

༄༅ ། འབྲུག་གྲུལ་ཉེན་སྲུང་ལས་འཛིན་ཚད།

Royal Insurance Corporation of Bhutan Limited



ལོ་བསྟར་སྟན་ལྷ།

36th ANNUAL REPORT 2010

GENERAL INFORMATION

HEAD OFFICE

THIMPHU

Post Box: 315

Telephone (PABX): + 975-02-321037, 322426, 321161, 323487, 324282, 321036

Fax No.: 02-323677, 336086, 336085

E-mail: csu_all@ricb.com.bt/ricbho@druknet.com.bt

Website: www.ricb.com.bt

REGIONAL OFFICE

PHUENTSHOLING

Post Box no.: 77

PABX: 975-5-252482, 252509, 252453, 252868

Fax No.: 05-252441

Toll Free no.: 151

RICB BRANCH OFFICES

	telephone	Fax
SAMtSE	05-365235	05-365591
GEDU	05-282330	05-282564
PARO	08-271281, 272853	08-272019
KhURUthANG	02-584310, 584346	02-584309
tRASHIGANG	04-521156, 521324	04-521298
GELEPhU	06-251070	06-251782
SAMDRUP JONGKhAR	07-251095, 251491	07-251492
tSIRANG	06-471420	06-471421
BUMthANG	03-631101	03-631333
MONGAR	04-641116, 641104	04-641446
NGANGLAM	07-481221	07-481222

MICRO OFFICES OF RICB

	telephone	Fax
hAA	08-375351	08-375301
t/YANGtSE	04-781270	04-781270
LhUNtSE	04-545176	04-545176
P/GAtShEL	07-471290	07-471291
tRONGSA	03-521444	03-521403
ZhEMGANG	03-741291	03-741292
BAJO	02-481927	02-481928
DAGANA	06-481289	06-481290
GOMtU	05-371255	05-371256

BANKERS

BANK OF BHUTAN

H.O. PHUENTSHOLING, BHUTAN

BHUTAN NATIONAL BANK

H.O. THIMPHU, BHUTAN

DRUK PNB BANK

H.O. THIMPHU, BHUTAN

T- BANK

H.O. 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



VISION

The 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

T ransparency	:	Openness is our name
A ccountability	:	Honouring our responsibility
C ommitment	:	Delivering our promises
T eam Work	:	United we stand
I ntegrity	:	Playing by the rules
C reativity	:	New day, new ideas
S pecialization	:	Pursuing greater heights

CONTENTS

Royal Insurance Corporation of Bhutan Limited

Directors' Report	3
Auditors' Report	10
Balance Sheet-Consolidated	27
Life Balance Sheet as at 31st December 2007	28
Group Insurance Saving Balance Sheet	29
General Insurance Balance Sheet	30
Credit & Investment	31
Profit & Loss Account-Consolidated	32
Life Insurance Revenue Account	33
Group Insurance Saving Revenue Account	34
General Insurance Revenue Account	35
Credit & Investment Revenue Account	36
Cash Flow Statement	37
Schedule attached to and forming part of the Accounts	38

RICB Securities Limited

Auditors' Report	60
Balance Sheet	66
Profit & Loss Account	67
Cash Flow Statement	68
Schedules of Financial Statement	70

Private Provident Fund

Auditors' Report	75
Balance Sheet	77
Revenue Account	78
Schedules of Financial Statement	79

ROYAL INSURANCE CORPORATION OF BhUt AN LIMItED**Directors' Report for the Year 2010****to the Shareholders and Policy holders**

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 36th Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2010.

Operational & Performance highlights

Financial Year 2010 was yet another year of impressive growth with record profit before tax of Nu. 300.19 million (Nu. 261.27 million profit before tax in the previous year). The overall business growth was Nu.1,118.71 million as against Nu. 877.06 million of 2009, thus registering a growth rate of 27.55%. The general insurance business alone contributed Nu. 470.87 million despite of stiff competition followed by investment business of Nu.463.15 million, and the remaining business of Nu.184.69 from Life Insurance and GIS business.

The total business achieved from the insurance sector (General, Life & Group Insurance) stood at Nu.655.56 million with net premium of Nu. 373.89 million after affecting the re-insurance premiums . Correspondingly, the gross claims amounted to Nu. 251.30 million with net claims of Nu 161.56 million after considering reinsurance premiums . The overall net claim ratio during the financial year 2010 stood at 43.21% compared to 44.43% in the previous year.

The overall underwriting insurance net revenue posted Nu.150.24 million compared to Nu.135.94 million of the previous year, which was transferred to the Profit and Loss Account of the Corporation. The consolidated total gross interest amounted to Nu 463.14 million with the growth of 31.66 % as against the previous year with net interest of Nu. 439.51 million after suspending the interest in line with the RMA prudential regulation 2002.

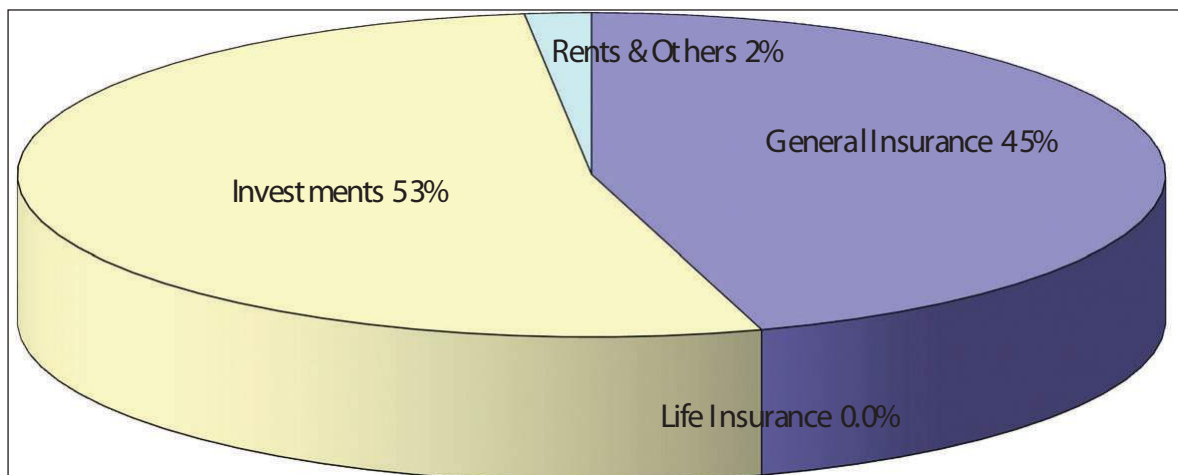
Business Income for the Period ended 31.12.2010

、	<u>Figures in</u>	<u>Premium</u>			<u>Claims</u>		
	<u>(Nu. Million)</u>	<u>Gross Premium</u>	<u>Reinsurance</u>	<u>Net Premium</u>	<u>Gross Claims</u>	<u>Reinsurance</u>	<u>Net Claims</u>
	Particulars						
	Fire	206.66	155.92	50.75	47.06	26.53	20.53
	Miscellaneous	254.29	118.42	135.87	162.98	61.15	101.83
	Marine	9.92	7.34	2.58	2.31	2.06	0.25
A	General Insurance	470.87	281.68	189.20	212.35	89.74	122.61
B	<u>Life Insurance</u>	154.58	-	154.58	22.95	-	22.95
C	<u>GIS & GISL</u>	30.11	-	30.11	16.00	-	16.00
	total = (A+B+C)	655.56	281.68	373.89	251.30	89.74	161.56
D	Investment	Gross Interest Earned	Interest Suspense	Net -Interest Earned	Interest Expenses	Interest Differential	Further Provs.
		463.15	23.64	439.51	266.13	218.54	2.3
	<u>(A+B+C+D)</u>	<u>total Business</u>		1,118.71			

Financial Performance for the year 2009-2010

Particulars	2010 (Nu. Million)	2009 (Nu. Million)	Variance '10 & '09 %
<u>Income</u>			
General Insurance	150.24	134.85	11.41
Investment (Net)	175.76	147.68	19.01
Life (Surplus)	-	1.09	(100)
Other	6.23	6.50	(4.15)
total: (I)	332.23	290.12	14.51
<u>Expenses</u>			
Deprecation	11.45	10.54	8.63
Contribution to Gratuity Fund	3.92	8.23	(52.49)
Other Expenses	16.66	10.08	65.28
total: (II)	32.04	28.85	10.98
Profit Before Tax (I) - (II)	300.19	261.27	14.90
Profit After Tax	210.13	182.89	14.90
Earning Per Share	87.56	75.50	15.97
Book Value Per Share	406.01	333.26	18.28
Net-worth of the Company	974.42	799.83	21.83
Return on Core Equity	87.56	75.50	-

It is significant to note that the Investment Department continues to contribute majority of the revenue with Nu. 175.76 million (53%), followed by the General Insurance with Nu.150.24 million (45%). The remaining contributions were from other miscellaneous sources as presented below:

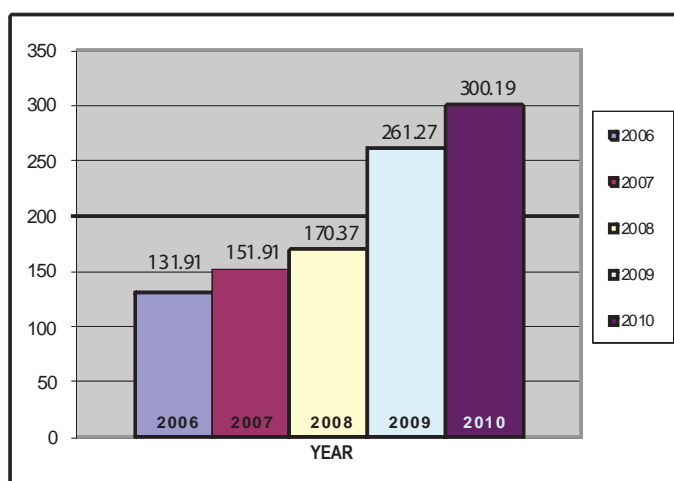


In line with the growth of the business income and subsequent allocation of profit to the Capital Fund, the earnings per share during the year have posted to Nu.87.56 vis-à-vis Nu. 75.50, in the previous year. The net worth of the company as on 31.12.2010 stood at Nu. 974.42 million as against Nu. 799.83 million in 2009 and the book value per share translate of Nu.406.01 compared to Nu. 333.26 during the previous year. The return to core equity posted at 87.56% compared to 75.50% during the previous year.

