credit, and other social security services, delivering personalized services at affordable cost by professional employees through comprehensive network. We strive to enhance mutually beneficial relationship to satisfy our stakeholders”*

### **CORE VALUES**

- *Transparency* : *Openness is our name*
- *Accountability* : *Honouring our responsibility*
- *Commitment* : *Delivering our promises*
- *Team Work* : *United we stand*
- *Integrity* : *Playing by the rules*
- *Creativity* : *New day, new ideas*
- *Specialization* : *Pursuing greater heights*

Amidst stiff competition in the market, RICB intends to maintain its consistent growth in terms of volume of the business and the profitability in the future. For the financial year 2010, the overall business turn-over of the company is expected to cross Nu.1,000 million. As noted earlier, the performance for the financial year 2009 was impressive that the company has ambitiously set the new performance benchmark for the financial year 2010. To this end, several strategies have been put in place to achieve the above business growth as presented below:

1. Introduce as many products as possible in the General Insurance business including the Health Insurance Scheme-I which is expected to be well received in the market.
2. Leverage on the Life Insurance Business as a source funds to the investment business through introduction of new product such as Micro Insurance Saving Scheme.
3. Explore various sources of funds which have been the main constraint for the Investment business to operate at an optimum level. Credit and Investment Business also equally generates business for insurance business department for which RICB intends to leverage on this business model.
4. Increase the marketing channels through recruitment of sales executives and opening up of branches and micro branches across the country.
5. Delegate the authority of underwriting of insurance business and claim settlements at branch offices which will further improve the customer services.
6. RICB will continue to upgrade its Information Technology to derive maximum benefits for the company for which many projects are in the pipeline to be implemented during the financial year 2010.
7. RICB has one of the youngest manpower pools in the corporate sector which requires adequate trainings to derive maximum output. To this end, record HRD budget has been set aside for the financial year 2010, which will be used fairly and judiciously.
8. Risk management has been identified as one of the important tool for the management to effectively manage the insurance business. A risk management division will be set up which will serve as the Technical Support Division to the underwriting of the insurance business.
9. RICB also intends to develop the Corporate Key Performance Indicator which will benchmark the minimum requirement performance from the employees, based on which the employees performance incentives will be designed.

One of the biggest challenges facing RICB is that the RMA has initiated restructuring exercise of the RICB wherein the ADB consultant had recommended for separation of Investment activities

from the insurance business. Investment activities of RICB being one of the major sources of business of the Company with 77% of the total asset of the Investment Department, it would put RICB in financially unfavorable position notwithstanding the Company to grapple with the other challenges facing the Company at this stage. On this, RICB would take appropriate steps to address the above issue with concerned regulatory authorities, agencies and other stakeholders to ensure that the business structure of the Company remain status quo.

### **Acknowledgement**

On behalf of the Board of Directors, and on my own behalf, I would like to take the opportunity to thank all our business partners and valued clients whose enduring confidence and faith reposed in the Company has made possible the result achieved during the year. The Board also places on record its deep appreciation to the Royal Government and its various agencies for continued support and co-operation provided to the Royal Insurance Corporation of Bhutan Limited (RICBL). In particular, I would like to thank Royal Monetary Authority of Bhutan, the Royal Audit Authority of Bhutan, the Department of Revenue and Customs for their patronage and continued support.

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

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

Tashi Delek



(Wangchuk Dorji)  
CHAIRMAN

**Gupta & Co.**  
Chartered Accountants

53A, Mirza Ghalib Street  
Kolkata – 700 016  
Phone: 2229-2638, 2229-6241, 2229-0871/72  
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Email: guptaco55@hotmail.com

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**

We have audited the attached Balance Sheet of the **Royal Insurance Corporation of Bhutan Limited** ("Corporation") for the year ended 31 December 2009, for the Life Insurance Business, Group Insurance Savings Scheme ("Group Insurance"), General Insurance and Credit & Investment and the relative Profit and Loss Account and Revenue Accounts for Life Insurance, Group Insurance, Fire Insurance, Marine Insurance, Miscellaneous Insurance, Credit & Investment and Cash Flow Statement for the year ended on that date (hereinafter referred to as "financial statements"), all of which we have signed under the reference to this report, in which are incorporated the accounts/returns of nine unaudited branches not visited by us and one Regional Office.

We report as under -

1. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain a reasonable assurance as to whether these financial statements are free of any material misstatements. An audit includes examining, on a test basis,



evidences supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

We wish to further state that the actuarial valuation of liabilities for the Life / Group Insurance business is the responsibility of the Corporation's appointed actuary in accordance with the policies adopted by the Corporation. The said valuation has been certified by him, on which we have relied upon to express an opinion on these financial statements of the Corporation.

2. As required by the Minimum Audit Examination and Reporting Requirements under II<sup>nd</sup> paragraph of Schedule XIV under Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 (the "Act") and on the basis of such checks of books and records of the Corporation, as we considered appropriate and according to the information and explanations / management representations given to us, we also set out in Annexure, a statement on the matters specified therein.
3. Attention is drawn in respect of the following notes on Schedule 21 / observations.
  - 3.1 Note 12 (a) regarding loan appraisal processing, disbursement and loan management which has materially affected this financial statement required further scope for improvement and strengthening so as to make it adequate and commensurate with the nature and size of the Corporation's business. We have carried out test checks basis of auditing in accordance with the Generally Accepted Auditing Practices. Thus certain perpetrated irregularities may remain undetected.





- 3.2 **Note 12 (b)** Regarding embezzlement discovered during the year in the Thimphu Regional Bank Account No.292 amounting to Nu.11.26 million which was the cumulative balance that occurred every year during the period covering more than a decade indicate that weakness in the internal control system prevailing in the Corporation which needs improvement to prevent such occurrence.
- 3.3 **Note 14** regarding non-funding of gratuity liability of Nu. 8.23 million although provided in the books;
- 3.4 **Note 15** regarding non-ascertainment and non-provisioning of bonus payable to employees;
- 3.5 **Note 16(b)** regarding non-ascertainment of further eventual adjustments in respect of unadjusted deposits from policyholders aggregating to Nu. 2.40 Million, which has a corresponding impact on the state of affairs and operational results of the Corporation;
- 3.6 **Note 17 (e)** regarding non-adjustment of short -provision of depreciation up to the year 2008 amounting to Nu. 20.65 million resulted over statement of Fixed Assets and Reserves;
- 3.7 **Note 21 (a)** regarding non-ascertainment of impact of actuarial valuation for determination of valuation surplus bonus payable for life policyholders based on these accounts;
- 3.8 **Note 22** regarding recognition of premium on extended policies as income in the year of receipt; and
- 3.9 As indicated in **Note 23**, the extent of further adjustments as required to be made in these accounts are not ascertainable at this stage, in respect of the balances of the re-insurers, for both life and non-life policies, in view of the



- pending completion of the reconciliation processes / confirmation and acceptance of ceding of reinsurance companies;
- 3.10 Managerial Remuneration awaiting shareholders' approval, as indicated in Note 26(a);
- 3.11 The Corporation has change basis for provisioning of Leave Encashment benefit amounting to Nu. 2.32 million on payment basis as per **Significant Accounting Policy No. 2(viii)**.
- 3.12 Had our observations indicated against paragraph 3.11 been considered, the Profit before Tax and Reserves & Surplus would have been Nu.258.95 million and Nu.557.51 million respectively, instead of reported amounts of Nu. 261.27 million and Nu. 559.83 million respectively for the current year and extent of impact (on the financial state of affairs and operational results of the Corporation) in respect of our observations as indicated against paragraph 3.3, 3.4, 3.6,3.7 and 3.8 are not ascertained at this stage.
- 4 Without further qualifying our opinion, we also draw attention in respect of the following notes on Schedule 21 / observations:
- 4.1 Certain claims, not provided for, but disclosed as contingent liability to the extent indicated in Note 8(a);
- 4.2 Note 17 (b) regarding non-ascertainment of further adjustments as required to be made in these accounts on completion of reconciliation process between the physical inventory and book balances of fixed assets;
- 4.3 Note 30 regarding absorption of certain expenses of the wholly owned subsidiary.
- 5 a) We have obtained all other information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



- b) In our opinion proper books of account have been kept by the Corporation, so far as it appears from the examination of those books, except on the matters stated in paragraph 3 above.
- c) Subject to our observations indicated in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, and on the basis of such checks, on test basis, as we considered necessary and appropriate carried out in accordance with the generally accepted auditing practices, we state that-
- i) The funds and properties of the Corporation have generally been used economically, efficiently, effectively and in the best interest of the Corporation; and
- ii) We have not come across any instances nor have we been informed by the management of any such following case -
- Excessive/extravagant/unnecessary expenditure incurred during the year;
  - Irregular expenditure and use of properties;
  - Misuse of funds, inventories and properties of the Corporation; and
  - Transactions not complied with the rules and regulations of the Government.
- d) The said financial statements dealt with in this report have been compiled on the basis of Generally Accepted Accounting Principles and are in agreement with the underlying accounting records and books of account.
- 6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with



notes thereon give the prescribed information required by the Act in the manner so required and subject to our observations referred to in paragraph 3 above give, respectively, a true and fair view:

- i) In the case of Balance Sheets, of the state of affairs of the Corporation as at 31 December 2009;
- ii) In the case of Profit & Loss Account, of the profit of the Corporation for the year ended on that date; and
- iii) In the case of the Revenue Accounts, of the surplus in respect of the Life Business, Group Insurance Business, Fire Business, Marine Business, Miscellaneous Business and Credit & Investment;
- iv) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For GUPTA & Co.

*Chartered Accountants*

Firm's Registration No-301028E



*M.K. Gupta*  
(M.K Gupta)

*Partner*

Membership No: 6615

Place: Thimphu

Date : 13<sup>th</sup> April, 2010

**ANNEXURE****STATEMENT ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

**(REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED)**

1. (a) Physical verification of Fixed Assets have been partially carried out during the year as indicated in Note 17 (a) on Schedule 21, the identification numbers and locational details are in the process of updation as stated to us.  
(b) Pending reconciliation between the book records and physical inventory as indicated in Note 17 (b) on Schedule 21, any discrepancies which may arise are not ascertainable at this stage.
2. None of the fixed assets was revalued during the year.
3. The Corporation had availed loans from National Pension Provident Fund, which are, *prima facie*, not prejudicial to the interest of the Corporation. According to information and explanations provided to us, the Corporation has not availed any loans from companies under the same management.
4. The Corporation during the year raised fund of Nu.500.00 million by issuing 500,000 bonds of Nu. 1,000 each.
5. During the year the Corporation issued Bonus Share in the ratio of 1:1.5 to all the shareholders whose names are appearing in the register as on 27<sup>th</sup> April,2009.
6. The Corporation has, in normal course of its operations, granted loan to other companies, firms or other parties wherein the rate of interest and the other terms and conditions of loans availed are, *prima facie*, generally not prejudicial to the interest of the Corporation. According to information and explanations



provided to us, the Corporation has granted loans to companies under the same management, but the same are not prejudicial to the interest of the Corporation.

7. The parties to whom the loans or advances have been given by the Corporation are generally repaying the principal amounts, as stipulated and are also generally regular in payment of interest, except for certain parties in which cases, the outstanding loan balances comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2002 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 and as considered prudent and appropriate by the management.
8. The advances to officers / staff are generally granted in keeping with the applicable provisions of service rules and no excessive / frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
9. Read with our comments indicated in paragraph 3.1 above, the Corporation has, in general, established system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Corporation as well as to ensure adherence to the rules/regulations and system and procedures but in our opinion Internal Controls/risk management needs improvement to prevent fraud.
10. During the year 2009, an amount of Nu.11.26 million has been discovered as embezzlement in the Thimphu Regional Bank Account No.292, which is the cumulative balance, which occurred every year for more than a decade. Out of the aforesaid amount Nu.10.73 million could be identified year wise leaving the balance Nu.0.53 million which are yet to be reconciled. In our opinion every day's collection from different Branches and Zonal Office may



be collected on daily basis online and be deposited in the next day and be obtained confirmation online from all the Branches and Regional Office to prevent such recurrence.

11. During the year 2009, there was also Burglary in the Paro Office amounting to Nu.0.30 million for which FIR has been lodged and the case is pending with Royal Bhutan Police. We suggest that follow-up should be made on regular basis.
12. There is, in general, a system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including equipment and other assets and for the services but the same offers further scope for improvement. Since the Corporation is a financial institution, it is not engaged in the purchase of stores and raw materials and sale of goods.
13. According to information and explanations provided to us, there has been no transactions for purchase and sale of goods and services made in pursuance of contracts or arrangements entered into with the director /(s) or any other party/(ies) related to the director /(s) or with the Companies or firms in which the directors are directly or indirectly interested, except for certain loans to directors which were sanctioned at the prevailing market rate of interest. However, Card loans to directors were sanctioned, as complimentary, without taking any security for such loan.
14. According to information and explanations provided to us, there are transactions entered into by the Corporation wherein the directors are directly or indirectly interested which are not prejudicial to the interest of the other shareholders and the Corporation.
15. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authority, except Gratuity of Nu. 8.23 million not funded. According to the information and explanations given to us and based on the examination of the

books of account in accordance with the generally accepted auditing practices, we are of opinion that provision for corporate tax is made @ 30% of book profit as disclosed in Accounting Policies No. 15 of Schedule No 20 and that necessary adjustments have been made when assessment is completed under the Income Tax Act of Bhutan, 2001, as amended to-date.

16. According to the information and explanations provided to us, as at the Balance Sheet date, there were no undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions, except the amounts indicated in Clause no.15 above.
17. During the course of our examination of the books of account in accordance with the generally accepted auditing practices and according to the information and explanations provided to us, we have not come across any instances of personal expenses, which have been charged to the Corporation's accounts, other than those payable under contractual obligations or in accordance with generally accepted business practices nor have we been reported of such case by the management.
18. The Corporation is engaged in insurance business and its system of screening commission agents is generally adequate, although the Corporation is yet to formulate a structured documented procedure to this effect and the agency commission structure is in keeping with the industry norms / market conditions, as we have been given to understand by the management. The Corporation has, in general, a system of evaluating performance of each agent on a periodic basis as we are informed, but necessary documentation in this regard were not produced to us for our verification. In our opinion, such systems offer further scope for improvement.
19. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts but the same offers further scope for improvement. Also, age-wise analysis of outstanding amounts has



generally been carried out for management information and follow-up actions, if required.

20. The management of liquid resources particularly cash / bank and short term deposits, etc., are generally adequate and that excessive amounts are not lying idle in non-interest bearing accounts, and withdrawals 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 Corporation.
21. On the basis of examination of the books of account and according to the information and explanations provided to us, the activities carried out by the Corporation are lawful and *intra-vires* to the Articles of Incorporation of the Corporation.
22. Based on the information and explanations / representations given to us and on the basis of the examination of the books of account in accordance with the generally accepted auditing practices, we state that the activities / investment decisions over Nu 10 million and additional 5 million of each such case are made, subject to prior approval of the Board and investment in new projects are generally made only after ascertaining the technical and economic feasibility of such new ventures, and nor have we been informed of any such case contrary to this.
23. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.
24. The details of remuneration of the directors of the Corporation are disclosed in the Note 26 (a) and (b) on Schedule 21 to accounts.
25. The directives of the Board have been complied with, by the management of the Corporation during the year except special allowance of 10% of basic salary to the Internal Audit Staff which was not accounted for. It is stated that the same is not accounted for pending conformation of the minutes of the Board of Directors in the next meeting.