Based on the profitability and considering the fund position, the Board has recommended a dividend to the Shareholders at 25% of the face value of share (Nu.25 per share).

Performance Highlights (Gross Profit) from 2006 - 2010

Year	Nu. in Million	%
2006	131.91	15.94%
2007	151.91	15.16%
2008	170.37	12.15%
2009	261.27	53.35%
2010	300.19	14.90%



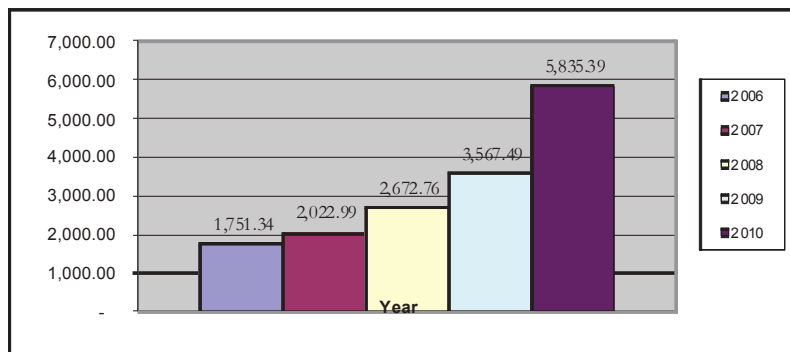
In terms of the growth of the profit (before tax) y-o-y, the company continued to perform consistently with an average growth of profit before tax at 22.30% over the last five years.

Financial Position of the Company

The total asset of the company stood at Nu. 5.84 billion compared to Nu. 3.57 billion in 2009, thus registering a growth rate of 63.57% during 2010. . The net worth of the company/Capital Fund stood at Nu. 974.42 million as against Nu., 799.23 of 2009, which is an increase by about 21.83%, which was transferred from Profit and Loss Account along with the general provisions of Nu. 66.06 million. Further, the net fund balance has increased to Nu.4.35 billion from Nu. 2.32 billion in the previous year. The Corporation is expected to contribute about Nu.90.06million, to the national exchequer in the form of Corporate Income Tax during financial year 2010.

Growth in Balance sheet

Year	Nu. in Million	%
2006	1,751.34	5.96%
2007	2,022.99	15.51%
2008	2,672.76	32.12%
2009	3,567.49	33.48%
2010	5,835.39	63.57%



Statutory Compliances

Royal Monetary Authority

Comparative analysis of Recovery rate, Statutory Liquidity Ratio, and the ratio of NPL for the last five years are given below:

Year	Recovery Rate	Statutory Liquidity Ratio	Ratio of NPL
2006	91.38 %	10.08 %	25.49 %
2007	91.32 %	7.11 %	18.43 %
2008	92.30 %	19.75 %	12.32 %
2009	92.30 %	12.53 %	8.27 %
2010	94.79 %	15.06 %	6.75 %

Royal Audit Authority

The observations of the Audit on the performance of the Company reflect a commendable financial and commercial discipline. Except for some minor procedural lapses no severe lapses were reported during the year 2010, which the company is in the process of resolving the issues raised by the Auditor .

Statutory Auditors

M/s Gupta & Company, Chartered Accountants was appointed as the Statutory Auditors of RICB for the financial year 2010 in the 35th Annual General Meeting of the shareholders.

Company Registrar

The Company Registrar has inspected the company's compliances to the Companies Act of the Kingdom of Bhutan 2000 up to the financial year 2009 and no adverse comments were note.

Highlight of key achievements during the financial year 2010

The year 2010 has been very challenging for RICB with the advent of competition in the General Insurance and Investment business. The General Insurance business was hit hard with the premium rate declining as high as 80% and claim amount increasing by over 30% to retain the business as well as to improve the services. Despite stiff competition and hardening market, RICB continues to maintain its growth trajectory.

Some of the key highlights of the achievement of the RICB are as under:-

- The record profit before tax stood at Nu. 300.19 million;
- Total business volume surpasses a billion mark and posted to Nu. 1.12 billion;
- Opened RICB Branch/Micro offices to all the Dzongkhags in the country;
- Successfully floated RICB Bond series II and introduced concept of Inter-institutional borrowings in the financial sector. RICB mobilized Nu.2 billion through above instruments during the financial year; and
- Introduced ICIMS (Integrated Credit & Management System) successfully and migrated Investment portfolio to the new system from Foxpro.

Business Plans 2010-2011

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. 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;
2. Leverage on the Life Insurance Business as source of funds to the investment business through introduction of new products:-
3. Explore various sources of funds to enable the Investment business to operate at an optimum level. Credit and Investment Business also equally generates business for insurance business for which RICB shall 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 2011;
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 2011, which will be used fairly and judiciously;

8. Risk management has been identified as one of the important tools for the management to effectively manage its business. A risk management division will be set up to provide technical support to the underwriting of the insurance business; and
9. RICB shall also 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.

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 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 perpetual support and patronage of the Company.

The Directors are also pleased to place on record their sincere appreciation to all our agents, and re-insurance partners and surveyors 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

(Topgyal Dorji)
ChAIRMAN

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

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 2010, 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 un-audited eleven Branches and eight Micro offices not visited by us.

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 IInd 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, claim settlement and loan management which has materially affected this financial statement. Although there is an improvement during the year 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 & c)** Regarding embezzlement and burglary dictated in the previous year are pending with Hon'ble court for decision;
- 3.3 **Note 14** regarding non-funding of gratuity liability of Nu. 1.92 million although provided in the books;
- 3.4 **Note 15** regarding non-ascertainment and non-provisioning of bonus payable to employees for the year;
- 3.5 **Note 16(b)** regarding non-ascertainment of further eventual adjustments in respect of unadjusted deposits from policyholders aggregating to Nu. 1.29 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 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, but the corporation has paid Nu. 1.68 million to the policy holders whose policies matured during the year;
- 3.8 **Note 22** regarding recognition of premium on extended policies as income in the year of receipt except an amount of Nu.10.00 million has been deferred for engineering policies on ad-hoc basis during the year;
- 3.9 As indicated in **Note 23 (b) (i)** 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 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)**;

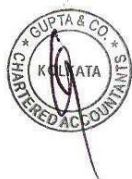


- 3.11 *Note 34 regarding non-reconciliation of current account maintained for RICB Securities Ltd which may affect the financial statement of the corporation;*
- 3.12 *Note 35 regarding non-reconciliation of passenger coupon;*
- 3.13 *The Corporation has paid Leave Encashment benefit on cash as per **Significant Accounting Policy No. 2(viii)** but not on accrual basis, which is against the generally accepted accounting principle;*
- 3.14 *Our observations as indicated against paragraph 3.3, 3.4, 3.5, 3.7, 3.8, 3.9, 3.11 and 3.12 the impact on the financial state of affairs and operational results of the Corporation is not ascertainable 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 (a)** 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 29** 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;
 - Embezzlement of funds;
 - 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 generally 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 and to the best of our information and according to the explanation 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:



GUPTA & CO
CHARTERED ACCOUNTANTS

CONTINUATION SHEET

- i) In the case of Balance Sheets, of the state of affairs of the Corporation as at 31 December 2010;
- 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

Place: Thimphu

Date : 31 MAR 2011

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

Membership No: 6615

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 2010 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 as indicated in **Note 17(b) of schedule 21**.
(b) Pending reconciliation between the book records and physical inventory as indicated in **Note 17 (a) 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 and Provident Fund, Bank of Bhutan Ltd & Druk PNB Ltd, 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.1,500.00 million by issuing 1,500,000 bonds of Nu. 1,000 each.
5. 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.

6. 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.
7. 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.
8. 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.



9. During the year 2009, an amount of Nu.11.26 million has been discovered as embezzlement in the Thimphu Regional Bank Account No.292, out of the aforesaid amount of 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 deposited next day and confirmation may be obtained through online from all the Branches and Regional Office to prevent such recurrence.
10. During the year 2009, there was also Burglary in the Paro Office amounting to Nu.0.30 million for which FIR has been loaded and the case is still pending with Royal Bhutan Police. We suggest that follow-up should be made on regular basis.
11. There has, 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.
12. 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.



13. 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.
14. 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. 1.92 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.
15. 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**.
16. 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.
17. 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 procedures 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.

18. 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 is generally been carried out for management information and follow-up actions, if required.
19. 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.
20. 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.
21. 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 15 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 any such case contrary to this.

22. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.
23. The details of remuneration of the directors of the Corporation are disclosed in the **Note 26 (a) and (b) on Schedule 21** to accounts.
24. The directives of the Board have generally been complied with, by the management of the Corporation during the year.
25. 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.
26. 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 needs improvement regarding settlement of claims in regard to General Insurance business.
27. The Corporation has investment in equity shares in companies, however it is not engaged in dealing or trading in shares, securities and other investments.
28. Reasonable records are generally maintained for funds collected from depositors and for interest payment.



29. 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.
30. 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 only four meetings of the Audit Committee were held i.e. on 23.04.2010, 29.06.2010 and 27.09.2010 & 27.12.2010.
 - 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.
31. 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.
32. Recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2002.
33. 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 ensure 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.

34. 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, all the related documentation are not readily available during the course of our examination.
35. According to the information and explanations given, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.
36. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performance 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.
37. 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.
38. 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. It was noted that there are certain old stationeries are lying in the book, which should be written off/sale as a scrap.

Reporting requirements on computerized accounting environment

39. 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.
40. According to information and explanations provided to us, adequate safeguard measures and back-up facilities measures generally exist including maintenance of local stand-by servers at Head Office and Phuentsholing Regional Office for the database of their respective locations, except-
- (i) Absence of documented of policies regarding back-ups, offsite remote and mirror back-ups.
 - (ii) Absence of structured back-up systems and procedures for the data relating to Branch and Micro office accounts, Credit & Investment Operations and General Administration, maintained in ORACLE data base.
 - (iii) Absence of proper Documented Disaster Recovery Plans and procedures of its testing results.
41. 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.
42. According to information and explanations provided to us, the measures to prevent unauthorized access over the computers installations and files are



generally adequate accept proper structured documented systems and procedures relating to access controls, including policies and its implantations regarding changing of passwords at periodical intervals and invalidations thereof, in cases of circumstances.

Reporting requirements for general items

43. *Going concern problems*

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

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

For Gupta & Co.