26. According to information and explanations provided to us and in course of our examination of the books, we have not come across any instance of price sensitive information transmitted by the officials of the Corporation which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves, nor have we been informed of any such case by the management.
27. Adequate documents and records are generally maintained in respect of loans and advances and that agreement have been drawn up and timely entries have been made therein. But it needs improvement regarding settlement of claims in regard to General Insurance business.
28. The Corporation has investment in equity shares in companies, however it is not engaged in dealing or trading in shares, securities and other investments.
29. Reasonable records are generally maintained for funds collected from depositors and for interest payment.
30. The Corporation follows the accounting policy of making provisions for permanent diminution, if any, in the value of investment in shares. It is noted that the Corporation continued the provision of Nu. 434,478 since earlier year.
31. The Corporation has generally complied with the requirements of Financial Institutions Act, 1992 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities, except for the following-
- i) As required, the Audit Committee meetings are to be convened and held once in each quarter of the financial year in pursuance to clause (ii) of Schedule-I of the Prudential Regulations, 2002. In this connection, we observed that four meetings of the Audit Committee were held i.e. on 3.4.2009, 18.6.2009, 24.8.2009 and 10.12.2009
  - ii) As per Section 20 of the Prudential Regulations, 2002, each Financial Institution should submit certain reports within the period specified in



that Section. However, the Corporation has not submitted Liquidity Return in Form FIS- M5.

32. The Liquidity Ratio requirements relating to provisioning for the non-performing assets including loans and advances have generally been complied with except for certain cases, contrary to the requirements of Clause 10.4.2, Clause 10.5.6 and Clause 10.8.1 of the Prudential Regulations, 2002.
33. Recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2002.
34. For the assets hypothecated against loans and advances, the Corporation, in general, has a system of performing physical verification, proper valuation and execution of mortgage deeds at the disbursement stage and the Corporation also ensures that at that stage, such assets are free of any prior lien or charges, so far the examination of the related records, carried out in accordance with the generally accepted auditing practice on a test basis, and according to the information and explanations / representations given to us, we are of the opinion in certain cases needs improvement.
35. We have been given to understand that the Corporation has, in general, a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily. However, the related documentation were not readily available during the course of our examination.
36. According to the information and explanations given, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.
37. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performing ones). On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and

explanations provided by the management to us, rephrasing has not generally been permitted in respect of non-performing loans.

38. The Corporation, in general, has the system to ensue that additional loans are not granted to those who have defaulted payments of previous advances. However, in some cases repeated restructuring and new loans were sanctioned, despite default in payment by the borrowers.

39. Items 3 to 6, 14 to 17, 21 to 27 and 34 of the matters specified in the Minimum Audit and Reporting Requirements are for Manufacturing, Mining, or Processing Companies, are not applicable, as the Corporation is a financial institution and is not engaged in any manufacture and production activity / sale of goods and has no inventory of finished goods, stores, spare parts and raw materials except for stock of stationery items and consumables.

***Reporting requirements on computerized accounting environment***

40. According to information and explanations provided to us, the organizational and system development controls and other internal controls are generally adequate relative to size and nature of computer installations, read with our comments on such matters relating to back-up facilities and recovery procedures which are reported upon separately herein below.

41. According to information and explanations provided to us, adequate safeguard measures and back-up facilities measure generally exist including maintenance of local stand-by servers at Head Office and Thimphu Regional Office for the database of their respective locations, except-

- (i) Absence of documented policies regarding back-ups, offsite remote location and mirror back-ups.
- (ii) Absence of structured back-up systems and procedures for the data relating to branch accounts, Credit & Investment Operations and General Administration, maintained in FOXPRO data base.
- (iii) Absence of proper Documented Disaster Recovery Plans and procedures of its testing results.





42. According to information and explanations provided to us, the operational controls are generally adequate to ensure correctness and validity of input data and output information.
43. According to information and explanations provided to us, the measures to prevent unauthorized access over the computer installations and files are generally adequate except proper structured documented systems and procedures relating to access controls, including policies and its implementation regarding changing of passwords at periodical intervals and invalidations thereof, in cases of circumstances.

***Reporting requirements for general items***

***44. Going concern problems***

In view of the financial position, the Corporation is not likely to face going concern problems in the foreseeable future.

45. The significant ratios indicating the financial health and profitability of the Corporation are given in the annexed Appendix.

**For Gupta & Co.**

*Chartered Accountants*

**M. K. Gupta**  
**(M.K Gupta)**

*Partner*



**Place: Thimphu**

**Date: 13th April, 2010**

**Membership No: 6615**

## APPENDIX

(REFERRED TO IN PARAGRAPH 41 OF THE ANNEXURE TO THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2009 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED)

## STATEMENT OF SIGNIFICANT RATIOS

FINANCIAL RATIOS:			2009	2008
<b>A</b>	<b>STABILITY RATIOS:</b>			
1	Capital Adequacy Ratio	(%)	24.23	25.37
2	Solvency Ratio (General Insurance)	(%)	8.44	8.06
3	Non-Performance Loan Ratio	(%)	8.27	12.32
4	Net Worth to Total Liabilities	(%)	22.42	24.17
5	Equity Investments to (Net Worth + Insurance Fund)	(%)	2.98	3.68
<b>B</b>	<b>PROFITABILITY RATIOS:</b>			
1	Combined Ratios (Gross Expenses to Net Premium)			
a	Life Insurance	(%)	42.10	45.59
b	Group Insurance Scheme	(%)	171.64	156.94
c	General Insurance	(%)	82.47	78.54
d	Credit & Investment (Interest Differential)	(%)	48.90	47.42
2	Claim Ratio (Net)			
a	Life Insurance	(%)	19.62	23.97
b	Group Insurance Scheme	(%)	51.26	49.52
c	General Insurance	(%)	55.97	56.40
d	Recovery Rate (Credit & Investment)	(%)	93.42	92.30
3a	Mgt. Expenses to Gross Premium - (Life Insurance)	(%)	11.94	11.16
b	Mgt. Expenses to Gross Premium - (Group Insurance)	(%)	29.49	18.14
c	Mgt. Expenses to Gross Premium - (General Insurance)	(%)	13.24	10.44
d	Mgt. Expenses to Gross Interest - (Credit & Investment)	(%)	9.23	7.57
4	Operating Income to Net worth -Net	(%)	36.27	29.63
5	Operating Income to Total Assets	(%)	8.13	7.16
6	Net Profit (After Tax) to Net Worth	(%)	22.65	18.46
7	Net Profit (After Tax) to Total Assets	(%)	5.08	4.46
8	Return on Core Equity (Profit After Tax)	(%)	75.50	124.23
<b>C</b>	<b>STRUCTURAL RATIOS :</b>			
1	Debt/Core Equity Ratio		5.90	10.04
2	Long Term Debt to Net Worth		1.77	1.49
3	Net Fixed Assets to Long Term Debt		0.08	0.12
4	Net Fixed Assets to Net Worth		0.14	0.18

Financial Data		2009	2008
Face Value of share	(Nu.)	100.00	100.00
Earning per Share	(Nu.)	75.50	124.23
Book Value per Share	(Nu.)	333.26	672.97
Market price per Share	(Nu.)	350.00	350.00
Dividend per share	(Nu.)	25.00	30.00
No. of Shareholders		1,556.00	1,561.00
Shareholding pattern: No of shares		2,400,000	960,000
His Majesty's Secretariat	(%)	20.83	20.83
Druk Holding & Investment	(%)	18.41	18.41
Private & Public Holders	(%)	60.76	60.76



## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

## BALANCESHEET AT 31ST DECEMBER, 2009

ASSETS	Schedule	2009 Nu.	2008 Nu.
Cash and Bank Balances	5	313,773,593	332,971,242
Foreign Currency Balance with a Bank outside Bhutan		29,960,075	31,100,097
		<u>343,733,668</u>	<u>364,071,339</u>
<b>Loans and Investments</b>			
Equity Investment	6	50,665,300	50,665,300
Treasury Bills		-	36,179,050
Loans and Advances	7	2,930,716,814	2,185,581,996
Assets acquired against Loans		39,245,517	56,694,930
		<u>3,020,627,631</u>	<u>2,329,121,276</u>
<b>Less: Provisions</b>			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		39,245,517	56,694,930
For Loans and Advances		161,745,717	160,685,223
For Interest Suspense		31,128,355	29,747,583
		<u>232,554,067</u>	<u>247,562,214</u>
		<u>2,788,073,564</u>	<u>2,081,559,062</u>
<b>Fixed Assets</b>	8		
Gross Block- at cost		169,575,624	164,931,842
Less: Accumulated Depreciation		59,227,255	59,505,140
Net Block		110,348,369	105,426,702
Capital Work in Progress		2,643,015	8,905,511
		<u>112,991,384</u>	<u>114,332,213</u>
<b>Other Assets</b>			
Interest, Rent and Other Receivables	9	158,590,601	82,338,799
Due from Reinsurance & Insurance Business	10	17,565,576	751,220
Advances, Deposits and Prepaid Expenses	11	146,534,365	29,703,596
		<u>322,690,542</u>	<u>112,793,615</u>
		<u>3,567,489,158</u>	<u>2,672,756,229</u>
<b>LIABILITIES</b>			
Capital Fund			
Shareholders' Fund			
Authorised Capital	12	1,000,000,000	100,000,000
Issued, Subscribed and Paid up Capital	12	240,000,000	96,000,000
Reserves and Surplus	13	559,832,891	550,047,947
		<u>799,832,891</u>	<u>646,047,947</u>
<b>Other Funds</b>			
Insurance Funds	14	898,524,010	730,975,168
Investment and Borrowing Funds	15	2,671,483,139	2,061,581,470
		3,570,007,149	2,792,556,638
Less: Insurance Funds Investments		1,254,415,650	1,098,163,632
		<u>2,315,591,499</u>	<u>1,694,393,006</u>
<b>Other Liabilities</b>			
Reinsurance Reserves		653,062	8,797,580
Sundry Creditors	16	252,355,361	160,045,715
Due on Reinsurance and Insurance Business	17	2,411,508	12,589,552
Outstanding Claims less Reinsurance	18	58,263,195	70,970,278
Corporate Tax payable		78,381,642	51,112,150
Dividend Payable		60,000,000	28,800,000
		<u>452,064,768</u>	<u>332,315,276</u>
		<u>3,567,489,158</u>	<u>2,672,756,229</u>
Significant Accounting Policies	20		
Notes to Accounts	21		

The schedules referred to above form an integral part of this Balance sheet.

We certify that the values of all assets have been reviewed as at 31st December, 2009 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the Balance Sheet referred to in our report of even date.

For Gupta & Co  
Chartered Accountants

M.K. Gupta  
(M.K. Gupta)

Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010

General Manager  
(F&A Dept.)

Chief Executive  
Officer

On behalf of the Board of Directors

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**LIFE INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2009**

<b>ASSETS</b>	<b>Schedule</b>	<b>2009</b>	<b>2008</b>
Cash and Deposits		Nu.	Nu.
Cash and Bank Balance	5A	9,543,336	85,481
<b>Loans</b>			
Policy Loans		466,162	465,156
<b>Investment Fund</b>			
Life Investment Fund	15AA	337,584,608	276,004,312
<b>Other Assets</b>			
Interest, Rent and other Receivables	9A	21,717,475	17,869,730
Advances, Deposits and Prepaid Expenses	11B	242,072	2,958
		<u>21,959,547</u>	<u>17,872,688</u>
		<u>369,553,653</u>	<u>294,427,637</u>
<b>LIABILITIES</b>			
<b>Funds</b>			
Life Insurance Fund	14A	342,294,240	260,037,808
<b>Other Liabilities</b>			
Sundry Creditors [Note 16(a) on Schedule 21]	16A	23,048,162	28,522,791
Due on Reinsurance and Insurance Business	17A	219,250	2,200,400
Outstanding Claims less Reinsurance	18A	3,992,001	3,666,638
		<u>27,259,413</u>	<u>34,389,829</u>
		<u>369,553,653</u>	<u>294,427,637</u>
Significant Accounting Policies	20		
Notes to Accounts	21		

The schedules referred to above and attached thereto form an integral part of this Balance sheet. We certify that the values of all assets have been reviewed as at 31st December, 2009 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the Life Insurance Balance Sheet referred to in our report of even date.

On behalf of the Board of Directors

For Gupta & Co.  
Chartered Accountants



**M.K. Gupta**  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010

General Manager  
(R&A Dept.)

Chief Executive  
Officer

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GROUP INSURANCE SAVING BALANCE SHEET AS AT 31ST DECEMBER, 2009**

<b>ASSETS</b>	<b>Schedule</b>	<b>2009</b>	<b>2008</b>
<b>Cash and Deposits</b>		<b>Nu.</b>	<b>Nu.</b>
Cash and Bank Balance	5B	7,647,857	1,207,286
<b>Investment Fund</b>			
Group Investment Fund	15AB	395,477,335	330,384,307
<b>Other Assets</b>			
Interest, Rent and other Receivables	9B	29,670,769	24,995,332
Advances, Deposits and Prepaid Expenses	11A	2,025,300	12,580,618
		<u>31,696,069</u>	<u>37,575,950</u>
		<u>434,821,261</u>	<u>369,167,543</u>
<b>LIABILITIES</b>			
<b>Funds</b>			
GIS Savings Liability		220,978,995	184,056,101
GIS Interest Liability		181,775,103	162,453,401
GIS Fund		30,976,928	22,020,183
	14B	<u>433,731,026</u>	<u>368,529,685</u>
<b>Other Liabilities</b>			
Sundry Creditors	16B	350,235	317,858
Outstanding Claims	18B	740,000	320,000
		<u>1,090,235</u>	<u>637,858</u>
		<u>434,821,261</u>	<u>369,167,543</u>
Significant Accounting Policies	20		
Notes to Accounts	21		

The schedules referred to above and attached thereto form an integral part of this Balance sheet.

We certify that the values of all assets have been reviewed as at 31st December, 2009 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the Group Insurance Scheme Balance Sheet referred to in our report of even date.

On behalf of the Board of Directors

For Gupta & Co.  
Chartered Accountants



**M.K. Gupta**  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010

**General Manager**  
(F&A Dept.)

**Chief Executive Officer**

**Chairman**

**Director**



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GENERAL INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2009**

<b>ASSETS</b>	<b>Schedule</b>	<b>2009 Nu.</b>	<b>2008 Nu.</b>
Cash and Bank Balances	5C	9,739,325	18,845,102
Foreign Currency balance held with a Bank outside Bhutan		29,960,075	31,100,097
		<b>39,699,400</b>	<b>49,945,199</b>
<b>Investments</b>			
Investment Fund	15AC	521,353,707	491,775,013
<b>Other Assets</b>			
Interest, Rent and other Receivables	9C	100,170,501	31,788,758
Due from Reinsurance and Insurance Business		17,565,576	751,220
Advances, Deposits and Prepaid Expenses	11C	570,000	1,091,400
		<b>118,306,077</b>	<b>33,631,378</b>
		<b>679,359,184</b>	<b>575,351,590</b>
<b>LIABILITIES</b>			
Reserve and Surplus	13B	451,271,307	329,944,397
<b>Funds</b>			
Insurance Funds	14C	122,498,744	102,407,675
<b>Other Liabilities</b>			
Reinsurance Reserves		653,062	8,797,580
Sundry Creditors	16C	8,758,400	18,575,140
Due on Reinsurance and Insurance Business	17B	2,192,257	10,389,152
Outstanding Claims less Reinsurance ceded	18C	53,531,194	66,983,640
Corporate Tax payable		40,454,220	38,254,006
		<b>105,589,133</b>	<b>142,999,518</b>
		<b>679,359,184</b>	<b>575,351,590</b>
Significant Accounting Policies	20		
Notes to Accounts	21		

The schedules referred to above and attached thereto form an integral part of this Balance sheet.

We certify that the values of all assets have been reviewed as at 31st December, 2009 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the General Insurance Balance Sheet referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co.  
Chartered Accountants

M.K. Gupta  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April 2010

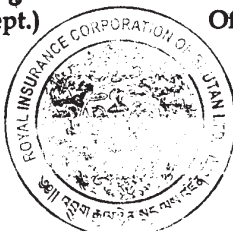


General Manager  
(R&A Dept.)

Chief Executive  
Officer

Chairman

Director





**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**CREDIT AND INVESTMENT DEPARTMENT**  
**BALANCE SHEET AS AT 31ST DECEMBER, 2009**

<b>ASSETS</b>	<b>Schedule</b>	<b>2009 Nu.</b>	<b>2008 Nu.</b>
Cash and Bank Balances	5	285,292,028	305,485,919
<b>Investments</b>			
Equity Investment	6	50,665,300	50,665,300
Treasury Bills		-	36,179,050
Loans and Advances (Net of Credit)	7	2,930,250,652	2,185,116,840
Assets acquired against Loans		39,245,517	56,694,930
		<b>3,020,161,469</b>	<b>2,328,656,120</b>
<b>Less: Provisions</b>			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		39,245,517	56,694,930
For Loans and Advances		161,745,717	160,685,223
For Interest Suspense		31,128,355	29,747,583
		<b>232,554,067</b>	<b>247,562,215</b>
		<b>2,787,607,402</b>	<b>2,081,093,905</b>
<b>Other Assets</b>			
Interest, Rent and other Receivables	9D	5,764,214	503,114
Advances, Deposits and Prepaid Expenses	11D	108,264,039	28,026,613
		<b>114,028,253</b>	<b>28,529,727</b>
		<b>3,186,927,683</b>	<b>2,415,109,551</b>
<b>LIABILITIES</b>			
Reserves and Surplus	13C	346,850,685	237,824,628
		<b>346,850,685</b>	<b>237,824,628</b>
<b>Funds</b>			
Borrowing Funds	15	2,671,483,139	2,061,581,470
		<b>2,671,483,139</b>	<b>2,061,581,470</b>
<b>Other Liabilities</b>			
Sundry creditors	16D	124,290,821	98,833,141
Corporate Tax payable		44,303,038	16,870,312
		<b>168,593,859</b>	<b>115,703,453</b>
		<b>3,186,927,683</b>	<b>2,415,109,551</b>
Significant Accounting Policies	20		
Notes to Accounts	21		

The schedules referred to above and attached thereto form an integral part of this Balance sheet.

We certify that the values of all assets have been reviewed as at 31st December, 2009 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the Credit & Investment Balance Sheet referred to in our report of even date.

For Gupta & Co.

Chartered Accountants

M.K. Gupta  
(M.K. Gupta)  
Partner

General Manager  
(F&A Dept.)

Chief Executive  
Officer

On behalf of Board of Directors

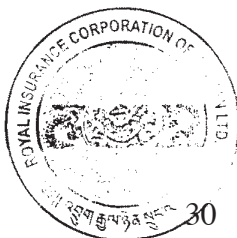
Chairman

Director

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	Schedule	2009 Nu.	2008 Nu.
<b>OPERATING INCOME</b>			
Surplus transferred from -			
Miscellaneous Insurance Revenue Account		68,285,623	64,416,474
Marine Insurance Revenue Account		2,856,397	3,947,166
Fire Insurance Revenue Account		63,705,381	59,149,719
		<u>134,847,401</u>	<u>127,513,359</u>
Life Insurance Revenue Account		1,096,379	974,829
Investment Revenue Account		147,676,794	56,234,373
		<u>283,620,574</u>	<u>184,722,561</u>
<b>OTHER INCOME</b>			
Rental Income		5,973,385	5,548,903
Profit on Sale of Assets		2,999	1,000
Miscellaneous Income		528,636	1,126,055
		<u>6,505,020</u>	<u>6,675,958</u>
<b>TOTAL INCOME</b>		<u>290,125,594</u>	<u>191,398,519</u>
<b>OPERATING EXPENSES.</b>			
Repairs and Maintenance		1,020,529	1,407,280
Contribution to Gratuity Fund (Note 14 on Schedule 21)		8,230,371	8,724,604
Depreciation		10,540,424	7,400,000
Loss on sale of Asset		171,739	-
Other Expenses		8,890,391	3,492,796
		<u>28,853,454</u>	<u>21,024,680</u>
<b>Profit Before Taxation</b>		<u>261,272,140</u>	<u>170,373,840</u>
Taxation (Note 9 on Schedule 21)		78,381,642	51,112,150
Short provision for previous years		1,691,585	1,114,788
Profit available for Appropriations		<u>181,198,913</u>	<u>118,146,902</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		60,000,000	28,800,000
Transfer to Catastrophe Fund (Note 11 on Schedule 21)		5,000,000	5,000,000
Transfer to General Reserve		116,198,913	84,346,902
		<u>181,198,913</u>	<u>118,146,902</u>
Significant Accounting Policies	20		
Notes to Accounts	21		

The Schedules referred to above form an integral part of this Profit and Loss Account.  
This is the Profit and Loss Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co.  
Chartered Accountants

M.K. Gupta  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April 2010



General Manager  
(I&A Dept.)

Chief Executive  
Officer

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**LIFE INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009**

REVENUE	Schedule	2009 Nu.	2008 Nu.
Premium Less Reinsurance			
Other Policies	1	102,896,730	77,180,512
Life Fund Brought Forward from Previous Year		260,037,808	198,970,042
		<u>362,934,538</u>	<u>276,150,554</u>
Interest on Investment Fund of Life Fund		21,717,475	17,869,730
Interest on Policy Loan		53,057	38,621
Commission on reinsurance ceded		373,316	-
Other revenue		540,088	1,164,826
<b>TOTAL (I)</b>		<u><u>385,618,474</u></u>	<u><u>295,223,731</u></u>
<b>EXPENSES</b>			
Claims Paid And Outstanding Net of Reinsurance			
By Death/Maturity/Surrender			
Other Policies	2	20,191,013	18,496,546
Life Policies Bonus [Notes 21 and 22 on Schedule 21] [Inclusive of Interim Bonus Nu. 361007]		4,239,564	4,039,380
Commission & Others		5,283,081	2,868,708
Provision on Policy Loans			
Surplus Allocated to Shareholders - Per Actuarial Report		1,096,379	974,829
		<u>30,810,037</u>	<u>26,379,463</u>
<b>MANAGEMENT EXPENSES</b>			
Other Policies	19	12,514,197	8,806,460
<b>TOTAL (II)</b>		<u><u>43,324,234</u></u>	<u><u>35,185,923</u></u>
<b>LIFE FUND CARRIED FORWARD (I - II)</b>		<u><u>342,294,240</u></u>	<u><u>260,037,808</u></u>
Significant Accounting Policies	20		
Notes to Accounts	21		

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

This is the Life Revenue Account  
referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co  
Chartered Accountants

M.K. Gupta  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010

General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GROUP SAVINGS - CUM INSURANCE SCHEME**  
**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009**

REVENUE	Schedule	2009 Nu.	2008 Nu.
Premium			
Group Saving Linked Insurance Policies		968,232	880,688
Group Insurance Cum Savings Policies		28,002,432	25,773,488
		<u>28,970,664</u>	<u>26,654,176</u>
GIS Fund Brought Forward From Previous Year		22,020,183	12,112,954
		<u>50,990,847</u>	<u>38,767,130</u>
Interest On Investment Of GIS Fund		29,670,769	24,995,332
Other Revenue		41,896	87,737
<b>TOTAL (I)</b>		<u><u>80,703,512</u></u>	<u><u>63,850,199</u></u>
<b>EXPENSES</b>			
Claims Paid and Outstanding			
Group Saving Linked Insurance Policies (Death)	2	200,000	700,000
Group Insurance Cum Savings Policies (Death)	2	14,650,000	12,500,000
		<u>14,850,000</u>	<u>13,200,000</u>
Interest On Group Insurance Cum Savings		25,950,610	23,494,478
Group Saving Linked Insurance Policies		382,117	300,851
Others ( Medical Expenses)		-	-
		<u>41,182,727</u>	<u>36,995,329</u>
Management Expenses			
Group Saving Linked Insurance Policies		384,134	43,996
Group Insurance Cum Savings Policies		6,308,896	2,994,121
Civil Employees		1,850,827	1,796,570
Armed Forces		8,543,857	4,834,687
	19	<u>49,726,584</u>	<u>41,830,016</u>
<b>TOTAL (II)</b>		<u><u>49,726,584</u></u>	<u><u>41,830,016</u></u>
Group Fund Carried Forward	(I - II)	<u><u>30,976,928</u></u>	<u><u>22,020,183</u></u>
Significant Accounting Policies	20		
Notes to Accounts	21		

The Schedules referred to above and attached thereto form an integral part of this Revenue Account.  
This is the GIS Revenue Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co  
Chartered Accountants

M.K. Gupta  
(M.K. Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010



General Manager  
(H&A Dept.)



Chief Executive  
Officer

Chairman

Director

**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GENERAL INSURANCE REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	Schedule	MISCELLANEOUS		MARINE		FIRE		TOTAL	
		2009	2008	2009	2008	2009	2008	2009	2008
		Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.
<b>INCOME</b>	<b>3</b>								
Premium less Re-Insurance		148,122,087	138,083,292	1,980,829	1,080,009	54,061,658	31,516,158	204,164,574	170,679,459
Commission on Re-Insurance									
On re-insurance ceded		28,405,365	21,153,255	2,228,775	2,860,947	51,891,204	48,832,920	82,525,344	72,847,122
Less: on re-insurance accepted.		-	-	-	-	4,530,809	2,114,946	4,530,809	2,114,946
		28,405,365	21,153,255	2,228,775	2,860,947	47,360,395	46,717,974	77,994,535	70,732,176
Interest on Investment									
Miscellaneous Income		24,405,901	20,067,812	878,491	1,127,467	13,367,430	10,041,951	38,651,822	31,237,230
Change in Fund Balance		1,571,314	2,304,270	56,574	129,495	870,740	1,160,345	2,498,628	3,594,110
Brought forward from previous year									
At the end of the year		82,849,975	68,342,203	648,005	558,321	18,909,695	18,829,382	102,407,675	87,729,906
		88,873,252	82,849,975	1,188,497	648,005	32,436,995	18,909,695	122,498,744	102,407,675
		(6,023,277)	(14,507,772)	(540,492)	(89,684)	(13,527,300)	(80,313)	(20,091,069)	(14,677,769)
<b>TOTAL (I)</b>		<b>196,481,390</b>	<b>167,100,857</b>	<b>4,604,177</b>	<b>5,108,234</b>	<b>102,132,923</b>	<b>89,356,115</b>	<b>303,218,490</b>	<b>261,565,206</b>
<b>EXPENSES</b>									
Claims Paid/Outstanding (Net of Reinsurance)	<b>4</b>	94,073,378	78,369,799	484,074	(221,702)	19,710,238	18,113,494	114,267,690	96,261,591
Commission to Agent		285,002	49,378	-	-	7,408	11,264	292,410	60,642
Management Expenses	<b>19</b>	32,746,008	22,497,240	1,178,693	1,263,959	17,935,414	11,257,638	51,860,115	35,018,837
Miscellaneous Expenses		1,091,379	1,767,966	85,013	118,811	774,482	824,000	1,950,874	2,710,777
<b>TOTAL (II)</b>		<b>128,195,767</b>	<b>102,684,383</b>	<b>1,747,780</b>	<b>1,161,068</b>	<b>38,427,542</b>	<b>30,206,396</b>	<b>168,371,089</b>	<b>134,051,847</b>
Transfer to Profit and Loss Account		68,285,623	64,416,474	2,856,397	3,947,166	63,705,381	59,149,719	134,847,401	127,513,359

Significant Accounting Policies 20  
Notes to Accounts 21

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

This is the General Insurance Revenue Account referred to in our report of even date.

For Gupta & Co.

Chartered Accountants

**M.K. Gupta**  
(M.K. Gupta)

Partner

Membership Number: 6615

Place: Thimphu

Date: 12th April 2010



**General Manager**  
(& A Dept.)

**Chief Executive Officer**

On behalf of Board of Directors

**Director**

**Chairman**



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**CREDIT & INVESTMENT REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	<b>2009</b>	<b>2008</b>
	<b>Nu.</b>	<b>Nu.</b>
<b>INTEREST INCOME</b>		
Interest on Loans (net of suspense)	316,680,724	256,855,776
Interest on Fixed Deposit - Gross	724,931	480,738
Interest on RMA Discount Bills	3,248,567	4,851,908
<b>A</b>	<b>320,654,222</b>	<b>262,188,422</b>
<b>LESS:- INTEREST EXPENSES</b>		
Interest on Life Fund	21,717,475	17,869,730
Interest on GIS Fund	29,670,769	24,995,332
Interest on General Fund	38,651,821	31,237,228
Interest on GAD Fund	-	823,890
Interest on PPF Fund	12,951,737	9,985,498
Interest on Borrowings (NPPF)	53,175,404	50,999,675
Interest on Bond Series - I	13,904,110	-
<b>B</b>	<b>170,071,315</b>	<b>135,911,353</b>
<b>NET INTEREST DIFFERENTIAL</b>	<b>(A - B) = (C)</b>	<b>150,582,906</b>
<b>ADD: OTHER INCOME</b>		
Guarantee Commission	7,228,413	5,366,820
Dividend - Gross	9,900,230	7,278,600
Provision Written Back	10,736,618	-
Miscellaneous Income	1,431,028	713,653
<b>D</b>	<b>29,296,289</b>	<b>13,359,073</b>
<b>TOTAL OPERATING INCOME</b>	<b>(C + D) = (E)</b>	<b>179,879,195</b>
<b>LESS: OPERATING EXPENSES.</b>		
Bad Debts/Other Assets Written Off	24,391	-
Miscellaneous Expenses	73,279	91,242
Provisions	-	61,308,247
<b>(F)</b>	<b>97,670</b>	<b>61,399,489</b>
<b>OPERATING PROFIT</b>	<b>(E - F) = (G)</b>	<b>179,781,525</b>
<b>Less: Management Expenses</b>	<b>H</b>	<b>32,104,732</b>
<b>Transfer to Profit &amp; Loss Account</b>	<b>(G - H)</b>	<b>147,676,794</b>
Significant Accounting Policies	20	
Notes to Accounts	21	

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

This is the credit & Investment Revenue Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co.