Chartered Accountants

Firm's Registration No. 301028E

Place: Thimphu

Date : 31 MAR 2011



(M.K Gupta)

Partner

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, 2010 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED)

STATEMENT OF SIGNIFICANT RATIOS

FINANCIAL RATIOS:			2010	2009
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	18.33	24.23
2	Solvency Ratio (General Insurance)	(%)	5.24	8.44
3	Non-Performance Loan Ratio	(%)	6.75	8.27
4	Net Worth to Total Liabilities	(%)	16.70	22.42
5	Equity Investments to (Net Worth + Insurance Fund)	(%)	2.46	2.98
B	PROFITABILITY RATIOS:			
1	Combined Ratios (Gross Expenses to Net Premium)			
a	Life Insurance	(%)	35.52	42.10
b	Group Insurance Scheme	(%)	202.10	171.64
c	General Insurance	(%)	90.00	82.47
d	Credit & Investment (Interest Differential)	(%)	57.46	48.90
2	Claim Ratio (Net)			
a	Life Insurance	(%)	14.84	19.62
b	Group Insurance Scheme	(%)	53.15	51.26
c	General Insurance	(%)	64.80	55.97
d	Recovery Rate (Credit & Investment)	(%)	94.77	93.42
3a	Mgt. Expenses to Gross Premium - (Life Insurance)	(%)	13.03	11.94
b	Mgt. Expenses to Gross Premium - (Group Insurance)	(%)	47.62	29.49
c	Mgt. Expenses to Gross Premium - (General Insurance)	(%)	9.58	13.24
d	Mgt. Expenses to Gross Interest - (Credit & Investment)	(%)	7.19	9.23
4	Operating Income to Net worth -Net	(%)	30.81	32.67
5	Operating Income to Total Assets	(%)	5.14	7.32
6	Net Profit (After Tax) to Net Worth	(%)	21.57	22.65
7	Net Profit (After Tax) to Total Assets	(%)	3.60	5.08
8	Return on Core Equity (Profit After Tax)	(%)	87.56	75.50
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio		13.62	5.90
2	Long Term Debt to Net Worth		3.36	1.77
3	Net Fixed Assets to Long Term Debt		0.04	0.08
4	Net Fixed Assets to Net Worth		0.12	0.14

Financial Data		2010	2009
Face Value of share	(Nu.)	100.00	100.00
Earning per Share	(Nu.)	87.56	75.50
Book Value per Share	(Nu.)	406.01	333.26
Market price per Share	(Nu.)	350.00	350.00
Dividend per share	(Nu.)	25.00	25.00
No. of Shareholders		1,556.00	1,556.00
Shareholding pattern: No of shares		2,400,000	2,400,000
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
BALANCE SHEET AT 31ST DECEMBER, 2010

ANNUAL REPORT 2010
ROYAL INSURANCE CORPORATION OF BHUTAN LTD.

ASSETS	Schedule	2010 Nu.	2009 Nu.
Cash and Bank Balances	5	730,095,396	313,773,593
Foreign Currency Balance with a Bank outside Bhutan		1,760,805	29,960,075
		731,856,201	343,733,668
Loans and Investments			
Equity Investment	6	50,665,300	50,665,300
Treasury Bills		-	-
Loans and Advances	7	4,802,068,162	2,930,716,814
Assets acquired against Loans		56,075,790	39,245,517
		4,908,809,252	3,020,627,631
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		56,075,790	39,245,517
For Loans and Advances		108,476,740	161,745,717
For Interest Suspense		23,644,371	31,128,355
		188,631,379	232,554,067
		4,720,177,873	2,788,073,564
Fixed Assets	8		
Gross Block- at cost		188,456,065	169,575,624
Less: Accumulated Depreciation		70,674,887	59,227,255
Net Block		117,781,178	110,348,369
Capital Work in Progress		4,122,816	2,643,015
		121,903,994	112,991,384
Other Assets			
Interest, Rent and Other Receivables	9	176,364,857	158,590,601
Due from Reinsurance & Insurance Business	10	23,756,782	17,565,576
Advances, Deposits and Prepaid Expenses	11	61,327,937	146,534,365
		261,449,576	322,690,542
		5,835,387,643	3,567,489,158
LIABILITIES			
Capital Fund			
Shareholders' Fund			
Authorised Capital	12	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid up Capital	12	240,000,000	240,000,000
Reserves and Surplus	13	734,419,811	559,832,891
		974,419,811	799,832,891
Other Funds			
Insurance Funds	14	1,084,402,796	898,524,010
Investment and Borrowing Funds	15	4,621,200,431	2,671,483,139
		5,705,603,227	3,570,007,149
Less: Insurance Funds Investments		1,351,958,882	1,254,415,650
		4,353,644,345	2,315,591,499
Other Liabilities			
Reinsurance Reserves		738,803	653,062
Sundry Creditors	16	314,170,419	252,355,361
Due on Reinsurance and Insurance Business	17	854,900	2,411,508
Outstanding Claims less Reinsurance	18	41,501,533	58,263,195
Corporate Tax payable		90,057,833	78,381,642
Dividend Payable		60,000,000	60,000,000
		507,323,487	452,064,768
		5,835,387,643	3,567,489,158
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, 2010 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.

On behalf of the Board of Directors

For Gupta & Co

Chartered Accountants

Firm's registration no. 301028E

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

Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
LIFE INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2010

ASSETS	Schedule	2010 Nu.	2009 Nu.
Cash and Deposits			
Cash and Bank Balance	5A	23,506,376	9,543,336
Loans			
Policy Loans		504,702	466,162
Investment Fund			
Life Investment Fund	15AA	444,356,677	337,584,608
Other Assets			
Interest, Rent and other Receivables	9A	28,183,791	21,717,475
Due from Reinsurance and Insurance Business		780,750	-
Advances, Deposits and Prepaid Expenses	11B	-	242,072
		28,964,541	21,959,547
		497,332,296	369,553,653
LIABILITIES			
Funds			
Life Insurance Fund	14A	472,445,540	342,294,240
Other Liabilities			
Sundry Creditors [Note 16(a) on Schedule 21]	16A	22,160,813	23,048,162
Due on Reinsurance and Insurance Business	17A	-	219,250
Outstanding Claims less Reinsurance	18A	2,725,943	3,992,001
		24,886,756	27,259,413
		497,332,296	369,553,653
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, 2010 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

Firm's Registration No. 301018E

M.K. Gupta

(M.K. Gupta)
Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GROUP INSURANCE SAVING BALANCE SHEET AS AT 31ST DECEMBER, 2010

ASSETS	Schedule	2010	2009
Cash and Deposits		Nu.	Nu.
Cash and Bank Balance	5B	14,447,596	7,647,857
Investment Fund			
Group Investment Fund	15AB	448,046,496	395,477,335
Other Assets			
Interest, Rent and other Receivables	9B	35,292,801	29,670,769
Advances, Deposits and Prepaid Expenses	11A	3,144,200	2,025,300
		<u>38,437,001</u>	<u>31,696,069</u>
		<u>500,931,093</u>	<u>434,821,261</u>
LIABILITIES			
Funds			
GIS Savings Liability		258,315,699	220,978,995
GIS Interest Liability		204,401,389	181,775,103
GIS Fund		35,718,204	30,976,928
	14B	<u>498,435,292</u>	<u>433,731,026</u>
Other Liabilities			
Sundry Creditors	16B	395,802	350,235
Outstanding Claims	18B	2,100,000	740,000
		<u>2,495,802</u>	<u>1,090,235</u>
		<u>500,931,093</u>	<u>434,821,261</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, 2010 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

Firm's Registration No. 3010288

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

Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2010

ASSETS	Schedule	2010 Nu.	2009 Nu.
Cash and Bank Balances	5C	40,370,702	9,739,325
Foreign Currency balance held with a Bank outside Bhutan		1,716,176	29,960,075
		42,086,878	39,699,400
Investments			
Investment Fund	15AC	622,220,732	521,353,707
Other Assets			
Interest, Rent and other Receivables	9C	95,326,784	100,170,501
Due from Reinsurance and Insurance Business		22,976,032	17,565,576
Advances, Deposits and Prepaid Expenses	11C	430,000	570,000
		118,732,816	118,306,077
		783,040,425	679,359,184
LIABILITIES			
Reserve and Surplus	13B	565,439,811	451,271,307
Funds			
Insurance Funds	14C	113,521,964	122,498,744
Other Liabilities			
Reinsurance Reserves		738,803	653,062
Sundry Creditors	16C	20,737,140	8,758,400
Due on Reinsurance and Insurance Business	17B	854,900	2,192,257
Outstanding Claims less Reinsurance ceded	18C	36,675,590	53,531,194
Corporate Tax payable		45,072,217	40,454,220
		104,078,650	105,589,133
		783,040,425	679,359,184
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, 2010 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: 6613

Place: Thimphu

Date: 31 MAR 2011

[Signature]
General Manager
(F&A Dept.)

[Signature]
Chief Executive
Officer

[Signature]
Chairman

[Signature]
Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CREDIT & INVESTMENT BALANCE SHEET AS AT 31ST DECEMBER, 2010

ASSETS	Schedule	2010 Nu.	2009 Nu.
Cash and Bank Balances	5	652,741,823	285,292,028
Investments			
Equity Investment	6	50,665,300	50,665,300
Treasury Bills			-
Loans and Advances (Net of Credit)	7	4,801,563,460	2,930,250,652
Assets acquired against Loans		56,075,790	39,245,517
		4,908,304,550	3,020,161,469
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		56,075,790	39,245,517
For Loans and Advances		108,476,740	161,745,717
For Interest Suspense		23,644,371	31,128,355
		188,631,379	232,554,067
		4,719,673,171	2,787,607,402
Other Assets			
Interest, Rent and other Receivables	9D	16,659,295	5,764,214
Advances, Deposits and Prepaid Expenses	11D	26,042,764	108,264,039
		42,702,059	114,028,253
		5,415,117,053	3,186,927,683
LIABILITIES			
Reserves and Surplus	13C	482,578,503	346,850,685
		482,578,503	346,850,685
Funds			
Borrowing Funds	15	4,621,200,431	2,671,483,139
		4,621,200,431	2,671,483,139
Other Liabilities			
Sundry creditors	16D	258,610,855	124,290,821
Corporate Tax payable		52,727,264	44,303,038
		311,338,119	168,593,859
		5,415,117,053	3,186,927,683
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, 2010 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

For Gupta & Co.