Chartered Accountants

**M.K. Gupta**  
(M.K. Gupta)  
Partner

**General Manager**  
(F&A Dept.)

**Chief Executive Officer**

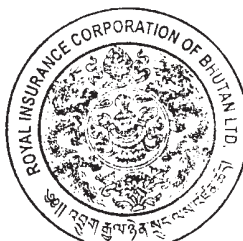
**Chairman**

**Director**

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010





**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	<u>2009</u> <u>Nu.</u>	<u>2008</u> <u>Nu.</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAX- As per Profit and Loss Account</b>		
	261,272,140	170,373,840
<b>ADD:- Depreciation (Net of adjustment)</b>	10,540,424	7,400,000
	271,812,564	177,773,840
<b>Less:- Profit on sale of Assets</b>	2,999	
	271,809,565	177,773,840
Add/(Less):Increase/(Decrease) in Other Liabilities	61,280,000	42,389,942
Add/(Less):Increase/(Decrease) in Other Assets	(209,896,927)	(10,678,995)
Add/(Less):Increase/(Decrease) in Loans and Investments	(691,506,355)	(401,782,291)
Add/(Less):Increase/(Decrease) in Provisions	17,577,884	52,289,830
<b>NET CASH FLOW FROM OPERATING ACTIVITIES -</b>	<b>(A) (550,735,833)</b>	<b>(140,007,685)</b>
<b>Taxation</b>	<b>(B) (52,803,735)</b>	<b>(46,687,205)</b>
<b>NET CASH FLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>		
<b>Dividend paid</b>	<b>(C) (28,800,000)</b>	<b>(24,000,000)</b>
<b>NET CASH FLOW FROM CAPITAL EXPENDITURE</b>		
<b>Sale of Fixed assets</b>	37,860,559	1,889
<b>Purchase of Fixed Assets</b>	(47,057,154)	(13,842,360)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES- FINANCING ACTIVITIES:</b>	<b>(D) (9,196,595)</b>	<b>(13,840,471)</b>
<b>BORROWINGS ACCEPTED (NET)/(REPAYMENTS-NET)</b>	453,649,651	342,015,453
<b>INVESTMENT FUNDS MANAGEMENT</b>	156,252,018	187,992,150
<b>INSURANCE FUNDS MANAGEMENT</b>	11,296,824	(47,479,594)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES- INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ((A) + (B)+ (C)+ (D)+ (E))</b>	<b>(E) 621,198,493</b>	<b>482,528,009</b>
	<b>(20,337,670)</b>	<b>257,992,658</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS- CASH AND BANK BALANCES</b>	364,071,339	106,078,681
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS-CASH AND BANK BALANCES</b>	343,733,668	364,071,339
	(20,337,670)	257,992,658

1. This Schedules referred to above form an integral part of this Cash Flow Statement.
  2. This Cash Flow Statement is prepared under "Indirect Method" as reallocation required for the proper arrangement as made by the Corporation.
  3. Figures in parentheies is indicated Out Flows.
  4. Previous year figures have been regrouped/rearranged wherever necessary.
- This is the Cash Flow Statement referred to in our report of even date.

For Gupta & Co.  
Chartered Accountants

M.K. Gupta  
(M.K Gupta)  
Partner

Membership Number: 6615

Place: Thimphu

Date: 13th April, 2010

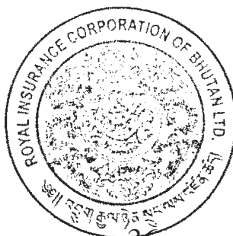
General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman

Director

On behalf of Board of Directors



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED**  
**31ST DECEMBER, 2009**

	2009 Nu.	2008 Nu.
<b>1 PREMIUM LESS REINSURANCE</b>		
<b>LIFE POLICES</b>		
FIRST YEAR PREMIUM (A)	32,133,722	16,712,604
RENEWAL PREMIUM (B)	72,634,941	62,174,018
(A+B)	104,768,663	78,886,622
Less: Reinsurance	1,871,933	1,706,110
	<u>102,896,730</u>	<u>77,180,512</u>
<b>2 CLAIMS PAID AND OUTSTANDING</b>		
(A) Group Saving Linked Insurance-GSLI (by Death)		
Paid during the year	200,000	700,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>200,000</u>	<u>700,000</u>
Less: outstanding at the end of the previous year	-	-
<b>TOTAL CLAIMS PAID</b>	<u>200,000</u>	<u>700,000</u>
(B) Group Saving Scheme Insurance (By Death)		
Paid during the year	14,230,000	14,120,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	600,000	180,000
	<u>14,830,000</u>	<u>14,300,000</u>
Less:- Outstanding at the end of the previous year	180,000	1,800,000
<b>TOTAL CLAIMS PAID/PAYABLE</b>	<u>14,650,000</u>	<u>12,500,000</u>
<b>CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE</b>		
Life Insurance		
(C) Other Policies (By Death/Maturity/Survival Benefits/Surrender)		
Paid during the year	21,516,879	18,496,546
Add: Total estimated liability in respect of outstanding claims at the end of the year .	-	-
	<u>21,516,879</u>	<u>18,496,546</u>
Less: Outstanding at the end of the previous year.	-	-
	<u>21,516,879</u>	<u>18,496,546</u>
Less: Re-Insurance	1,325,865	
<b>Net Claims</b>	<u>20,191,014</u>	<u>18,496,546</u>
<b>3 PREMIUM LESS REINSURANCE (Note 23 on Schedule 21)</b>		
<b>1) Fire Insurance Policies</b>		
Rural Insurance Policies	7,158,020	6,990,736
Other Insurance Policies	128,253,139	100,882,220
	<u>135,411,159</u>	<u>107,872,956</u>
LESS: Reinsurance	81,349,501	76,356,798
<b>NET PREMIUM</b>	<u>54,061,658</u>	<u>31,516,158</u>
<b>2) Miscellaneous Insurance Policies</b>		
Motor Insurance Policies	186,898,515	171,830,380
Other Insurance Policies	26,174,749	17,430,537
Aviation Insurance Policies	34,166,732	26,312,178
	<u>247,239,996</u>	<u>215,573,095</u>
LESS: Reinsurance	99,117,909	77,489,803
<b>NET PREMIUM</b>	<u>148,122,087</u>	<u>138,083,292</u>
<b>3) Marine Insurance Policies</b>		
Premium	8,899,051	12,111,512
LESS: Reinsurance	6,918,222	11,031,503
<b>NET PREMIUM</b>	<u>1,980,829</u>	<u>1,080,009</u>



#### 4 CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE

##### 1) Fire Insurance Policies

###### Paid during the year

Rural Insurance Policies

Other Insurance Policies

Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated

LESS: Reinsurance

**NET CLAIMS**

##### 2) Miscellaneous Insurance Policies

###### Paid during the year

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

LESS: Reinsurance

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

**NET CLAIMS**

##### 3) Marine Insurance Policies

Claims Paid during the year

Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.

LESS: Reinsurance

**NET CLAIMS**

#### 5 CASH (including cheques) AND BANK BALANCE

Cash in Hand

General Administration Department

**BANK BALANCES**

In Current Accounts in Bhutan

A Life Insurance Department (LID)

B Group Insurance Schemes Department (GIS)

C General Insurance Department (GID)

D General Administration Department GAD)

(A)

**CREDIT & INVESTMENT DEPARTMENT**

Cash in Hand - As Certified by Management

**BANK BALANCES**

In Current Accounts in Bhutan

In Current Accounts outside Bhutan (HDFC Bank Ltd.)

Fixed Deposit

(B)

(A + B)

**TOTAL**

	2009 Nu.	2008 Nu.
1) Fire Insurance Policies		
<u>Paid during the year</u>		
Rural Insurance Policies	7,158,020	6,990,736
Other Insurance Policies	14,096,152	13,754,402
	21,254,172	20,745,138
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated	5,021,269	1,096,634
	26,275,441	21,841,772
LESS: Reinsurance	6,565,203	3,728,278
<b>NET CLAIMS</b>	<b>19,710,238</b>	<b>18,113,494</b>
2) Miscellaneous Insurance Policies		
<u>Paid during the year</u>		
Motor Insurance Policies	67,657,542	66,369,432
Other Insurance Policies	16,365,839	(836,589)
Aviation Insurance Policies	-	5,925,468
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.		
Motor Insurance Policies	40,186,920	51,268,123
Other Insurance Policies	6,755,000	450,000
Aviation Insurance Policies	-	-
	130,965,301	123,176,434
LESS: Reinsurance		
Motor Insurance Policies	25,203,463	36,891,141
Other Insurance Policies	11,688,460	1,995,952
Aviation Insurance Policies	-	5,919,542
	36,891,923	44,806,635
<b>NET CLAIMS</b>	<b>94,073,378</b>	<b>78,369,799</b>
3) Marine Insurance Policies		
Claims Paid during the year	(533,604)	1,835,676
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.	1,567,000	100,000
	1,033,396	1,935,676
LESS: Reinsurance	549,322	2,157,378
<b>NET CLAIMS</b>	<b>484,074</b>	<b>(221,702)</b>
5 CASH (including cheques) AND BANK BALANCE		
Cash in Hand		
General Administration Department		
<b>BANK BALANCES</b>		
In Current Accounts in Bhutan		
A Life Insurance Department (LID)	9,543,336	85,481
B Group Insurance Schemes Department (GIS)	7,647,857	1,207,286
C General Insurance Department (GID)	9,739,325	18,845,102
D General Administration Department GAD)	1,551,047	7,347,455
	28,481,565	27,485,324
<b>CREDIT &amp; INVESTMENT DEPARTMENT</b>		
Cash in Hand - As Certified by Management	7,281,517	3,937,288
<b>BANK BALANCES</b>		
In Current Accounts in Bhutan	77,965,882	301,504,001
In Current Accounts outside Bhutan (HDFC Bank Ltd.)	44,629	44,629
Fixed Deposit	200,000,000	-
	285,292,028	305,485,918
<b>TOTAL</b>	<b>313,773,593</b>	<b>332,971,242</b>



	2009 Nu.	2008 Nu.
<b>6 EQUITY INVESTMENT AT COST - LONG TERM</b>		
Credit & Investment Department		
In Quoted Equity Shares*		
Bhutan Carbide & Chemicals Ltd.	24,311,650	24,311,650
(181370 Nos Share, Face Value Nu. 100/-)		
Bhutan Ferro Alloys Ltd.	8,100,000	8,100,000
(80000 Nos Share, Face Value Nu. 100/-)		
Penden Cement Authority Ltd.	3,169,400	3,169,400
(18315 Nos Shares, Face Value Nu. 100/-)		
Bhutan National Bank	9,375,000	9,375,000
(75000 Nos Shares, Face Value Nu. 100/-)		
State Trading Corporation of Bhutan Ltd.	980,000	980,000
(9800 Nos Shares, Face Value Nu. 100/-)		
Bhutan Board Products Ltd.	1,229,250	1,229,250
(11830 Nos shares, Face value Nu. 100/-)		
<b>TOTAL QUOTED EQUITY INVESTMENTS (A)</b>	<b>47,165,300</b>	<b>47,165,300</b>
IN UNQUOTED EQUITY SHARES		
Bhutan Development Finance Corpn.	3,000,000	3,000,000
(3000 Nos Shares, Face Value Nu. 1000/-)		
RICB Securities Ltd.	500,000	500,000
(5000 Nos Shares, Face Value Nu. 100/-)		
<b>TOTAL UNQUOTED EQUITY INVESTMENTS (B)</b>	<b>3,500,000</b>	<b>3,500,000</b>
<b>TOTAL INVESTMENTS [(A)+(B)]</b>	<b>50,665,300</b>	<b>50,665,300</b>
*Note: Aggregate Marked values of Quoted shares as on 31st December 2009 Nu. 260,112,450 (2008 Nu. 237,266,200/-)		
<b>7 LOANS AND ADVANCES</b>		
A Life Insurance Department Against Life Policies	I	
	466,162	465,156
B CREDIT & INVESTMENT DEPARTMENT		
Against Mortgage/Hypothecation of Properties/Fixed Assets in Bhutan		
(A) Secured		
Housing Loans	795,723,456	721,503,364
Transport Loans	214,474,247	117,497,954
Industrial Loans	349,287,604	341,614,615
Staff Loans	55,779	69,467
Business Loans	468,954,506	338,126,597
Shares Loans	21,450,423	13,048,408
Personal Loans	336,392,867	217,699,212
RICB Card Loans	332,149,515	249,024,694
Preferential Loans	109,577,097	78,556,842
Contractor Loans(CRC Scheme)	90,431,325	100,503,325
Private Provident Fund Loan	1,280,580	372,569
	II	
	2,719,777,399	2,178,017,048
(B) Unsecured		
Housing Loans	77,331,748	1,730,713
Transport Loans	42,544,956	1,692,262
Industrial Loans	13,425,602	-
Business Loans	12,306,199	2,653,938
Shares Loans	287,781	-
Personal Loans	18,882,166	583,664
RICB Card Loans	19,191,575	47,485
Preferential Loans	10,097,043	391,730
Contractor Loans(CRC Scheme)	16,607,506	-
Private Provident Fund Loan	4,025,864	-
	III	
	214,700,440	7,099,791
(I+II+III)=IV	2,934,944,001	2,185,116,840
(C) Less :Credit Balance	4,227,187	-
<b>TOTAL LOANS &amp; ADVANCES</b>	<b>2,930,716,814</b>	<b>2,185,116,840</b>



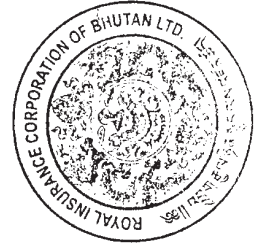
ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

Schedule 8

Statement of Fixed Assets as on 31st December 2009

Particulars	GROSS BLOCK - AT COST				DEPRECIATION			NET BLOCK	
	As at 1st January 2009	Additions during the year	Sales Adjustmt.	As at 31st December 2009	As at 1st January 2009	For the Year	Adjit. of Dep.	As at 31st December 2009	As at 31st December 2008
Land [Note 17(c) on Schedule 23]	16,829,936	-	-	16,829,936	-	-	-	16,829,936	16,829,936
Buildings [Notes 17(d) & (e) on Schedule. 23]	63,953,828	4,228,358	3,333,802	64,848,384	13,805,984	1,979,276	544,971	49,608,095	50,147,843
Furniture and Fixtures	8,021,628	590,034	-	8,611,662	6,304,678	418,856	-	1,888,128	1,716,949
Electric Installations [Note 17(f) on Schedule. 23]	34,822,486	26,649,410	34,113,213	27,358,683	10,636,857	3,749,518	10,092,155	23,064,464	24,185,629
Office Equipment	5,602,504	689,105	192,444	6,099,165	4,823,959	241,530	181,183	1,214,859	778,544
Vehicles	3,769,650	-	-	3,769,650	1,002,307	564,906	-	2,202,437	2,767,343
Computer Equipments	31,931,811	10,126,333	-	42,058,144	22,931,355	3,586,339	-	15,540,450	9,000,456
Total	164,931,843	42,283,240	37,639,459	169,575,624	59,505,140	10,540,425	10,818,309	110,348,369	105,426,702
Capital Work in Progress	8,905,511	4,773,914	11,036,410	2,643,015	-	-	-	2,643,015	8,905,511
Total	173,837,354	47,057,154	48,675,869	172,218,639	59,505,140	10,540,425	10,818,309	112,991,384	114,332,213
Previous Year	140,467,580	19,591,604	408,573	160,059,185	45,434,091	6,733,360	408,573	114,332,212	107,891,741.00