(M.K. Gupta)
Partner

General Manager
(E&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors

Chairman

Director

Membership Number: 6618

Place: Thimphu

Date: 5 MAR 2011



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Schedule	2010 Nu.	2009 Nu.
OPERATING INCOME			
Surplus transferred from -			
Miscellaneous Insurance Revenue Account		71,597,500	68,285,623
Marine Insurance Revenue Account		4,313,896	2,856,397
Fire Insurance Revenue Account		74,329,324	63,705,381
		<u>150,240,720</u>	<u>134,847,401</u>
Life Insurance Revenue Account		-	1,096,379
Investment Revenue Account		175,757,548	147,676,794
		<u>325,998,268</u>	<u>283,620,574</u>
OTHER INCOME			
Rental Income		5,299,277	5,973,385
Profit on Sale of Assets		-	2,999
Miscellaneous Income		930,312	528,636
		<u>6,229,589</u>	<u>6,505,020</u>
TOTAL INCOME		<u>332,227,857</u>	<u>290,125,594</u>
OPERATING EXPENSES.			
Repairs and Maintenance		1,524,874	1,020,529
Contribution to Gratuity Fund (Note 14 on Schedule 21)		3,917,985	8,230,371
Depreciation		11,447,631	10,540,424
Loss on sale of Asset		-	171,739
Other Expenses		15,144,589	8,890,391
		<u>32,035,080</u>	<u>28,853,454</u>
Profit Before Taxation		<u>300,192,777</u>	<u>261,272,140</u>
Taxation (Note 9 on Schedule 21)		90,057,833	78,381,642
Short provision for previous years			1,691,585
Profit available for Appropriations		<u>210,134,944</u>	<u>181,198,913</u>
APPROPRIATIONS			
Proposed Dividend		60,000,000	60,000,000
Transfer to Catastrophe Fund (Note 11 on Schedule 21)		5,000,000	5,000,000
Transfer to General Reserve		145,134,944	116,198,913
		<u>210,134,944</u>	<u>181,198,913</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

Firm's Registration no. 301028E

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

Partner

Membership Number: 6615

Place: Thimphu

Date:

31 MAR 2011

General Manager
(E&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
LIFE INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

REVENUE	Schedule	2010 Nu.	2009 Nu.
Premium Less Reinsurance			
Other Policies	1	154,577,133	102,896,730
Life Fund Brought Forward from Previous Year		342,294,240	260,037,808
		<u>496,871,373</u>	<u>362,934,538</u>
Interest on Investment Fund of Life Fund		28,183,791	21,717,475
Interest on Policy Loan		55,939	53,057
Commission on reinsurance ceded		-	373,316
Prior Period Adjustment		982,969	-
Other revenue		1,253,520	540,088
TOTAL (I)		<u><u>527,347,592</u></u>	<u><u>385,618,474</u></u>
EXPENSES			
Claims Paid And Outstanding Net of Reinsurance			
By Death/Maturity/Surrender			
Other Policies	2	22,945,725	20,191,013
Life Policies Bonus [Notes 21 on Schedule 21] [Inclusive of Interim Bonus Nu. 317494.18]		1,634,983	4,239,564
Commission & Others		10,170,604	5,283,081
Provision on Policy Loans			1,096,379
Surplus Allocated to Shareholders - Per Actuarial Report		<u>34,751,312</u>	<u>30,810,037</u>
MANAGEMENT EXPENSES			
Other Policies	19	20,150,658	12,514,197
TOTAL (II)		<u><u>54,901,970</u></u>	<u><u>43,324,234</u></u>
LIFE FUND CARRIED FORWARD (I - II)		<u><u>472,445,622</u></u>	<u><u>342,294,240</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

Attest: Rongdenchaksonma 30/02/2011

(M.K. Gupta)

Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011

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, 2010

REVENUE	Schedule	2010 Nu.	2009 Nu.
Premium			
Group Saving Linked Insurance Policies		1,337,264	968,232
Group Insurance Cum Savings Policies		28,768,936	28,002,432
		30,106,200	28,970,664
GIS Fund Brought Forward From Previous Year		30,976,928	22,020,183
		61,083,128	50,990,847
Interest On Investment Of GIS Fund		35,292,801	29,670,769
Other Revenue		185,677	41,896
TOTAL	(I)	96,561,606	80,703,512
EXPENSES			
Claims Paid and Outstanding			
Group Saving Linked Insurance Policies (Death)	2	200,000	200,000
Group Insurance Cum Savings Policies (Death)	2	15,800,000	14,650,000
		16,000,000	14,850,000
Interest On Group Insurance Cum Savings		30,030,321	25,950,610
Group Saving Linked Insurance Policies		477,512	382,117
Others (Medical Expenses)			
		46,507,833	41,182,727
Management Expenses			
Group Saving Linked Insurance Policies		644,531	384,134
Civil Employees		10,585,573	6,308,896
Armed Forces		3,105,466	1,850,827
	19	14,335,570	8,543,857
TOTAL (II)		60,843,403	49,726,584
Group Fund Carried Forward	(I - II)	35,718,203	30,976,928
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

Firm's Registration No. 30428 E

M.K. Gupta

(M.K. Gupta)

Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Schedule	MISCELLANEOUS		MARINE		FIRE		TOTAL	
		2010 Nu.	2009 Nu.	2010 Nu.	2009 Nu.	2010 Nu.	2009 Nu.	2010 Nu.	2009 Nu.
INCOME									
Premium less Re-Insurance	3	135,876,063	148,122,087	2,584,778	1,980,829	50,742,432	54,061,658	189,203,273	204,164,574
Commission on Re-Insurance									
On re-insurance ceded		32,538,548	28,405,365	2,389,642	2,228,775	46,157,081	51,891,204	81,085,271	82,525,344
Less: on re-insurance accepted.				-	-	2,893,383	4,530,809	2,893,383	4,530,809
		32,538,548	28,405,365	2,389,642	2,228,775	43,263,698	47,360,395	78,191,888	77,994,535
Interest on Investment									
Miscellaneous Income		23,989,037	24,405,901	900,824	878,491	18,757,507	13,367,430	43,647,368	38,651,822
Change in Fund Balance		274,018	1,571,314	10,290	56,574	223,419	870,740	507,727	2,498,628
Brought forward from previous year									
At the end of the year		88,873,252	82,849,975	1,188,497	648,005	32,436,995	18,909,695	122,498,744	102,407,675
		81,525,638	88,873,252	1,550,867	1,188,497	30,445,459	32,436,995	113,521,964	122,498,744
		7,347,614	(6,023,277)	(362,370)	(540,492)	1,991,536	(13,527,300)	8,976,780	(20,091,069)
TOTAL (I)		200,025,280	196,481,390	5,523,164	4,604,177	114,978,592	102,132,923	320,527,036	303,218,490
EXPENSES									
Claims Paid / Outstanding (Net of Reinsurance)	4	101,824,941	94,073,378	252,560	484,074	20,528,464	19,710,238	122,605,965	114,267,690
Commission to Agent		913,383	285,002	-	-	169,349	7,408	1,082,732	292,410
Management Expenses	19	24,797,409	32,746,008	931,180	1,178,693	19,389,589	17,935,414	45,118,178	51,860,115
Miscellaneous Expenses		892,047	1,091,379	25,528	85,013	561,866	774,482	1,479,441	1,950,874
TOTAL (II)		128,427,780	128,195,767	1,209,268	1,747,780	40,649,268	38,427,542	170,286,316	168,371,089
Transfer to Profit and Loss Account (I - II)		71,597,500	68,285,623	4,313,896	2,856,397	74,329,324	63,705,381	150,240,720	134,847,401

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: 31 MAR 2011



General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors

Chairman

Director

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

CREDIT & INVESTMENT REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

		2010 Nu.	2009 Nu.
INTEREST INCOME			
Interest on Loans (net of suspense)		470,204,542	316,680,724
Interest on Fixed Deposit - Gross		14,465,565	724,931
Interest on RMA Discount Bills			3,248,567
	A	484,670,107	320,654,222
LESS:- INTEREST EXPENSES			
Interest on Life Fund		28,183,791	21,717,475
Interest on GIS Fund		35,292,801	29,670,769
Interest on General Fund		43,647,368	38,651,821
Interest on PPF Fund		17,393,012	12,951,737
Interest on Borrowings (NPPF)		48,510,048	53,175,404
Interest on Bonds		93,102,179	13,904,110
	B	266,129,199	170,071,315
NET INTEREST DIFFERENTIAL	(A - B) = (C)	218,540,908	150,582,906
ADD: OTHER INCOME			
Guarantee Commission		11,367,748	7,228,413
Dividends - Gross		8,342,450	9,900,230
Provision Written Back		27,232,354	10,736,618
Miscellaneous Income		1,159,947	1,431,028
	D	48,102,499	29,296,289
TOTAL OPERATING INCOME	(C + D) = (E)	266,643,407	179,879,195
LESS: OPERATING EXPENSES.			
Bad Debts/Other Assets Written Off		27,124,524	24,391
Miscellaneous Expenses		952,155	73,279
Provisions		29,527,807	-
TOTAL OPERATING EXPENSES	(F)	57,604,486	97,670
OPERATING PROFIT	(E - F) = (G)	209,038,921	179,781,525
Less: Management Expenses	H	33,281,373	32,104,732
Transfer to Profit & Loss Account	(G - H)	175,757,548	147,676,794
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.
For Gupta & Co.