## 9 INTEREST, RENT AND OTHER RECEIVABLES

## 11 ADVANCES, DEPOSITS AND PRE-PAID EXPENSES.





## 12 SHAREHOLDERS' CAPITAL

Authorised Capital 10,000,000 Equity Shares of Nu. 100/- each

Issued, Subscribed and Paid up:-

2,400,000 Equity Shares of Nu. 100/-each fully paid up

(out of the above 1,524,000 Equity Shares issued for consideration other than cash in form of Bonus Share)

2009 Nu.	2008 Nu.
1,000,000,000	100,000,000
240,000,000	96,000,000
240,000,000	96,000,000

## 13 RESERVES AND SURPLUS

### A General Administration

As per last Account

Less: provision for dividend

Less: Prior period Tax (Note 9(b) on Schedule 21)

Less: Issue of Bonus Share

Less: Adjustment of Revenue during the year for General Administration

(17,721,076)	21,555,437
(60,000,000)	(28,800,000)
(1,691,585)	(1,114,788)
(144,000,000)	-
(14,876,439)	(9,361,725)
(238,289,100)	(17,721,076)

### B General Insurance

#### Catastrophe Fund

As per Last Account

Add: Transfer from Profit and Loss Account during the year

65,000,000	60,000,000
5,000,000	5,000,000
70,000,000	65,000,000

#### General Reserve

As per Last Account

Add: Transfer from Revenue Account

264,944,396	180,685,045
89,393,181	84,259,351
354,337,577	264,944,396

#### Technical Reserve

As per Last Account

Add: During the year

16,149,283	-
10,784,446	16,149,283
26,933,729	16,149,283

### TOTAL OF RESERVES AND SURPLUS FOR GENERAL INSURANCE

451,271,306	329,944,396
-------------	-------------

### C Credit & Investment Department

As per last Account

Add:- Transfer from Revenue Account

190,114,384	150,750,323
103,373,756	39,364,061
293,488,140	190,114,384
53,362,545	47,710,243
346,850,685	237,824,627

### A General Administration

### B General Insurance Department

### C Credit & Investment Department

### TOTAL OF RESERVES AND SURPLUS

(238,289,100)	(17,721,076)
451,271,306	329,944,396
346,850,685	237,824,627
559,832,891	550,047,947

## 14 INSURANCE FUNDS

### A Life Insurance Business Account

342,294,240	260,037,808
-------------	-------------

### B Group Insurance Business Account

Group Savings Insurance Business Account

30,976,928	22,020,183
402,754,098	346,509,502
433,731,026	368,529,685

### C Fire Insurance Business Account

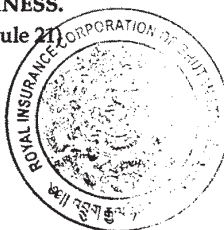
Miscellaneous Insurance Business Account

Marine Insurance Business Account

32,436,995	18,909,695
88,873,252	82,849,975
1,188,497	648,005
122,498,744	102,407,675
898,524,010	738,975,168



	2009 Nu.	2008 Nu.
<b>15A INVESTMENT AND BORROWING FUNDS</b>		
INVESTMENT FUNDS (Note 27 & 28 on Schedule 21)		
A Life Insurance Fund	337,584,608	276,004,312
B Group saving Insurance Fund	395,477,335	330,384,307
C General Insurance Fund	521,353,707	491,775,013
D General Administration Fund	-	-
	<u>1,254,415,650</u>	<u>1,098,163,632</u>
<b>15B BORROWING FUNDS</b>		
A Private Provident Fund	233,067,489	183,417,837
B National Pension & Provident Fund	684,000,000	780,000,000
C Bond Series I	500,000,000	-
<b>TOTAL (15A+15B+15C)</b>	<u>1,417,067,489</u>	<u>963,417,837</u>
	<u>2,671,483,139</u>	<u>2,061,581,470</u>
<b>16 SUNDRY CREDITORS</b>		
A Life Insurance Department		
Bonus Payable	12,266,071	10,320,388
Provision on policy Loans	-	-
Agent Liability	3,214,807	1,364,058
Others	5,438,981	15,361,533
Deposit	2,128,303	1,476,812
	<u>23,048,162</u>	<u>28,522,791</u>
Internal Department Adjustment	-	-
	<u>23,048,162</u>	<u>28,522,791</u>
B Group Insurance Department		
Deposit	350,235	317,858
Internal Department Adjustment	-	-
	<u>350,235</u>	<u>317,858</u>
C General Insurance Department		
Rural claim payable	-	-
Agent Liability	238,433	49,183
Others	603,713	1,345,819
Deposit	7,916,254	17,180,138
	<u>8,758,400</u>	<u>18,575,140</u>
Internal Department Adjustment	-	-
	<u>8,758,400</u>	<u>18,575,140</u>
D Credit & Investment Department		
Interest on Investment Fund payable	102,991,802	84,911,678
Interest payable on Bond Series-I	13,904,110	-
Others	7,394,910	13,921,463
	<u>124,290,822</u>	<u>98,833,141</u>
Internal Department Adjustment	-	-
	<u>124,290,822</u>	<u>98,833,141</u>
E General Administration Department		
Tax Payable	1,691,585	-
Others	94,216,157	13,796,786
Internal Department Adjustment	-	-
	<u>95,907,742</u>	<u>13,796,786</u>
	<u>252,355,361</u>	<u>160,045,715</u>
<b>17 DUE ON REINSURANCE AND INSURANCE BUSINESS.</b>		
A Life Insurance Department (Note 23(a) (ii) on Schedule 21)	219,250	2,200,400
B General Insurance Department	2,192,258	10,389,152
	<u>2,411,508</u>	<u>12,589,552</u>
<b>18 OUTSTANDING CLAIMS LESS REINSURANCE</b>		
A Life Insurance Department	3,992,001	3,666,638
B Group Insurance Department	740,000	320,000
C General Insurance Department	53,531,194	66,983,640
	<u>58,263,195</u>	<u>70,970,278</u>



	2009	2008
	Nu.	Nu.
<b>19 MANAGEMENT EXPENSES</b>		
Staff Cost	72,048,752	50,197,913
Occupancy Cost	3,601,262	1,960,598
Travelling & Transfer Cost	6,557,974	4,469,710
Communication Cost	5,698,642	3,708,983
Operating Cost	9,231,451	4,269,724
Advertising & Public Relation Cost	5,048,042	3,744,414
Statutory & Consultant Cost	2,836,778	2,010,922
<b>Management Expenses allocated to the respective Department</b>	<b>(A) 105,022,901</b>	<b>70,362,264</b>
Life Insurance Department	12,514,197	8,806,460
Group Insurance & Saving Schemes	8,543,857	4,834,687
General Insurance Department	51,860,115	35,018,837
Credit & Investment Department	32,104,732	21,702,280
<b>Total</b>	<b>105,022,901</b>	<b>70,362,264</b>
Human Resource Development Expenses	8,799,837	3,481,250
Deprecation	10,540,424	7,400,000
Contribution to the Employee Gratuity	8,230,371	8,724,604
Repair & Maintenance	1,020,529	1,407,280
<b>Total</b>	<b>(B) 28,591,161</b>	<b>21,013,134</b>
<b>Total Management Expenses</b>	<b>(A+B) 133,614,062</b>	<b>91,375,398</b>

**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED****SCHEDULE - 20****SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009****1. Basis of Accounting**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles.

**2. Revenue Recognition**

- (i) Items of income and expenditure are accounted on accrual basis, unless otherwise stated.
- (ii) Premiums are recognized as income, as and when due / received on assumption of risk.
- (iii) Reinsurance premium ceded is accounted at the time of recognition of premium income in accordance with the treaty or in-principle arrangement with the re-insurers.
- (iv) Interest income in respect of all securities including loans and mortgage loans against House Property is taken credit to the Revenue Account, as per the Prudential Regulations of Royal Monetary Authority of Bhutan.
- (v) Interest, Dividend, Rent etc., are accounted at gross value before deduction of tax.
- (vi) Dividend income is recognized, as and when received.
- (vii) Interest on policy loan is accounted for on accrual basis.
- (viii) Bonus to employees and Leave Encashment benefit is accounted for on payment basis.

**3. Acquisition Costs**

Acquisition Costs are expensed in the year, in which they are incurred.

**4. Benefits Paid (including claims)**

- (i) Benefits Paid/Claims costs consist of the policy benefit amounts and claim settlement costs, where ever applicable.



- (ii) Surrender, death and other claims are recognized for, when intimated. Provision for outstanding death claims is made for those policies where the intimation of death has been received up to 31<sup>st</sup> December. Additional provisions are also made for benefit / claims incurred.
- (iii) Repudiated claims disputed before judicial authorities are provided based on management prudence, considering the facts and evidences available in respect of such claims.
- (iv) Salvage recoveries are accounted for on realization basis.
- (v) Reinsurance Recoveries, when applicable, are accounted in the same period.

## 5. Investments

Investments are stated at cost. Provision is made for diminution, other than temporary, in the value of investments at amounts, as considered appropriate by the management. Year-end market values based on last traded price of quoted equity investments are also disclosed.

## 6. Fixed Assets

- (i) Fixed Assets are stated at cost less depreciation.
- (ii) Depreciation is calculated as per the applicable provisions of Income Tax Act of Bhutan 2001, as amended to-date on straight-line basis at the prevailing rates and in the manner as prescribed. The written down values as on 1<sup>st</sup> January 1992 are considered as cost for application of straight-line method.

## 7. Retirement/Employee Benefits

- (i) Gratuity is administered through trust. Liability for gratuity to employees is provided on accrual basis, as determined upon actuarial valuation at the year-end.
- (iii) Contributions to Provident Fund and other funds are accounted for as an when accrued



**8. Risk Reserves**

Reserves for un-expired risks are created in Revenue Accounts in respect of General Insurance Business at 60% of the net premium income for the year. Reinsurance reserves are created on the basis of respective treaty arrangements with various agencies outside Bhutan.

**9. Liability for Life policies**

The policyholders' liabilities are determined by the Corporation's appointed actuary pursuant to his annual investigation of the Corporation's Life and Group Insurance business of the immediate previous year. The insurer's appointed actuary has adopted appropriate valuation assumptions after taking into consideration the various relevant factors like interest, mortality, morbidity, expenses, inflation, commission, lapses and future bonuses.

**10. Foreign Currency Transaction/Group Insurance Policies**

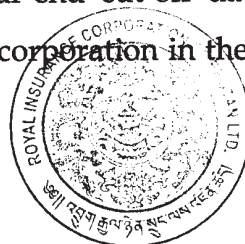
All Assets and Liabilities in foreign currencies relating to reinsurance are converted at the rate of exchange prevailing as on the Balance Sheet date. The exchange gain /loss arising thereof are transferred to General Insurance Revenue Account. However, in respect of treaties, rates of exchange applied are similar rates as at 30<sup>th</sup> June and 31<sup>st</sup> December for the first half-year and second half-year, respectively.

**11. Loan Asset Classification and Provisioning for Non- performing Assets**

- (i) Loans are stated at historical cost, subject to provisions.
- (ii) Assets representing loans, mortgage loans against House Property are classified based on record of recovery as standard, watch, sub-standard, doubtful and loss assets, as per the guidelines issued by Royal Monetary Authority of Bhutan.
- (iii) Provisioning for non-performing loans and mortgage loans against House Property is made as per the guidelines issued by Royal Monetary Authority of Bhutan and Loans under litigation are provided in full.

**12. Returns from Foreign Treaty Companies**

Returns to the extent received up to the year-end cut-off date from various foreign treaty companies are considered for incorporation in the accounts of the relevant year / period.





### 13. General

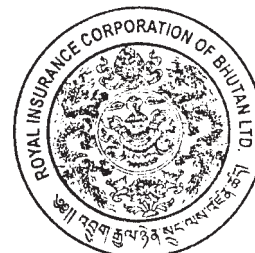
- (i) Premium rates on policies under the Life Insurance are charged at Corporation's table of rates based on actuarial calculations and on the General Insurance Business at Corporation's tariff based on the rates on the approval accorded by the Board of Directors.
- (ii) Total expenses of branches and common allocable management expenses are allocated and charged on a basis as decided by the management.
- (iii) Management expenses and interest earned from investment related to General Insurance business are apportioned among the various types of business on the basis of respective gross premium.
- (iv) Interest on saving portion of GIS scheme 1987 is credited to individual member's account @ 8% p.a. on accrual basis.
- (v) Transfers to Catastrophe Fund and General Reserves are made as per the amount decided by the management from time to time.

### 14. Use of Estimates

The preparation of the financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Example of the estimates include future obligation under employee benefits plans, where ever applicable useful lives of fixed assets and valuation in respect of life policies. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of the financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized accordingly in current and future periods.

### 15. Provision for Income Tax.

Provision for income tax is accounted for on book profit of the company at the prevailing rate as per Income Tax Act 2001 (as amended).

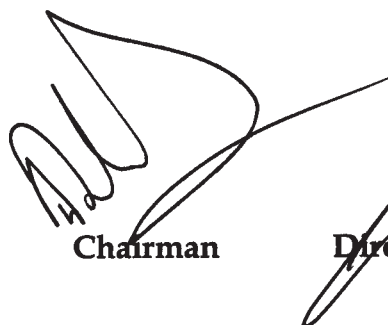


## 16. Provisions and Contingencies.

The Company creates a provision for litigation, assessment, fines, penalties, claims, including insurance claims, etc., when there is present obligation as a result of the past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources, considering the circumstances existing as on the date of the financial statements. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. However, contingent assets are not recognized on prudent basis.

  
General Manager  
(F&A)

  
Chief Executive Officer

  
Chairman

  
Director

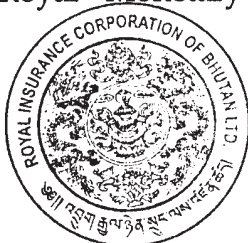
Place: Thimphu

Date: 13th April 2010



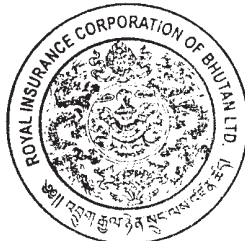
**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED****SCHEDULE - 21****NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009**

1. Royal Insurance Corporation of Bhutan Limited (RICBL), hereinafter referred to as "Corporation", erstwhile Royal Insurance Corporation of Bhutan (RICB) originally incorporated under the Royal Charter in 1975, was subsequently registered in the year 1991 under the Companies Act of the Kingdom of Bhutan 1989. The Royal Government has since enacted Financial Institutions Act in 1992 and pursuant to Part II of the said Act, Corporation was licensed as a Financial Institution by the Royal Monetary Authority of Bhutan in the year 1994 specifying the areas of its activities. The Corporation has changed its name from RICB to RICBL, by virtue of amendments made in its Articles duly endorsed by the Registrar of Companies with effect from the year 2004.
2. The financial statements for the year have been drawn up in accordance with the prescribed formats of Royal Monetary Authority of Bhutan and the Companies Act of the Kingdom of Bhutan 2000, as far as practicable. Consolidations of Balance Sheets of General Insurance, Life Insurance, Group Insurance Scheme and Credit & Investment Business have been done after netting the inter - departmental investments.
3. For the purpose of compliance of Prudential Regulations of Royal Monetary Authority of Bhutan effective from the year 2002, un-recovered portion of interest aggregating Nu. 31.13 million (Previous Year Nu.29.75 million) on account of advances, which are classified as non-performing assets, has not reckoned as income.
4. Provision for possible loss against loans and advances aggregating to Nu.215.11million (Previous Year Nu.208.40 million) has been retained in these accounts at the applicable rates in accordance with the Prudential Regulations of the Royal Monetary Authority of Bhutan, 2002 on the basis of such



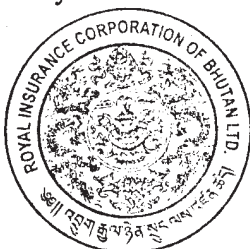
considerations which management considered to be prudent and appropriate. The said provisions include, both Specific and General, are net of adjustments on account of write back in respect of Specific Provision amounting to Nu. 24.98 million (Previous Year Nu. 16.28 million), which has been duly reflected in the Investment Revenue Account.