Chartered Accountants

Filer's Registration No. 30/02/BE

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

Partner

Membership Number: 6615

Place: Thimphu

Date: 31 MAR 2011



General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors

Chairman

Director

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	<u>2010</u> <u>Nu.</u>	<u>2009</u> <u>Nu.</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX- As per Profit and Loss Account		
	300,192,777	261,272,140
ADD:- Depreciation (Net of adjustment)	11,447,631	10,540,424
	311,640,409	271,812,564
Less:- Profit on sale of Assets	-	2,999
	311,640,409	271,809,565
Add/(Less):Increase/(Decrease) in		
Other Liabilities	55,258,719	61,280,000
Add/(Less):Increase/(Decrease) in		
Other Assets	61,240,966	(209,896,927)
Add/(Less):Increase/(Decrease) in Loans		
and Investments	(1,888,181,621)	(691,506,355)
Add/(Less):Increase/(Decrease) in Provisions	(31,225,154)	17,577,884
NET CASH FLOW FROM OPERATING ACTIVITIES -	(A)	(1,491,266,681)
Taxation	(B)	(74,853,120)
NET CASH FLOW FROM RETURN ON INVESTMENTS		
AND SERVICING OF FINANCE		
Dividend paid	(C)	(60,000,000)
NET CASH FLOW FROM CAPITAL EXPENDITURE		
Sale of Fixed assets	4,400	37,860,559
Purchase of Fixed Assets	(23,814,912)	(47,057,154)
NET CASH FLOW FROM INVESTMENT ACTIVITIES-	(D)	(23,810,512)
FINANCING ACTIVITIES:		
BORROWINGS ACCEPTED (NET)/(REPAYMENTS-NET)	1,852,174,060	453,649,651
INVESTMENT FUNDS MANAGEMENT	97,543,232	156,252,018
INSURANCE FUNDS MANAGEMENT	88,335,554	11,296,824
NET CASH FLOW FROM FINANCING ACTIVITIES-	(E)	2,038,052,846
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
((A) + (B)+ (C) + (D)+ (E))	388,122,533	(20,337,670)
OPENING BLANCE OF CASH AND CASH EQUIVALENTS- CASH AND BANK		
BALANCES	343,733,668	364,071,339
CLOSING BLANCE OF CASH AND CASH EQUIVALENTS-CASH AND BANK		
BALANCES	731,856,201	343,733,668
	388,122,533	(20,337,670)

1. This Schedules referred to above form an intregal 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

Firm's Registration No. 3003/E

M.K. Gupta

(M.K Gupta)

Partner

Membership Number: 6615

Place: Thimphu

Date:

31 MAR 2011

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, 2010

	2010 Nu.	2009 Nu.
1 PREMIUM LESS REINSURANCE		
LIFE POLICES		
FIRST YEAR PREMIUM (A)	57,191,655	32,133,722
RENEWAL PREMIUM (B)	97,397,858	72,634,941
(A+B)	154,589,513	104,768,663
Less: Reinsurance	12,380	1,871,933
	<u>154,577,133</u>	<u>102,896,730</u>
2 CLAIMS PAID AND OUTSTANDING		
(A) Group Saving Linked Insurance-GSLI (by Death)		
Paid during the year	200,000	200,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	200,000	200,000
Less: outstanding at the end of the previous year	-	-
TOTAL CLAIMS PAID	<u>200,000</u>	<u>200,000</u>
(B) Group Saving Scheme Insurance (By Death)		
Paid during the year	14,300,000	14,230,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	600,000
	14,300,000	14,830,000
Less:- Outstanding at the end of the previous year	-	180,000
TOTAL CLAIMS PAID/PAYABLE	<u>14,300,000</u>	<u>14,650,000</u>
CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
Life Insurance		
(C) Other Policies (By Death/Maturity/Survival Benefits/Surrender)		
Paid during the year	23,578,361	21,516,879
Add: Total estimated liability in respect of outstanding claims at the end of the year .	-	-
	23,578,361	21,516,879
Less: Outstanding at the end of the previous year.	-	-
	23,578,361	21,516,879
Less: Re-Insurance	632,637	1,325,865
Net Claims	<u>22,945,725</u>	<u>20,191,014</u>
3 PREMIUM LESS REINSURANCE		
1) Fire Insurance Policies		
Rural Insurance Policies	7,462,750	7,158,020
Other Insurance Policies	199,195,306	128,253,139
	206,658,056	135,411,159
LESS: Reinsurance	155,915,624	81,349,501
NET PREMIUM	<u>50,742,432</u>	<u>54,061,658</u>
2) Miscellaneous Insurance Policies		
Motor Insurance Policies	182,513,392	186,898,515
Other Insurance Policies	37,727,655	26,174,749
Aviation Insurance Policies	34,055,297	34,166,732
	254,296,344	247,239,996
LESS: Reinsurance	118,420,281	99,117,909
NET PREMIUM	<u>135,876,063</u>	<u>148,122,087</u>
3) Marine Insurance Policies		
Premium	9,924,697	8,899,051
LESS: Reinsurance	7,339,919	6,918,222
NET PREMIUM	<u>2,584,778</u>	<u>1,980,829</u>



	2010 Nu.	2009 Nu.
4 CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
1) Fire Insurance Policies		
<u>Paid during the year</u>		
Rural Insurance Policies	7,462,750	7,158,020
Other Insurance Policies	39,598,062	14,096,152
	47,060,812	21,254,172
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated		5,021,269
	47,060,812	26,275,441
LESS: Reinsurance	26,532,348	6,565,203
NET CLAIMS	20,528,464	19,710,238
2) Miscellaneous Insurance Policies		
<u>Paid during the year</u>		
Motor Insurance Policies	74,589,875	67,657,542
Other Insurance Policies	10,808,003	16,365,839
Aviation Insurance Policies	-	-
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.		
Motor Insurance Policies	61,111,980	40,186,920
Other Insurance Policies	16,466,681	6,755,000
Aviation Insurance Policies	-	-
	162,976,539	130,965,301
LESS: Reinsurance	37,587,905	25,203,463
Motor Insurance Policies	23,563,693	11,688,460
Other Insurance Policies	-	-
Aviation Insurance Policies	-	-
	61,151,598	36,891,923
NET CLAIMS	101,824,941	94,073,378
3) Marine Insurance Policies		
Claims Paid during the year	(51,308)	(533,604)
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.	2,360,000	1,567,000
	2,308,692	1,033,396
LESS: Reinsurance	2,056,132	549,322
NET CLAIMS	252,560	484,074
5 CASH (including cheques) AND BANK BALANCE		
Cash in Hand		
General Insurance Department	2,030,741	-
BANK BALANCES		
In Current Accounts in Bhutan		
A Life Insurance Department (LID)	23,506,376	9,543,336
B Group Insurance Schemes Department (GIS)	14,447,596	7,647,857
C General Insurance Department (GID)	40,056,137	9,739,325
D General Administration Department GAD)	(926,472)	1,551,047
	79,114,378	28,481,565
CREDIT & INVESTMENT DEPARTMENT		
Cash in Hand - As Certified by Management	11,948,420	7,281,517
BANK BALANCES		
In Current Accounts in Bhutan	240,748,774	77,965,882
In Current Accounts outside Bhutan (HDFC Bank Ltd.)	44,629	44,629
Fixed Deposit	400,000,000	200,000,000
	652,741,823	285,292,028
TOTAL	731,856,201	313,773,593



	2010 Nu.	2009 Nu.
6 EQUITY INVESTMENT AT COST - LONG TERM		
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
(19600 Nos Shares, Face Value Nu. 100/-)		
Bhutan Board Products Ltd.	1,229,250	1,229,250
(11830 Nos shares, Face value Nu. 100/-)		
TOTAL QUOTED EQUITY INVESTMENTS (A)	47,165,300	47,165,300
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/-)		
TOTAL UNQUOTED EQUITY INVESTMENTS (B)	3,500,000	3,500,000
TOTAL INVESTMENTS [(A)+(B)]	50,665,300	50,665,300
*Note: Aggregate Marked values of Quoted shares as on 31st December 2010 Nu. 269,099,450 (2009 Nu. 260,112,450/-)		
7 LOANS AND ADVANCES		
A Life Insurance Department Against Life Policies	I 504,702	466,162
B CREDIT & INVESTMENT DEPARTMENT		
Against Mortatgage/Hypothecation of Properties/Fixed Assets in Bhutan		
(A) Secured		
Housing Loans	1,544,877,787	795,723,456
Transport Loans	698,586,152	214,474,247
Industrial Loans	577,515,606	349,287,604
Staff Loans	15,520,634	55,779
Business Loans	612,809,372	468,954,506
Shares Loans	54,428,010	21,450,423
Personal Loans	415,181,830	336,392,867
RICB Card Loans	474,719,111	332,149,515
Preferential Loans	187,930,186	109,577,097
Contractor Loans(CRC Scheme)	198,231,739	90,431,325
Private Provident Fund Loan	7,906,204	1,280,580
	II 4,787,706,630	2,719,777,399
(B) Unsecured		
Housing Loans	955,499	77,331,748
Transport Loans	486,556	42,544,956
Industrial Loans	8,264	13,425,602
Business Loans	6,229,976	12,306,199
Shares Loans	-	287,781
Personal Loans	854,735	18,882,166
RICB Card Loans	4,430,289	19,191,575
Preferential Loans	485,657	10,097,043
Contractor Loans(CRC Scheme)	405,853	16,607,506
Private Provident Fund Loan	-	4,025,864
	III 13,856,829	214,700,440
	(I+II+III)=IV 4,802,068,162	2,934,477,839
(C) Less: Credit Balance	-	4,227,187
	4,802,068,162	2,930,250,652



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

Schedule 8

Statement of Fixed Assets as on 31st December 2010

Particulars	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK	
	As at 1st January 2010	Additions during the year	Sales Adjustmt.	As at 31st December 2010	As at 1st January 2010	For the Year	Adj of dep'n during the	Adit. of Dep.	As at 31st December 2010	As at 31st December 2009
Land [Note 17(c) on Schedule 23]	16,829,936	2,754,439	-	19,584,375	-	-	-	-	19,584,375	16,829,936
Buildings [Notes 17d) & (e) on Schedule. 23]	64,848,384	1,944,367		66,792,750	15,240,289	2,062,012			49,490,449	64,848,384
Furniture and Fixtures	8,611,662	1,781,890	4,400	10,389,152	6,723,534	620,231		-	3,045,386	8,611,662
Electric Installations [Note 17(f) on Schedule. 23]	27,358,683			27,358,683	4,294,220	3,749,518		-	19,314,945	27,358,683
Office Equipment	6,099,165	1,758,318		7,857,483	4,884,306	414,509			2,558,668	6,099,165
Vehicles	3,769,650		-	3,769,650	1,567,213	564,906		-	1,637,531	3,769,650
Computer Equipments	42,058,144	10,645,828	-	52,703,972	26,517,694	4,036,456		-	22,149,822	42,058,144
Total	169,575,623	18,884,841	4,400	188,456,065	59,227,257	11,447,631	-	-	117,781,177	169,575,624
Capital Work in Progress	2,643,015	4,930,071	3,450,270	4,122,816	-	-		-	4,122,816	2,643,015
Total	172,218,639	23,814,912	3,454,670	192,578,881	59,227,257	11,447,631	-	-	121,903,993	172,218,639
Previous Year	173,837,354	47,057,154	48,675,869	172,218,639	59,505,140	10,540,425		10,818,309	112,991,384	174,861,654.00



	2010 Nu.	2009 Nu.
9 INTEREST, RENT AND OTHER RECEIVABLES		
A Life Insurance Department	28,183,791	21,717,475
Internal Department adjustment	-	-
	28,183,791	21,717,475
B Group Insurance Department	35,292,801	29,670,769
C General Insurance Department	95,326,784	100,170,501
Internal Department adjustment	-	-
	95,326,784	100,170,501
D Credit & Investment Department	16,659,295	5,764,214
Internal Department adjustment	-	-
	16,659,295	5,764,214
E General Administration Department		
Interest Receivable from CID	-	-
Stock in hand	441,201	762,242
Others	460,985	505,400
	902,186	1,267,642
Internal Department adjustment	-	-
	902,186	1,267,642
	176,364,857	158,590,601
10 DUE FROM OTHER ON REINSURANCE AND INSURANCE BUSINESS		
A General Insurance Department	22,976,032	17,565,576
B Life Insurance Department	780,750	-
	23,756,782	
11 ADVANCES, DEPOSITS AND PRE-PAID EXPENSES.		
A Group Insurance Department	3,144,200	2,025,300
Internal Department adjustment	-	-
	3,144,200	2,025,300
B Life Insurance Department	-	242,072
C General Insurance Department	430,000	570,000
D Credit & Investment Department	26,042,764	108,264,039
Internal Department adjustment	-	-
	26,042,764	108,264,039
E General Administration Department		
Advance Corporate Tax	27,366,215	32,610,981
Advance to staff	63,139	612,513
Others	4,281,620	2,209,460
	31,710,973	35,432,954
	61,327,937	146,534,365



	2010 Nu.	2009 Nu.
12 SHAREHOLDERS' CAPITAL		
Authorised Capital 10,000,000 Equity Shares of Nu. 100/- each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid up:-		
2,400,000 Equity Shares of Nu. 100/-each fully paid up.	240,000,000	240,000,000
	<u>240,000,000</u>	<u>240,000,000</u>
13 RESERVES AND SURPLUS		
A General Administration		
As per last Account	(238,289,100)	(17,721,076)
Less: provision for dividend	(60,000,000)	(60,000,000)
Less: Prior period Tax (Note 9(b) on Schedule 21)	-	(1,691,585)
Less: Issue of Bonus Share	-	(144,000,000)
Less: Adjustment of Revenue during the year for General Administration	(18,063,844)	
Add: Prior Period Adjustment on Land Transaction	2,754,439	(14,876,439)
	<u>(313,598,505)</u>	<u>(238,289,100)</u>
B General Insurance		
Catastrophe Fund		
As per Last Account	70,000,000	65,000,000
Add: Transfer from Profit and Loss Account during the year	5,000,000	5,000,000
	<u>75,000,000</u>	<u>70,000,000</u>
General Reserve		
As per Last Account	354,337,577	264,944,396
Add: Transfer from Revenue Account	100,168,505	89,393,181
	<u>454,506,082</u>	<u>354,337,577</u>
Technical Reserve		
As per Last Account	26,933,729	16,149,283
Add: During the year	9,000,000	10,784,446
	<u>35,933,729</u>	<u>26,933,729</u>
TOTAL OF RESERVES AND SURPLUS FOR GENERAL INSURANCE	<u>565,439,811</u>	<u>451,271,306</u>
C Credit & Investment Department		
As per last Account	293,488,140	190,114,384
Add:- Transfer from Revenue Account	123,030,283	103,373,756
	<u>416,518,423</u>	<u>293,488,140</u>
General Provision		
	66,060,079	53,362,545
	<u>482,578,503</u>	<u>346,850,685</u>
A General Administration	(313,598,505)	(238,289,100)
B General Insurance Department	565,439,811	451,271,306
C Credit & Investment Department	482,578,503	346,850,685
TOTAL OF RESERVES AND SURPLUS	<u>734,419,811</u>	<u>559,832,891</u>
14 INSURANCE FUNDS		
A Life Insurance Business Account	472,445,540	342,294,240
B Group Insurance Business Account	35,718,204	30,976,928
Group Savings Insurance Business Account	462,717,088	402,754,098
	<u>498,435,292</u>	<u>433,731,026</u>
C Fire Insurance Business Account	30,445,459	32,436,995
Miscellaneous Insurance Business Account	81,525,638	88,873,252
Marine Insurance Business Account	1,550,867	1,188,497
	<u>113,521,964</u>	<u>122,498,744</u>
	<u>1,084,402,796</u>	<u>898,524,010</u>



	2010 Nu.	2009 Nu.
15A INVESTMENT AND BORROWING FUNDS		
INVESTMENT FUNDS		
A Life Insurance Fund	444,356,677	337,584,608
B Group saving Insurance Fund	448,046,496	395,477,335
C General Insurance Fund	622,220,732	521,353,707
D General Administration Fund	(162,665,023)	-
	<u>1,351,958,882</u>	<u>1,254,415,650</u>
15B BORROWING FUNDS		
A Private Provident Fund	308,261,549	233,067,489
B National Pension & Provident Fund	661,000,000	684,000,000
C Bond Series I & II	1,999,980,000	500,000,000
D Short Term Borrowings	300,000,000	-
TOTAL (15A+15B+15C)	<u>3,269,241,549</u>	<u>1,417,067,489</u>
	<u>4,621,200,431</u>	<u>2,671,483,139</u>
16 SUNDRY CREDITORS		
A Life Insurance Department		
Bonus Payable	11,389,572	12,266,071
Provision on policy Loans	-	-
Agent Liability	3,329,063	3,214,807
Others	4,799,444	5,438,981
Deposit	2,642,734	2,128,303
	<u>22,160,813</u>	<u>23,048,162</u>
Internal Department Adjustment	-	-
	<u>22,160,813</u>	<u>23,048,162</u>
B Group Insurance Department		
Deposit	395,802	350,235
Internal Department Adjustment	-	-
	<u>395,802</u>	<u>350,235</u>
C General Insurance Department		
Rural claim payable	-	-
Agent Liability	368,954	238,433
Others	10,784,388	603,713
Deposit	9,583,798	7,916,254
	<u>20,737,140</u>	<u>8,758,400</u>
Internal Department Adjustment	-	-
	<u>20,737,140</u>	<u>8,758,400</u>
D Credit & Investment Department		
Interest on Investment Fund payable	124,516,973	102,991,802
Interest payable on Bond Series-I & II	64,037,141	13,904,110
Others	70,056,741	7,394,910
	<u>258,610,855</u>	<u>124,290,822</u>
Internal Department Adjustment	-	-
	<u>258,610,855</u>	<u>124,290,822</u>
E General Administration Department		
Tax Payable	-	1,691,585
Others	12,265,809	94,216,157
Internal Department Adjustment	-	-
	<u>12,265,809</u>	<u>95,907,742</u>
	<u>314,170,419</u>	<u>252,355,361</u>
17 DUE ON REINSURANCE AND INSURANCE BUSINESS.		
A Life Insurance Department (Note 23(b) (i) on Schedule 21)	-	219,250
B General Insurance Department	854,900	2,192,258
	<u>854,900</u>	<u>2,411,508</u>
18 OUTSTANDING CLAIMS LESS REINSURANCE		
A Life Insurance Department	2,725,943	3,992,001
B Group Insurance Department	2,100,000	740,000
C General Insurance Department	36,675,590	53,531,194
	<u>41,501,533</u>	<u>58,263,195</u>



		2010 Nu.	2009 Nu.
19 MANAGEMENT EXPENSES			
Staff Cost		74,962,751	72,048,752
Occupancy Cost		3,890,393	3,601,262
Travelling & Transfer Cost		7,337,409	6,557,974
Communication Cost		7,775,475	5,698,642
Operating Cost		8,031,916	9,231,451
Advertising & Public Relation Cost		7,708,646	5,048,042
Statutory & Consultant Cost		3,179,189	2,836,778
Management Expenses allocated to the respective Department	(A)	112,885,779	105,022,901
Life Insurance Department		20,150,658	12,514,197
Group Insurance & Saving Schemes		14,335,570	8,543,857
General Insurance Department		45,118,178	51,860,115
Credit & Investment Department		33,281,373	32,104,732
Total		112,885,779	105,022,901
Human Resource Development Expenses		15,144,589	8,799,837
Deprecation		11,447,631	10,540,424
Contribution to the Employee Gratuity		3,917,985	8,230,371
Repair & Maintenance		1,524,874	1,020,529
Loss on sale of Assets		-	171,739
Total	(B)	32,035,080	28,762,900
Total Management Expenses	(A+B)	144,920,859	133,785,801



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE - 20

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2010

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 31st 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 1st 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 and 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 30th June and 31st 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 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.

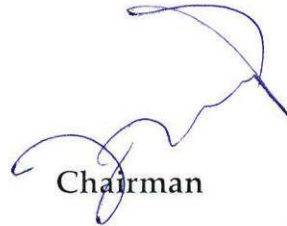


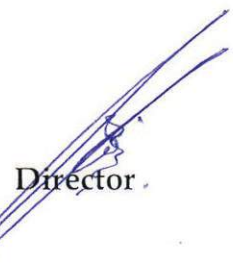
16. Provisions and Contingencies.

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 estimates 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: 31 MAR 2011



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE - 21

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2010

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 of incorporation 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. 23.64 million (Previous Year Nu. 31.13 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.125.31 million (Previous Year Nu. 215.11 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. 27.23 million (Previous Year Nu. 24.98 million), which has been duly reflected in the Investment Revenue Account.