5. (a) The overall Capital Adequacy Ratio as at 31<sup>st</sup> December, 2009 is 24.96% (Previous Year 25.37%) and the Core Capital adequacy Ratio as on that date comes to 23.34% (Previous Year 23.50%) against at least 8% and 4% respectively, as laid down in the Prudential Regulations of Royal Monetary Authority of Bhutan.
- (b) The total exposure to a single borrower as at 31<sup>st</sup> December, 2009 amounted to 22.42% (Previous Year 28.40%) of Capital Funds, as compared to 30% limit prescribed by Prudential Regulations of Royal Monetary Authority of Bhutan.
- (c) The total ten large advances extended as at 31<sup>st</sup> December, 2009 aggregated to 20.86% (Previous Year 23.32%) of total advances as against 30% maximum limit laid down in the Prudential Regulation of Royal Monetary Authority of Bhutan.
- (d) The liquidity ratio as at 31<sup>st</sup> December 2009 is 12.53% (Previous Year 19.75%) as against 10% minimum, as prescribed in Prudential Regulations of Royal Monetary Authority of Bhutan.
- (e) The ratio of total large loans to capital fund comes to 190.65% as on 31<sup>st</sup> December 2009 (Previous Year 214.27%) as against maximum 800% limit laid down in Prudential Regulation of Royal Monetary Authority of Bhutan.
6. The mode of calculation of interest on loans was revised as per Royal Monetary Authority of Bhutan Circular Nos. FISD/03/96/648 & 649 of September 1996. Accordingly, the total outstanding amount as at 30<sup>th</sup> September 1996 is treated as opening principal balance as at 1<sup>st</sup> October 1996 for calculation of interest on



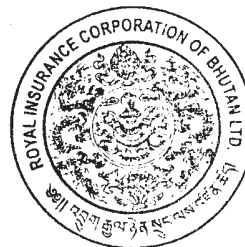
simple daily product method. Interest is charged on the principal balance outstanding at the rates declared by the Board of Directors from time to time.

7. The Corporation centrally manages through its Credit & Investment Department, the investible/borrowed funds comprising of Banking and Non-Banking borrowings, Private Sector Provident Fund, Group Insurance-cum-Savings Fund and Insurance Funds. Interests/returns on such funds are credited to the respective entities/departments at the rates decided by the management from time to time.
8. Contingent liabilities as at the Balance Sheet date (as certified by the management) :
  - (a) Certain claims in respect of General Insurance business (including third party claims on motor car accidents) - Nu. 1.45 million (Previous Year Nu. 1.50 million)
  - (b) Outstanding Guarantees given on behalf of various parties - Nu. 148.64 million (Previous Year Nu 251.55 million)
  - (c) Commitments :  
The estimated amount of contracts remaining to be executed on Capital accounts (net of advances) is Nu. 4.51million (Previous Year Nu.5.85 million).
9.
  - (a) Provision @ 30% on book profit is made in these accounts towards Corporate Income Tax during the year after considering further provision of Nu. 36.82 million (Previous Year Nu.33.77 million).
  - (b) The additional tax paid during the year amounted to Nu. 1.69 million (Previous Year Nu. 1.11 million), which pertains to Income Tax assessment of the Corporation in respect of earlier years.
10. Reserves for un-expired risks amounting to Nu. 122.50 million (Previous Year Nu. 102.41 million) created in the Revenue Accounts in respect of General Insurance Business at 60% of the net premium income during the year which have been duly reflected as General Insurance Funds in the Balance Sheet.



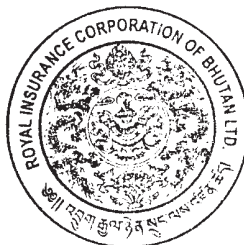


11. During the year, Nu. 5.00 million (Previous Year Nu. 5.00 million) has been appropriated from the Profit and Loss Account to Catastrophe Fund.
12. (a) In the year 2007, there has been a reported perpetration of irregularities at the stage of loan disbursements in the Credit & Investment Department to one of the clients at Gelephu Branch Office. In this connection, two employees have been held responsible and the case has been lodged in the appropriate Court of Law, which is still pending. Accordingly, in reference to this case amount aggregated to the extent of Nu. 14.47 million (Previous Year 11.41 million) has been provided in these accounts.
- (b) During the year 2009, an amount of Nu. 11.26 million has been discovered embezzlement in the Thimphu Regional Bank Account No. 292 which was cumulative balance occurred every year during the period covering more than a decade. In this connection, three people including one employee of RICB have been held responsible and the case has been lodged in the appropriate Court of Law, which is still pending. Accordingly, in reference to this case amount aggregated to the above has been provided in these accounts. Out of Nu. 11.26 million a sum of Nu. 0.53 million could not yet been reconciled.
- (c) During the year, there was a burglary at Paro Branch office and the office Safe has been stolen containing the Cash Nu. 0.30 million, blank cheque books and digital camera. The case is still pending with the Royal Bhutan Police as no one could be held responsible. Accordingly, the aforesaid amount has been provided for and for blank cheques stop payment notice was issued to the bank.
13. Certain Assets are acquired in satisfaction of loans including interest due thereon amounting to Nu.39.25 million(Previous Year Nu.56.69 million) consequent to decrees obtained and surrender of properties by the borrowers, which has been reckoned in these accounts, as per the prudential considerations of the management.



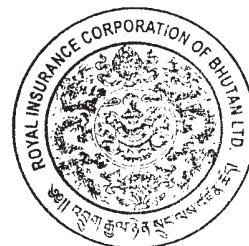


14. Year-end gratuity as per actuarial valuation was Nu. 20.34 million, which has been fully provided (Previous Year Nu. 27.19 million)
15. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.
16. Sundry Creditors include -
  - (a) Provision for bonus to policyholders amounted to Nu. 12.27 million (Previous Year Nu. 10.32 million).
  - (b) Unadjusted deposits in respect of General and Life/Group Insurance policies aggregating to Nu. Nil (Previous Year Nu. 1.99 million) and Nu. 2.40 million (Previous Year Nu. 1.64 million) respectively are outstanding on account of reconciliation process, against which eventual adjustments thereof are not ascertainable at this stage. During the year an unadjusted deposit of General Insurance amounting to Nu. 1.99 million has been written back as income as it was pertaining to year before 2002. If any claim arises in future, the same will be paid charging profit and loss account of that year
17. Fixed Assets (Schedule 11) -
  - (a) Physical verification of the fixed assets has been partially carried out by the management during the year. This will be done in a phase manner.
  - (b) Codification of moveable fixed assets and incorporation of locational details in the Fixed Asset Register of the Corporation has been initiated by the management in order to maintain a proper Fixed Assets Register.
  - (c) Land represents freehold land.
  - (d) Building represents freehold permanent structures and depreciated as per the applicable rates in terms of the accounting policies of the Corporation.
  - (e) Certain electrical installations and fixtures were capitalized in respect of the Building located at Thimphu under the head "Buildings & Electrical Installations" and depreciated at the rate applicable to building. During the year Written Down Value as on 1.1.2009 of Electrical Installations has been transferred to the proper head and depreciated at the applicable rate. Thus



the under-provisioning of depreciation up to previous years amounting to Nu. 20.65 million remains in the books of accounts.

18. Capital Work-in-Progress include -
  - (a) Expenses incurred in connection with the software development amounting to Nu. 0.65 million (Previous Year Nu. 0.65 million).
19. The assets of the Corporation in Bhutan are free from all encumbrances, except otherwise stated. The Corporation does not have any assets outside Bhutan except maintenance of certain bank accounts with the banks located outside Bhutan.
20. There is no loan assets, standard assets, watch assets, sub-standard assets and doubtful assets and loss assets, which are subject to restructuring/re-scheduling/enhancing as at the Balance Sheet date except M/s Druk Cement Company Pvt. Ltd amounting to Nu. 59.22 million (Previous Year Nu.55.86 million).
21. Actuarial Valuation of Life and Group Insurance
  - (a) The Corporation's appointed Actuary has carried out the annual actuarial valuation of the Life and Group Insurance policies, on the basis of the final audited accounts for the year 2008. The valuation assumptions (interest factor, mortality, morbidity, expenses, commission, bonus etc.) conform with the professional guidance notes issued by the Actuarial Society of India (ASI) and accordingly vested bonus amounting to Nu. 4.02 million (Previous Year Nu. 3.68 million) has been accounted for.
  - (b) Valuation surplus and bonus payable to the policy holders based on the current year's accounts have neither been actuarially ascertained, nor been accounted for.
22. Premium in respect of policies on General Insurance extended for more than one year is recognized as income in the year of receipt.





Private Provident Fund	:	6.00% p.a
National Pension & Provident Fund	:	8.50% p.a
National Pension & Provident Fund	:	7.75% p.a
National Pension & Provident Fund	:	6.50% p.a

25. The common management expenses are allocated to different Revenue accounts during the year at the following proportions:-

- Life Insurance Revenue	:	12%
- GIS Insurance Revenue	:	8%
- General Insurance Revenue	:	50%
- Investment Revenue	:	30%

26. Management expenses include

(a) Managerial Remuneration paid/payable to the Managing Directors (Chief Executive Officers) :

- Remuneration: Nu. 1.42 million (Previous Year Nu. 1.47 million)
- Other Benefits: Nu. 0.26 million (Previous Year Nu. 0.71 million)

(b) Directors' sitting fees: Nu. 0.57 million (Previous Year Nu. 0.55 million)

(c) Audit fee payable: Nu. 0.10 million (Previous Year Nu. 0.10 million)  
and provision for audit expenses Nu. 0.32 million (Previous Year Nu. 0.32 million)

27. Security details of the borrowings-

Borrowings from National Pension and Provident Fund amounting to Nu. 684.00 million were secured by mortgage of all fixed assets, both movable and non-movables and pledge of equity investments.

28. During the year RICBL raised fund of Nu. 500.00 million by issuing 500,000 bonds of Nu. 1,000 each.

29. During the year RICBL issued Bonus Share in the ratio of 1:1.5 to all the shareholders whose name appearing in the Register as on 27<sup>th</sup> April, 2009.

30. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 0.37 million (Previous Year Nu. 0.33 million), being the



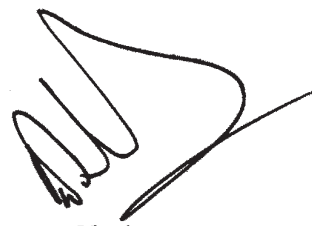
proportion of expenses attributable to RICB Securities Ltd., the wholly owned subsidiary of the Corporation, in view of the liquidity crisis forced by them.

31. The break-up between claims paid/outstanding for inside and outside Bhutan are not ascertainable at this stage.
32. Premium Deficiency has not been created 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 Risks. Further, during the year an amount of Nu. 26.93 million has been transferred to the Technical Reserves to meet any unforeseen events.
33. In the opinion of the management, acquisition costs for the new and renewal long duration insurance contracts have been expensed out, as and when incurred and not deferred, since the same do not vary materially in a constant relationship to premium or insurance in force or are level or recurring in nature.
34. In the opinion of management, there is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.
35. Figures of financial statements of previous year have been regrouped/ rearranged wherever necessary.

#### Signatures to Schedules 1 to 21

  
General Manager  
(T&A)

  
Chief Executive Officer

  
Chairman

  
Director

Place: Thimphu

Date: 13th April, 2010





**RICB SECURITIES LIMITED**  
**(A wholly owned subsidiary Company of RICBL)**  
**Directors' Report of the year 2009**

On behalf of the Board of Directors of Royal Securities Ltd, I have the pleasure in presenting the 17<sup>th</sup> Annual report together with Audited Accounts for the year ended 31<sup>st</sup> December, 2009.

**Business Information**

RICB Securities Ltd. (a wholly owned subsidiary Company of RICBL) was established and registered on 1<sup>st</sup> May, 1993 under the Companies Act of the Kingdom of Bhutan to carry on the business of a security Broker. The Company was established as per Government directives, to promote securities trading in the country. Over the years, going concern of the company has been an issue with the accumulated loss of Nu.141,209 as on 31<sup>st</sup> December 2008, vis-a-vis Nu.210,671 in the previous year. However, 2009 has been a bounteous year which enabled the company to make profit and even out the accumulated loss of the previous years. The Board envisage that the Capital Market in Bhutan would become more active in future with the government policy of private sector development in the country. With more industries coming up in the country, the Initial Public Offers (IPO) is expected to increase, offering more business opportunities to the brokerage firms in the country.

The performance of the company for the last two years is presented below:

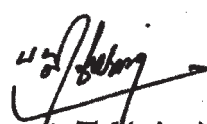
	<u>2009</u>	<u>2008</u>
Profit/(loss) before tax	1,407,124	69,462
Provision for corporate tax	379,775	-
Accumulated Loss After adjustment		(141,209)

**Conclusion**

I wish to express my sincere thanks to all our clients and staff who contributed in this growth of this Company.

On behalf of the Board of Directors

  
**(Namgyal Lhendup)**  
**Chairman**

  
**(Pemta Tshering)**  
**Chief Executive Officer**



## **Gupta & Co.**

Chartered Accountants

53A, Mirza Ghalib Street  
Kolkata – 700 016  
Phone: 2229-2638, 2229-6241, 2229-0871/72  
Fax: (91) (033) 2229-1859  
Email: guptaco55@hotmail.com

### **AUDITORS' REPORT**

To the Members of  
**RICB Securities Limited**

We have audited the attached Balance Sheet of **RICB SECURITIES LIMITED** ("The Company") as at 31<sup>st</sup> December 2009 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date (hereinafter referred to as the "financial statements") which we have signed under the reference to this report. We report that:

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Minimum Audit Examination and Reporting Requirements under II<sup>nd</sup> paragraph of Schedule XIV under Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 (the "Act"), we also set out an Annexure, a statement on the matters specified therein.



3. Without qualifying our opinion, attention is drawn to following notes on Schedule 8 to accounts.

3.1 Note 1 non-provisioning of expenses on account of salaries to brokers and traders apportionable to these accounts, based on the resolution adopted by the Board of Directors of the Company.

3.2 No advance income tax has been paid, which may attract interest and penalty.

4. Further to our comments hereinabove-

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books.

(iii) The financial statements dealt with in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the underlying accounting records and books of account.

(iv) During the course of our examination in accordance with the generally accepted auditing practices, we have not come across any instances of the following:-

a) The fund and property of the Company have generally been used economically, efficiently, effectively and in the best interest of the Company.

b) According to the information and explanations provided by the Company and on the basis of examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we report that there are no case of-



- Excessive/extravagant/unnecessary expenditure incurred during the year,
- Irregular expenditure and use of property,
- Embezzlement of fund;
- Misuse of fund, inventory and property of the Company; and
- Transactions not complied with the rules and regulations of the Government.

(v) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon and attached thereto give the prescribed information required by the Act, in the manner so required and give, respectively, a true and fair view:

- i) In case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2009;
- ii) In case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- iii) In case of the Cash Flow Statement of the cash flows of the Company for the year ended on that date.

**For GUPTA & Co.**

*Chartered Accountants*

Firm's Registration No-301028E

Place: Thimphu

Date: 13<sup>th</sup> April, 2010



*M.K. Gupta*  
(M.K. Gupta)

*Partner*

Membership No.6615

*[Referred to in paragraph 2 of our report of even date]*

1. The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets. The Fixed Assets have been physically verified during the year and no discrepancies were noted on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in 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.
4. The Company is regular in depositing rates and taxes, provident funds and other statutory dues with the appropriate authority.
5. There are no undisputed amounts payable in respect of rates and taxes, provident funds and statutory dues outstanding at the year-end, except non-payment of advance Income Tax
6. During the course of our examination in accordance with the generally accepted auditing principles we have not come across that no personal expenses of employees or directors have been charged to the Company accounts other than that payable under contractual obligations or in accordance with generally accepted business practice.
7. The management of liquid resources particularly cash and bank are adequate and that excessive amount are lying idle in non-interest bearing accounts, which may be invested in Interest bearing accounts.



8. The activities carried out by the Company are lawful and intravires to the Articles of Incorporation of the Company.
9. The directives of the Board have been complied with.
10. According to information and explanations provided to us and in course of our audit we have not come across any instance of price sensitive information transmitted by the officials of the Company which are not made publicly available, unauthorisedly to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
11. Proper records of the transactions and contracts have been maintained and timely entries have been made therein for dealing and trading in shares, securities and other investments.

*Reporting requirements on computerised accounting environment*

12. According to information and explanations provided to us, the organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
13. According to information and explanations provided to us, adequate safeguard measures and back up facilities exist.
14. There is no system of off-site storage of files.
15. According to information and explanations provided to us, the operational controls are adequate to ensure correctness and validity of input data and output information.
16. According to information and explanations provided to us, the measures to prevent unauthorized access over the computer installations and files are adequate.



*Reporting requirements for general items*

**17. Going concern problems.**

During the year the company earned Profit after adjustment of all accumulated loss. In view of present Financial Position, the Company is not likely to face Going Concern Problem in the foreseeable future, if present trend of business continue.

**18. The significant ratios indicating the financial health and profitability of the Company are given below: -**

Ratios	2009	2008	Remarks
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.13	0.59	There has been increasing trend in the current ratio which reflects favourable impact on the liquidity position of the Company.
$\frac{\text{Profit/(Loss) on Net profit/(loss) after Tax Capital Employed}}{\text{Capital employed}}$	1.77	0.14	It reflects there has been improvement during the current year.
$\frac{\text{Profit/(Loss) on Net profit/(loss) after Tax Turnover}}{\text{Total Turnover}}$	0.59	0.38	These comparative ratios indicate improvement compared to last year.

For Gupta & Co.

Chartered Accountants



M.K. Gupta  
(M.K. Gupta)  
Partner

Place: Thimphu

Date: 13th April, 2010

Membership No: 6615



**RICB SECURITIES LIMITED**

[(A Wholly Owned Subsidiary of Royal Insurance Corporation of Bhutan Limited (RICBL)]

**BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2009**

	Schedule	2009 Nu.	2008 Nu.
<b><u>SOURCES OF FUND</u></b>			
Share Capital	1	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
<b><u>APPLICATIONS OF FUND</u></b>			
Fixed Assets (Net Block)	2	26,285	4
Investment (At Cost)-Long term		<u>500,000</u>	<u>500,000</u>
5000 shares of 100/- each (Unquoted)			
In Royal Securities Exchange of Bhutan Limited			
Current Assets	3	7,562,430	201,346
Less: Current Liabilities and Provisions	4	6,702,575	342,559
Net Current Assets/(Liabilities)		859,855	(141,213)
Balance transferred to Reserves & Surplus		<u>886,140</u>	<u>141,209</u>
<b>TOTAL</b>		<u><b>500,000</b></u>	<u><b>500,000</b></u>
Significant Accounting Policies	7		
Notes on Accounts	8		

The Schedules referred above form an integral part of the Balance Sheet.

This is the Balance Sheet  
referred to in our report of  
even date.

For Gupta & Co.  
Chartered Accountants

On behalf of the Board of Directors

M.K. Gupta  
(M.K. Gupta) General Manager  
Partner (P&A)

Chief Executive Officer

Chairman  
Directors

Membership No. 6615

Place : Thimphu

Date : 13 April, 2010



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2009.**

	Schedule	2009 Nu.	2008 Nu.
<b><u>INCOME</u></b>			
Commission		459,873	63,552
Fees		1,040,000	120,000
Others( Fee for Trade confirmation Cert.)		100	-
<b>TOTAL</b>	<b>A</b>	<b>1,499,973</b>	<b>183,552</b>
<b><u>EXPENSES</u></b>			
Management Expenses	5	91,330	114,090
Depreciation	6	1,519	-
<b>TOTAL</b>	<b>B</b>	<b>92,849</b>	<b>114,090</b>
Profit/(Loss) before Tax	(A-B)	1,407,124	69,462
Balance brought forward		(141,209)	-
<b>Profit/(Loss) after Tax</b>		<b>1,265,915</b>	<b>69,462</b>
Provision for Tax		379,775	(210,671)
<b>Balance Carried over to Balance Sheet</b>		<b>886,140</b>	<b>(141,209)</b>

Significant Accounting Policies	7
Notes on Accounts	8

The Schedules referred above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For Gupta & Co.  
Chartered Accountants



M.K. Gupta  
(M.K. Gupta)  
Partner

General Manager  
(F&A)

Membership No. 6615

Place : Thimphu

Date : 13<sup>th</sup> April, 2010

On behalf of the Board of Directors

Chief Executive  
Officer

Chairman

Directors



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of Royal Insurance Corporation of Bhutan Limited)

**Cash Flow Statement for the year ended 31<sup>st</sup> December 2009**

	2009 Nu.	2008 Nu.
<b>Net Cash flow from Operating Activities</b>		
Net Profit / (Loss) before Tax	-	69,462
Balanced transferred to Reserves & Surplus	886,140	-
Balance Brought Forward	141,209	-
Depreciation charges	1,519	-
(Increase)/Decrease in Other Assets	(27,800)	(2,400)
Increase/ (Decrease) in Other Liabilities	6,360,016	43,463
Increase/ (Decrease) in cash and cash equivalent	<u>7,361,084</u>	<u>110,525</u>
 Opening Cash and Cash Equivalents - Bank balances	 <u>196,646</u>	 <u>86,121</u>
Closing Cash and Cash Equivalents - Bank balances	<u>7,557,730</u>	<u>196,646</u>

The Schedules referred to above form an integral part of the cash Cash Flow Statement

This is the Cash flow statement referred in our report of even date

For Gupta & Co.  
Chartered Accountants

On behalf of the Board of Directors



*M.K. Gupta*  
(M.K. Gupta) Partner

General Manager  
(F&A)

Membership No. 6615

Place : Thimphu

Date : 13<sup>th</sup> April, 2010

*[Signature]*  
Chief Executive Officer

Chairman

*[Signature]*  
Directors



**RICB Securities Limited**  
(A Wholly Owned Subsidiary of Royal Insurance Corporation of Bhutan Limited)

**Notes to Cash flow Statement for the year ended 31.12.2009**

	2009	2008
	Nu.	Nu.
<b>1. Net Cash flow from Operating Activities</b>		
Net profit / (Loss) before Tax	-	69,462
Balance transferred to Reserves & Surplus	886,140	-
Balance Brought Forward	141,209	-
Depreciation charges	1,519	-
(Increase)/Decrease in Other Assets	(27,800)	(2,400)
Increase/(Decrease) in Other Liabilities	6,360,016	43,464
<b>Net cash flow from operating activities</b>	<b><u>7,361,084</u></b>	<b><u>110,526</u></b>

For Gupta & Co.  
Chartered Accountants



*M.K. Gupta*  
(M.K. Gupta) General Manager  
Partner (F.A.)

Membership No. 6615

Place : Thimphu

Date : 13th April, 2010

On behalf of Board of Directors

*[Signature]*  
Chief Executive Officer

*[Signature]*  
Chairman

*[Signature]*  
Directors



**RICB SECURITIES LIMITED**

(A Wholly Owned Subsidiary of RICBL)

**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR  
THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009**

	<b>2009</b>	<b>2008</b>
	<b>Nu.</b>	<b>Nu.</b>
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised -</b>		
50,000 Equity Shares on Nu. 1,000/-each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, Subscribed and paid up</b>		
5000 Equity Shares of Nu. 100/each fully paid	<u>500,000</u>	<u>500,000</u>
(All the shares are held by Royal Insurance Corporation of Bhutan Limited, the Holding Corporation)		
<b>SCHEDULE - 2</b>		
<b>FIXED ASSETS - At cost</b>		
<b>Electrical Installation &amp; Computers</b>		
Gross Block - As per last Account	(A) 184,242	184,242
Add: For the year	<u>27,800</u>	<u>-</u>
	<u>212,042</u>	
Less: Depreciation		
As per Last Account	184,238	184,238
Add: For the year	<u>1,519</u>	<u>-</u>
	(B) <u>185,757</u>	<u>184,238</u>
Net Block	(A - B) <u>26,285</u>	<u>4</u>
<b>SCHEDULE - 3</b>		
<b>CURRENT ASSETS</b>		
<b>Cash at Bank</b>		
In Current Accounts	7,557,730	196,646
	(A) <u>7,557,730</u>	<u>196,646</u>
<b>OTHERS</b>		
Tax Deducted at Source	4,700	4,700
- Refundable	(B) <u>4,700</u>	<u>4,700</u>
Total	(A+B) <u>7,562,430</u>	<u>201,346</u>



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)  
**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR**  
**THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009**

**SCHEDULE - 4**

**CURRENT LIABILITIES AND PROVISIONS**

**A. Current Liabilities**

Outstanding Management Expense	-	53,704
Client Account	971,600	-
Payable to Holding Corporation	5,351,200	288,855
<b>B. Provision for Income Tax</b>	<b>379,775</b>	<b>-</b>
	<b><u>6,702,575</u></b>	<b><u>342,559</u></b>

**SCHEDULE- 5**

**MANAGEMENT EXPENSES**

Telephone Charges	500	1,200
Licence Fees/Rates & Taxes	-	4,500
Bank Charges	1,588	100
Printing & Stationery	6,869	4,686
Membership Fees	50,000	50,000
Miscellaneous Expenses	10,920	-
Audit Fees	-	7,000
Trading Fees	-	46,604
Advertisement Expenses	21,453	-
	<b><u>91,330</u></b>	<b><u>114,090</u></b>





**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)

**SCHEDULE-6**

**STATEMENT OF DEPRECIATION FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009**

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2009 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2009 (Nu.)	Rate of Depreciation	Depreciation during the period (Nu.)	Total Depreciation as on 31.12.2009 (Nu.)	Net Block as on 31.12.2009 (Nu.)	Net Block as on 31.12.2008 (Nu.)
1	1	PCAT COMPUTER WITH PRINTER & UPS	01.10.1997	93,852.00	-	93,852.00	15%	-	93,851.00	1.00	1.00
2	1	ACER POWER COMPUTER	23.12.1999	76,890.00	-	76,890.00	15%	-	76,889.00	1.00	1.00
3	1	ACP UPS	23.12.1999	10,500.00	-	10,500.00	15%	-	10,499.00	1.00	1.00
4	1	STABILISER	03.09.2002	3,000.00	-	3,000.00	15%	-	2,999.00	1.00	1.00
5	1	DELL COMPUTER	20.08.2009	-	27,800.00	27,800.00	15%	1,519	1,519.00	26,281.00	-
				184,242.00	-	212,042.00		1,519	185,757.00	26,285.00	4.00



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)

**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR  
ENDED 31<sup>ST</sup> DECEMBER 2009**

**SCHEDULE - 7**

**SIGNIFICANT ACCOUNTING POLICIES**


- 1 **Basis of preparation:** The accounts have been prepared on historical cost convention, accrual concept and in accordance with the generally accepted accounting principles.
- 2 **Revenue Recognition :** The Income and expenses are considered in the accounts on accrual basis unless otherwise stated.
- 3 **Investment :** Investment made by the Company are stated at cost. Any permanent diminution in the value of investment are provided for.
- 4 **Fixed Assets:** Fixed Assets have been accounted for on the basis of historical cost or capital grant wherever applicable for distinct assets. Depreciation is provided on straight line method at the rates and manner prescribed by the Income Tax Act of the Kingdom of Bhutan, 2001.
- 5 Provision for income tax is accounted for on book profit of the Company at the prevailing rate as per Income Tax Act of the Kingdom of Bhutan, 2001.

**SCHEDULE - 8**

**NOTES FORMING THE PART OF ACCOUNTS**

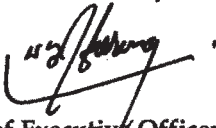
- 1 Royal Insurance Corporation of Bhutan Limited (the Holding Corporation), has not charged the entire Brokers' salaries and others emoluments amounting to Nu. 371,335/- incurred on behalf of the Company and has been borne by them entirely.
- 2 Provision for Income Tax is made on the Book Profit of the Company after deduction of accumulated losses and that necessary adjustments, if any, have been made when assessment is completed under Income Tax Act of the Kingdom of Bhutan, 2001, as ammended on date. No advance tax has been paid.
- 3 Figures of the previous year have been regrouped /rearranged wherever necessary.

**Signatures to Schedules 1 to 8**

  
General Manager  
(F&A)

Place: Thimphu

Date: 13th April, 2010

  
Chief Executive Officer

  
Chairman

  
Directors



## **Gupta & Co.**

Chartered Accountants

53A, Mirza Ghalib Street  
Kolkata – 700 016  
Phone: 2229-2638, 2229-6241, 2229-0871/72  
Fax: (91) (033) 2229-1859  
Email: guptaco55@hotmail.com

### **AUDITORS' REPORT**

To the Board of Directors of

**Royal Insurance Corporation of Bhutan Limited**

We have audited the attached Balance Sheet of **PRIVATE PROVIDENT FUND** as at 31 December 2009 of Private companies and few Non-Government Organisations managed by the Royal Insurance Corporation of Bhutan Limited and the related Revenue Account of the Fund for the year ended on that date, hereinafter referred to as "financial statements", which we have signed under the reference to the report.

1. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



3. In our opinion, proper books of account have been kept by the corporation so far as appears from our examination of those books.
4. The financial statements dealt with in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the underlying accounting records and books of accounts.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and attached thereto, give, respectively, a true and fair view:
  - (i) In case of the Balance Sheet, of the state of affairs of the Fund as at 31<sup>st</sup> December 2009; and
  - (ii) In case of the Revenue Account, of the Income and Expenditure of the Fund for the year ended on that date.