5. (a) The overall Capital Adequacy Ratio as at 31st December, 2010 is 18.33% (Previous Year 24.23%) and the Core Capital adequacy Ratio as on that date comes to 17.09% (Previous Year 23.34%) 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 31st December, 2010 amounted to 18.60% (Previous Year 22.42%) 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 31st December, 2010 aggregated to 12.07% (Previous Year 20.86%) of total advances as against 30% maximum limit laid down in the Prudential Regulation of Royal Monetary Authority of Bhutan.
The liquidity ratio as at 31st December 2010 is 15.06% (Previous Year 12.53%) as against 10% minimum, as prescribed in Prudential Regulations of Royal Monetary Authority of Bhutan.
- (d) The ratio of total large loans to capital fund comes to 161.19% as on 31st December 2010 (Previous Year 190.65%) 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 30th September 1996 is treated as opening principal balance as at 1st 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.36.67 million (Previous Year Nu. 1.45 million)
 - (b) Outstanding Guarantees given on behalf of various parties - Nu. 562.93 million (Previous Year Nu 148.64 million)
 - (c) Commitments :
The estimated amount of contracts remaining to be executed on Capital accounts (net of advances) is Nu. 5.31 million (Previous Year Nu. 4.51 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. 62.69 million (Previous Year Nu. 36.82 million) .
(b) The additional tax paid during the year amounted to Nu. Nil (Previous Year Nu. 1.69 million), which pertains to Income Tax assessment of the Corporation in respect of earlier years.
 10. Reserves for un-expired risks amounting to Nu. 113.52 million (Previous Year Nu. 122.50 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. 14.47million had been already provided in the 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 extent of Nu. 11.26 million had been already provided in the accounts.
- (c) During the year 2009, there was a burglary case 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, in reference to this case amount aggregated to the extent of Nu. 0.30 million had been already provided in the accounts.
13. Certain Assets are acquired in satisfaction of loans including interest due thereon amounting to Nu.56.08 million (Previous Year Nu. 39.25 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. 24.49 million, which has been fully provided (Previous Year Nu. 20.34 million) out of which Nu. 1.92 million (previous year Nu. 8.23 million not funded)
15. Provision for bonus payable to employees for the current year has neither been ascertained nor been provided for in these accounts for the year. But an amount of Nu. 10.56 million paid for the year 2009.
16. Sundry Creditors include -
 - (a) Provision for bonus to policyholders amounted to Nu. Nil (Previous Year Nu. 12.27 million) as per Actuarial Valuation.
 - (b) Unadjusted deposits in respect of General and Life/Group Insurance policies aggregating to Nu. Nil (Previous Year Nu. Nil) and Nu. 1.29 million (Previous Year Nu. 2.40 million) respectively are outstanding on account of reconciliation process, against which eventual adjustments thereof are not ascertainable at this stage.
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. In the year 2009 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. 1.24 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.
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 2009. 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. Nil (Previous Year Nu. 4.02 million) has been accounted for. But an amount of Nu. 1.68 million has been paid to the policy holders whose policies matured during the year.
- (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 except an amount of Nu. 10.00 million has been deferred for engineering policies on ad-hoc basis during the year.



23. Re-insurance:

(a) Life-

- (i) The ceding of the re-insurance in respect of certain policies (for both new and renewal) are outstanding for the year 2010 estimated to Nu. Nil (Previous year Nu. 1.87 million)

(b) Non-Life-

- (i) The balances outstanding, both debits and credits, as at the Balance Sheet date to various re-insurers aggregating to Nu. 22.98 million (Previous Year Nu. 7.16 million) and Nu 0.85 million (Previous Year Nu. 0.98 million) respectively are also pending final reconciliation process/confirmation and acceptance of the re-insurance and consequently any further adjustments thereof are not ascertainable at this stage.
- (ii) The debit balances, as indicated above, have been netted off against the claims outstanding.

24. Interest on borrowed funds of Credit & Investment Department is charged to Investment Revenue account during the year at the following rates on simple daily product method on the outstanding balances:-

a) Internal funds:-

Life Insurance Fund	:	7.00% p.a
General Insurance Fund	:	7.00% p.a
GAD Investment Fund	:	7.00% p.a
Group Insurance Fund	:	8.00% p.a

b) External funds / borrowings:-

Bank of Bhutan Limited	:	4.00% p.a
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



Bond Series I	:	7.00% p.a
Bond Series II	:	6.70% p.a
Druk PNB Bank	:	4.00% p.a

25. The common management expenses are allocated to different Revenue accounts during the year in the following proportion as decided by the management:-

- Life Insurance Revenue	:	20%
- GIS Insurance Revenue	:	15%
- General Insurance Revenue	:	35%
- Investment Revenue	:	30%

26. Management expenses include -

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

- Remuneration:	Nu. 1.22 million (Previous Year Nu. 1.42 million)
- Other Benefits:	Nu. 0.68 million (Previous Year Nu. 0.26 million)

(b) Directors' Sitting fees: Nu. 0.40 million (Previous Year Nu. 0.57 million)

(c) Audit fee payable: Nu. 0.13 million (Previous Year Nu. 0.10 million)
and provision for audit expenses Nu. 0.48 million (Previous Year Nu. 0.32 million)

27. Security details of the borrowings-

Borrowing from National Pension and Provident Fund amounting to Nu. 661 million were secured by mortgage of all Fixed assets, both movable and non-movables and pledge of equity investments.


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

29. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 0.27 million (Previous Year Nu. 0.37 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.




30. The break-up between claims paid/outstanding for inside and outside Bhutan are not ascertainable at this stage.
31. 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 Technical Reserves amounting to Nu.9.00 million (Previous year Nu. 26.93 million) has been transferred to the technical reserves to meet any unforeseen events.
32. 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.
33. In the opinion of management, there is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.
34. Difference in current account maintained between RICB Securities Ltd and RICBL amounting to Nu. 2.35 million is in the process of reconciliation. Any effect in these accounts may be ascertain only upon completion of reconciliation.
35. Passenger Coupon issued by the corporation is in the process of reconciliation. The effect of which can only be quantified once reconciliation is over.
36. Figures of financial statements of previous year have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 36


General Manager
(F&A)


Chief Executive Officer


Chairman


Director

Place: Thimphu

Date: 8 MAR 2011



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 31st December 2010 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 IInd 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. Attention is drawn in respect of following notes on schedule -8 observation.
 - 3.1 Note No. 3- regarding Accounting of Trading Fees on Cash basis instead of Accrual basis.
 - 3.2 Note No. 4- regarding difference in Current Account with RICBL amounting to Nu. 2,353,182 any effect in this account may only be ascertained after reconciliation.
4. Without qualifying our opinion, attention is drawn to following notes on Schedule 8 to accounts.
 - 4.1 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.
 - 4.2 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 except accounting of Trading Fees on Cash basis.
 - (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 except the interest had to pay to the applicants of Druk Punjab National Bank shares, whose Applications have been misplacement and not considered at the time of allotment of shares.
 - 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, except as mentioned in 5(iii) above 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 except non deposit of TDS of Nu. 300.

(v) In our opinion and to the best of our information and according to the explanations given to us, subject to Paragraph 3.1 and 3.2, 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 31st December 2010;
- 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

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

Partner

Membership No. 6615

Place: Thimphu

Date: 31 MAR 2011



ANNEXURE

[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	2010	2009	Remarks
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.23	1.13	There has been increasing trend in the current ratio which reflects favourable impact on the liquidity position of the Company.
$\frac{\text{Profit on Capital Employed}}{\text{Net profit after Tax}} = \frac{\text{Capital employed}}{\text{Capital employed}}$	0.22	0.74	It reflects an adverse trend in the current year.
$\frac{\text{Profit on Turnover}}{\text{Net profit/(loss)after Tax}} = \frac{\text{Total Turnover}}{\text{Total Turnover}}$	0.26	0.68	These comparative ratios indicate adverse trend compared to last year.

For Gupta & Co.

Chartered Accountants

Firm's registration No. 301028E

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

Membership No: 6615

Place: *Thimphu*

Date: 31 MAR 2011



RICB SECURITIES LIMITED

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

BALANCE SHEET AS AT 31ST DECEMBER 2010

	Schedule	2010 Nu.	2009 Nu.
<u>SOURCES OF FUND</u>			
Share Capital	1	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
<u>APPLICATIONS OF FUND</u>			
Fixed Assets (Net Block)	2	22,115	26,285
Investment (At Cost)-Long term 5000 shares of 100/- each (Unquoted) In Royal Securities Exchange of Bhutan Limited		<u>500,000</u>	<u>500,000</u>
Current Assets	3	6,851,147	7,562,430
Less: Current Liabilities and Provisions	4	5,591,028	6,702,575
Net Current Assets/ (Liabilities)		1,260,119	859,855
Balance transferred to Reserves & Surplus		<u>1,282,234</u>	<u>886,140</u>
TOTAL		<u>500,000</u>	<u>500,000</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 (F&A)

[Signature]
Chief Executive
Officer

[Signature]
Chairman

[Signature]
Director

Membership No. 6615

Place : Thimphu

Date : 31 MAR 2011



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2010.

	Schedule	2010 Nu.	2009 Nu.
<u>INCOME</u>			
Commission		272,448	459,873
Fees		1,225,000	1,040,000
Interest Income		335,866	-
Profit on Sale of Shares		63,211	100
TOTAL	A	1,896,525	1,499,973
<u>EXPENSES</u>			
Management Expenses	5	306,678	91,330
Sitting Fees for Directors & Invitees		78,000	-
Depreciation	6	4,170	1,519
Interest Paid		541,215	-
TOTAL	B	930,063	92,849
Profit/(Loss) before Tax (A-B)		966,462	1,407,124
Provision for Tax for Current Year		549,657	379,775
Short Provision for Prior Period		20,711	-
Profit/(Loss) after Tax		396,094	1,027,349
Balance Brought forward		886,140	(141,209)
Balance Carried over to Balance Sheet		1,282,234	886,140
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

Firm's Registration No. 301028E

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

Membership No. 6615

Place : Thimphu

Date :

31 MAR 2011



On behalf of the Board of Directors

Chief Executive Officer

Chairman

Director



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

Cash Flow Statement for the year ended 31st December 2010

	2010 Nu.	2009 Nu.
Net Cash flow from Operating		
Balance Transferred to Reserves and Surplus	1,282,234	886,140
Balance Brought Forward	(886,140)	141,209
Depreciation charges	4,170	1,519
(Increase)/Decrease in Other Assets(TDS)	(11,683)	(27,800)
Increase/(Decrease) in Other Liabilities	(1,111,547)	6,360,016
Increase/(Decrease) in cash and cash equivalent	<u>(722,966)</u>	<u>7,361,084</u>
 Opening Cash and Cash Equivalents - Bank balances	 <u>7,557,730</u>	 <u>196,646</u>
Closing Cash and Cash Equivalents - Bank balances	<u>6,834,764</u>	<u>7,557,730</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