For GUPTA & Co.

*Chartered Accountants*

Firm's Registration No-301028E



*M.K. Gupta*  
(M.K. Gupta)

Place: Thimphu

Date: 13<sup>th</sup> April, 2010

*Partner*

Membership No: 6615

## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

PRIVATE PROVIDENT FUND  
PHUENTSHOLING BHUTANBALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2009

	Schedule	As at 31 December, 2009 Nu.	As at 31 December, 2008 Nu.
<b><u>LIABILITIES</u></b>			
Employees' & Employers' Contribution	1	221,123,064	157,482,848
Interest Credited to Employees' Account	2	43,928,234	36,942,823
General Reserve	3	260,289	260,289
Other Liabilities	4	32,420	7,742
<b>TOTAL</b>		<b>265,344,007</b>	<b>194,693,702</b>
<b><u>ASSETS</u></b>			
Deposit with RICBL	5	233,067,489	183,417,838
Cash and Bank Balances	6	2,324,781	1,290,364
Other Assets-Interest Accrued	7	12,951,737	9,985,500
Receivable from others		17,000,000	-
<b>TOTAL</b>		<b>265,344,007</b>	<b>194,693,702</b>
Significant Accounting Policies	8		
Notes On Accounts	9		

The schedules referred to herein above form an integral part of the Balance Sheet.

This is the Balance Sheet referred  
to in our report of even date.

For Gupta & Co.  
Chartered Accountants

General Manager  
(Finance & Accounts)

On behalf of the Private Provident Fund  
Chief Executive Officer    Chairman    Director



K. Gupta  
(Partner)

Partner

Membership No.6615

Place : Thimphu

Date : 13<sup>TH</sup> April, 2010



## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED (RICBL)

## PRIVATE PROVIDENT FUND

## PHUENTSHOLING BHUTAN

REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009

Schedule	For the Year ended	For the Year ended
	31 December, 2009	31 December, 2008
	Nu.	Nu.
<b><u>INCOME</u></b>		
Return on Deposits	12,951,737	9,985,498
	<u>12,951,737</u>	<u>9,985,498</u>
<b><u>EXPENSES</u></b>		
Return on Employees' Contribution	6,476,823	4,993,394
Return on Employers' Contribution	6,474,914	4,992,104
	<u>12,951,737</u>	<u>9,985,498</u>

Significant Accounting Policies 8

Notes On Accounts 9

The schedules referred to herein above form an integral part of the Revenue Account.

This is the Revenue Account

referred to in our report of even date.

On behalf of Private Provident Fund

For Gupta & Co.  
Chartered Accountants

General Manager  
(Finance & Accounts)

Chief Executive  
Officer

Chairman

Director



M.K. Gupta  
(M.K. Gupta)

Partner

Membership No.6615

Place : Thimphu

Date : 13<sup>th</sup> April, 2010





# ROYAL INSURANCE CORPORATION OF BHUTAN LTD

## PRIVATE PROVIDENT FUND PHUNTSHOLING BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE 1

### EMPOLYEEES' AND EMPLOYERS' CONTRIBUTION

	EMPLOYEES' CONTRIBUTION 31December, 2009	EMPLOYERS' CONTRIBUTION 31December, 2009	EMPLOYEES' CONTRIBUTION 31December, 2008	EMPLOYERS' CONTRIBUTION 31December, 2008
	NU	NU	NU	NU
As per last Account	78,741,424	78,741,424	60,523,622	60,523,622
Add:				
Contribution during the year	44,874,969	44,862,075	26,070,188	26,070,188
	<u>123,616,393</u>	<u>123,603,499</u>	<u>86,593,810</u>	<u>86,593,810</u>
Less: Refund during the year	13,051,262	13,045,566	7,852,386	7,852,386
<b>TOTAL</b>	<u><b>110,565,131</b></u>	<u><b>110,557,933</b></u>	<u><b>78,741,424</b></u>	<u><b>78,741,424</b></u>
 <b>GRAND TOTAL</b>	 <u><u><b>221,123,064</b></u></u>		 <u><u><b>157,482,848</b></u></u>	



# ROYAL INSURANCE CORPORATION OF BHUTAN LTD

## PRIVATE PROVIDENT FUND

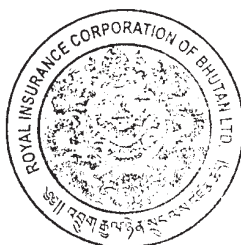
### PHUNTSHOLING BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE 2

#### INTEREST ON EMPLOYEES' AND EMPLOYERS' CONTRIBUTION

	EMPLOYEES' CONTRIBUTION 31December, 2009	EMPLOYERS' CONTRIBUTION 31December, 2009	EMPLOYEES' CONTRIBUTION 31December, 2008	EMPLOYERS' CONTRIBUTION 31December, 2008
	NU	NU	NU	NU
As per last Account	18,482,264	18,460,559	15,297,533	15,277,119
Add: contribution during the year	6,476,823	6,474,914	4,993,395	4,992,104
	<u>24,959,087</u>	<u>24,935,473</u>	<u>20,290,928</u>	<u>20,269,223</u>
Less: Refund during the year	2,989,837	2,976,489	1,808,664	1,808,664
<b>TOTAL</b>	<u><b>21,969,250</b></u>	<u><b>21,958,984</b></u>	<u><b>18,482,264</b></u>	<u><b>18,460,559</b></u>
 <b>GRAND TOTAL</b>	 <u><u><b>43,928,234</b></u></u>		 <u><u><b>36,942,823</b></u></u>	



# ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

## PRIVATE PROVIDENT FUND

### PHUENTSHOLING BHUTAN

#### SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31December, 2009 Nu.	As at 31December, 2008 Nu.
<b>SCHEDULE - 3</b>		
<b>GENERAL RESERVE</b>		
As per last Account	260,289	260,289
TOTAL	260,289	260,289
<b>SCHEDULE - 4</b>		
<b>OTHER LIABILITIES</b>		
Stale Cheques	18,324	3,805
Excess Contribution Refundable	14,096	3,937
TOTAL	32,420	7,742

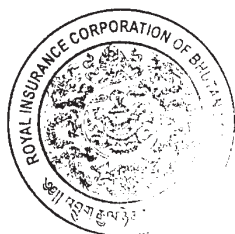


## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

PRIVATE PROVIDENT FUND  
PHUENTSHOLING BHUTAN

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31 December, 2009 Nu.	As at 31 December, 2008 Nu.
<b>SCHEDULE - 5</b>		
<b>DEPOSIT WITH RICBL</b>		
As per last Account	183,417,837	141,402,384
Add: Addition during the Year (Net)	49,649,652	42,015,453
<b>TOTAL</b>	<b>233,067,489</b>	<b>183,417,837</b>
<b>SCHEDULE - 6</b>		
<b>BANK BALANCES</b>		
Bank Balances	2,324,781	1,290,364
In current Accounts (Bank of Bhutan)		
<b>TOTAL</b>	<b>2,324,781</b>	<b>1,290,364</b>
<b>SCHEDULE - 7</b>		
<b>OTHER ASSETS</b>		
Receivable from RICBL-Interest Accrued	12,951,737	9,985,499
<b>TOTAL</b>	<b>12,951,737</b>	<b>9,985,499</b>



# ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

## PRIVATE PROVIDENT FUND

## PHUENTSHOLING BHUTAN

### SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

#### SCHEDULE - 8

#### SIGNIFICANT ACCOUNTING POLICIES:

1. The Accounts have been prepared in accordance with the provisions laid down in the Private Provident Fund Scheme 1976 (PPFS) as amended/revised to-date and on the basis of the individual Memorandum of Understanding drawn up between RICBL and the various private companies and Non-Government Organizations.
2. Accounts are prepared on accrual basis except otherwise stated elsewhere.
3. Interest is credited to individual member's accounts on the basis of fixed rate of returns mutually agreed between the private companies and Non Government Organization and RICBL.
4. Employer's contributions have been accounted for in the accounts on the basis of actual remittance received as per the 'recovery schedule' obtained up to 31<sup>st</sup> December 2009, from various Private Companies and Non Government Organizations and refunds are made as per the intimation record from them.

#### SCHEDULE - 9

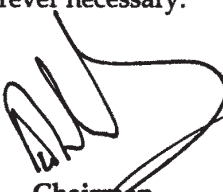
#### NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009:

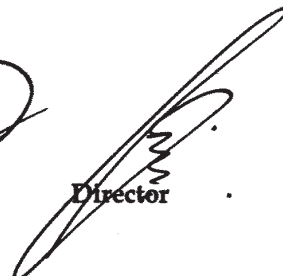
1. Consequent upon delinking of Government Employees Provident Fund with effect from 30 June, 2000, Provident Fund Management for Private Companies and Non Government Organizations remained with Royal Insurance Corporation of Bhutan Limited (RICBL) as per the Government Directives, vide Letter No. MOF/Pension/4841 dated 30<sup>th</sup> March 2000 and the letter dated 23<sup>rd</sup> June 2000 from the Ministry of Finance, Royal Government of Bhutan.
2. Management expenses for the current year are entirely borne by the RICBL.
3. Interest on Employees' Contribution and the Employers' contribution for the year ended 31 December, 2009 have been accounted for @ 6% per annum on daily product basis.
4. Receivable from others represent the amount of Nu. 17,000,000/-paid to Bhutan Board Products Ltd on 31<sup>st</sup> December 2009, which was refunded on 1<sup>st</sup> January 2010
5. Previous year's figures have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 9

  
General Manager  
(Finance & Accounts)

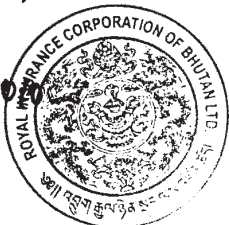
  
Chief Executive Officer

  
Chairman

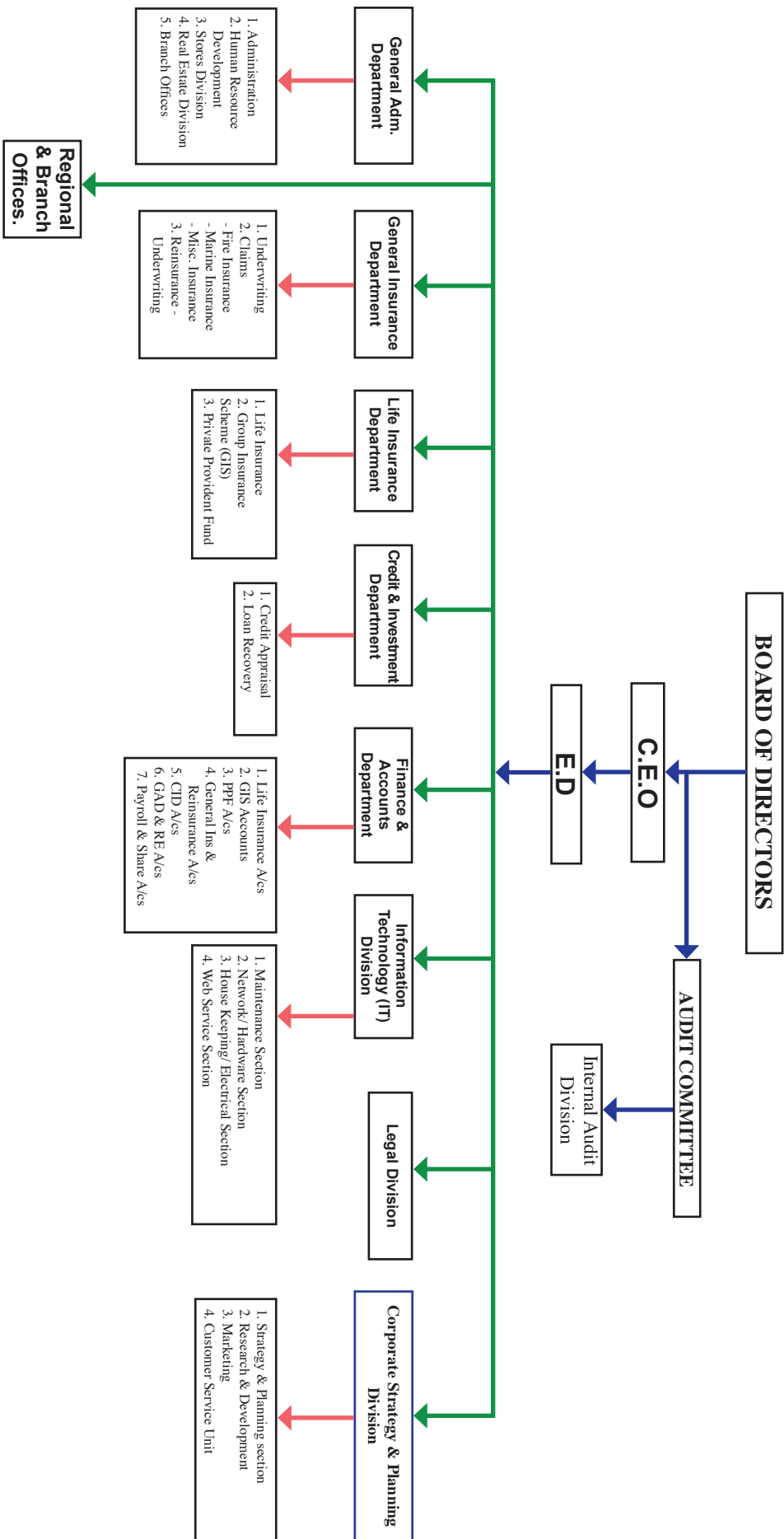
  
Director

Place: Thimphu

Date: 13<sup>th</sup> April, 2010



# ORGANOGRAM





## Board of Directors



**(CHAIRMAN)**  
**DASHO WANGCHUK DORJI**  
 Vice-Chairman  
 Tashi Commercial Corporation



**(DIRECTOR)**  
**DASHO PENJOR**  
 Gyalpo Zimpon  
 Gyalpo Zimpon's Office



**(DIRECTOR)**  
**DASHO TOPGYAL DORJI**  
 Managing Director  
 Bhutan Ferro Alloys Ltd.



**(DIRECTOR)**  
**DASHO TENZING YONTEN**  
 Representative of  
 Minority Shareholder



**(DIRECTOR)**  
**SONAM YESHEY**  
 Head, Pension &  
 Provident Fund  
 NPPF



**(DIRECTOR)**  
**TSHENCHOK THINLAY**  
 Managing Director  
 Tashi Tours & Treks



**(DIRECTOR)**  
**KINZANG TOBGAY**  
 Senior Analyst  
 Druk Holding &  
 Investment Ltd.



**(MEMBER SECRETARY)**  
**NAMGYAL LHENDUP**  
 Chief Executive Officer  
 Royal Insurance Corporation  
 of Bhutan Ltd.

## Management



Front Row (Left to Right) : Sonam Dorji, G.M (F&A), Namgyal Lhendup, C.E.O, Pema Tshering, E.D.

Back Row (Left to Right) : Wangchuk Namgyal, G.M (General), Kinzang Dorji, G.M (CID),  
 Karma S. Tshering , G.M (Life), Tshewang Jigme, Head, GAD & HRD