Firm's Registration No. 301028E

On behalf of the Board of Directors


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


Chief Executive
Officer


Chairman


Director

Membership No. 6615

Place : Thimphu

Date : 31 MAR 2011



RICB Securities Limited

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

Notes to Cash flow Statement for the year ended 31.12.2010

	2010 Nu.	2009 Nu.
1. Net Cash flow from Operating Activities		
Balance transferred to Reserves & Surplus	1,282,234	886,140
Balance Brought Forward	(886,140)	141,209
Depreciation charges	4,170	1,519
(Increase)/Decrease in Other Assets	(11,683)	(27,800)
Increase/(Decrease) in Other Liabilities	(1,111,547)	6,360,016
Net cash flow from operating activities	<u>(722,966)</u>	<u>7,361,084</u>

For **Gupta & Co.**

Chartered Accountants

On behalf of Board of Directors

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

[Signature]
General Manager
(F&A)

[Signature]
Chief Executive
Officer

[Signature]
Chairman

[Signature]
Director

Membership No. 6615

Place : Thimphu

Date : 31 MAR 2011



RICB SECURITIES LIMITED

(A Wholly Owned Subsidiary of RICBL)

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS

	2010 Nu.	2009 Nu.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised -		
50,000 Equity Shares on Nu. 1,000/-each	<u>50,000,000</u>	<u>50,000,000</u>
Issued, Subscribed and paid up		
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		

SCHEDULE - 2

FIXED ASSETS - At cost

Electrical Installation & Computers

Gross Block - As per last Account

Add: For the year

(A)	212,042	184,242
		27,800
	<u>212,042</u>	<u>212,042</u>

Less: Depreciation

As per Last Account

Add: For the year

	185,757	184,238
	4,170	1,519
(B)	<u>189,927</u>	<u>185,757</u>

Net Block

(A - B)	<u>22,115</u>	<u>26,285</u>
---------	---------------	---------------

SCHEDULE - 3

CURRENT ASSETS

Cash at Bank

In Current Accounts

Fixed Deposit

	5,834,764	7,557,730
	1,000,000	-
(A)	<u>6,834,764</u>	<u>7,557,730</u>

OTHERS

Tax Deducted at Source

- Refundable

Total

	16,383	4,700
(B)	<u>16,383</u>	<u>4,700</u>
(A+B)	<u>6,851,147</u>	<u>7,562,430</u>



RICB SECURITIES LIMITED

(A Wholly Owned Subsidiary of RICBL)

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS**SCHEDULE - 4****CURRENT LIABILITIES AND PROVISIONS****A. Current Liabilities**

Temporary Overdraft	50	-
Client Account	1,750,163	971,600
TDS Payable	300	-
Payable to Holding Corporation	3,290,858	5,351,200
B. Provision for Income Tax	549,657	379,775
	<u>5,591,028</u>	<u>6,702,575</u>

SCHEDULE- 5**MANAGEMENT EXPENSES**

Telephone Charges	-	500
Licence Fees/Rates & Taxes	4,000	-
Bank Charges	4,515	1,588
Printing & Stationery	4,450	6,869
Membership Fees	78,000	50,000
Miscellaneous Expenses	57,074	10,920
Interest Paid	541,215	-
Trading Fees	115,642	-
Advertisement Expenses	42,998	21,453
	<u>847,893</u>	<u>91,330</u>



SCHEDULE- 6

STATEMENT OF DEPRECIATION FOR THE YEAR ENDED 31ST DECEMBER 2010

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2010 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2010 (Nu.)	Rate of Depreciation	Depreciation during the period (Nu.)	Total Depreciation as on 31.12.2010 (Nu.)	Net Block as on 31.12.2010 (Nu.)	Net Block as on 31.12.2009 (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%	4,170	5,689.00	22,111.00	26,281.00
				212,042.00	-	212,042.00		4,170	189,927.00	22,115.00	26,285.00



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

STATEMENT OF ASSET AS ON 31ST DECEMBER 2010

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2010 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2010 (Nu.)	Rate of Deprecia - tion
1	1	PCAT COMPUTER WITH			-		
		PRINTER & UPS	01.10.1997	93,852.00	-	93,852.00	15%
2	1	ACER POWER COMPUTER	23.12.1999	76,890.00	-	76,890.00	15%
3	1	ACP UPS	23.12.1999	10,500.00	-	10,500.00	15%
4	1	STABILISER	03.09.2002	3,000.00	-	3,000.00	15%
5	1	DELL COMPUTER	20.08.2009	27,800.00	-	27,800.00	15%
				212,042.00	-	212,042.00	



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE
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
- 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. 265,966/- 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 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 Trading Fees accounted for on Cash basis.
- 4 There is a difference of Nu. 2,353,182 in Current Accounts maintained by Royal Insurance Corporation of Bhutan Limited on behalf of RICB Securities Limited. This is under process of reconciliation. Any effect in this account may be ascertained only after reconciliation.
- 5 The Company was a Broker of Public Issue of shares of Druk Punjab National Bank Limited. Cetain Application Forms were misplaced and the Company had to refund those applicants ,the application money along with interest of Nu. 541,215.
- 6 Figures of the previous year have been regrouped /rearranged wherever necessary.

Signatures to Schedules 1 to 8


General Manager
(F&A)


Chief Executive Officer


Chairman


Director

Place: Thimphu

Date: 31 MAR 2011



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 2010 of Private companies and few Non-Government Organizations 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. **Attention is drawn in respect of Note No. 4 of schedule 9- regarding special contribution of Nu. 2,000,000(Net) to the Private Provident Fund Account which is in our opinion should be avoided in future for the interest of the Fund.**
3. 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.



4. In our opinion, proper books of account have been kept by the corporation so far as appears from our examination of those books.
5. 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.
6. In our opinion and to the best of our information and according to the explanations given to us, subject to Paragraph 2 above 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 31st December 2010; 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

Place: *Thimphu*

Date: **31 MAR 2011**



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

Partner

Membership No: 6615

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
THIMPHU BHUTAN

BALANCE SHEET AS AT 31ST DECEMBER 2010

	Schedule	As at 31December, 2010 Nu.	As at 31December, 2009 Nu.
<u>LIABILITIES</u>			
Employees' & Employers' Contribution	1	274,023,053	221,123,064
Interest Credited to Employees' Account	2	53,121,981	43,928,234
General Reserve	3	260,289	260,289
Other Liabilities	4	34,890	32,420
TOTAL		327,440,213	265,344,007
<u>ASSETS</u>			
Deposit with RICBL	5	308,261,549	233,067,489
Cash and Bank Balances	6	1,785,652	2,324,781
Other Assets	7	17,393,012	12,951,737
Receivable from others		-	17,000,000
TOTAL		327,440,213	265,344,007
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.

On behalf of the Private Provident Fund

For Gupta & Co.

Chartered Accountants (Finance & Accounts)

Firms Registration No. 301028E

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

Partner

Membership No. 6615

Place : Thimphu

Date : 31 MAR 2011



General Manager
(Finance & Accounts)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED (RICBL)
PRIVATE PROVIDENT FUND
THIMPHU BHUTAN

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2010

Schedule	For the Year ended 31 December, 2010	For the Year ended 31 December, 2009
	Nu.	Nu.
<u>INCOME</u>		
Return on Deposits	17,393,012	12,951,737
	17,393,012	12,951,737
<u>EXPENSES</u>		
Return on Employees' Contribution	8,723,399	6,476,823
Return on Employers' Contribution	8,669,613	6,474,913
	17,393,012	12,951,736

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. General Manager
Chartered Accountants (Finance & Accounts)
Firm Registration No. 301028E

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

Chief Executive
Officer

Chairman

Director

Partner

Membership No. 6615

Place : Thimphu

Date : 31 MAR 2011



ROYAL INSURANCE CORPORATION OF BHUTAN LTD

PRIVATE PROVIDENT FUND

THIMPHU BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

EMPOLYEEES' AND EMPLOYERS' CONTRIBUTION

SCHEDULE 1

	EMPLOYEES' CONTRIBUTION 31December, 2010	EMPLOYERS' CONTRIBUTION 31December, 2010	EMPLOYEES' CONTRIBUTION 31December, 2009	EMPLOYERS' CONTRIBUTION 31December, 2009
	NU	NU	NU	NU
As per last Account	110,565,131	110,557,933	78,741,424	78,741,424
Add: Contribution during the year	45,867,853	44,641,941	44,874,969	44,862,075
	<u>156,432,984</u>	<u>155,199,874</u>	<u>123,616,393</u>	<u>123,603,499</u>
Less: Refund during the year	18,807,567	18,802,238	13,051,262	13,045,566
TOTAL	<u>137,625,417</u>	<u>136,397,636</u>	<u>110,565,131</u>	<u>110,557,933</u>
 GRAND TOTAL	 <u><u>274,023,053</u></u>		 <u><u>221,123,064</u></u>	



ROYAL INSURANCE CORPORATION OF BHUTAN LTD
PRIVATE PROVIDENT FUND
THIMPHU BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE 2

INTEREST ON EMPOLYEEES' AND EMPLOYERS' CONTRIBUTION

	EMPLOYEES' CONTRIBUTION 31December, 2010	EMPLOYERS' CONTRIBUTION 31December, 2010	EMPLOYEES' CONTRIBUTION 31December, 2009	EMPLOYERS' CONTRIBUTION 31December, 2009
	NU	NU	NU	NU
As per last Account	21,969,250	21,958,984	18,482,264	18,460,559
Add: contribution during the year	8,723,399	8,669,613	6,476,823	6,474,914
	<u>30,692,649</u>	<u>30,628,597</u>	<u>24,959,087</u>	<u>24,935,473</u>
Less: Refund during the year	4,099,937	4,099,328	2,989,837	2,976,489
TOTAL	<u>26,592,712</u>	<u>26,529,269</u>	<u>21,969,250</u>	<u>21,958,984</u>
 GRAND TOTAL	 <u>53,121,981</u>		 <u>43,928,234</u>	



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
THIMPHU BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31December, 2010 Nu.	As at 31December, 2009 Nu.
SCHEDULE - 3		
<u>GENERAL RESERVE</u>		
As per last Account	260,289	260,289
TOTAL	<u>260,289</u>	<u>260,289</u>
SCHEDULE - 4		
<u>OTHER LIABILITIES</u>		
Stale Cheques	18,325	18,324.00
Excess Contribution Refundable	16,565	14,096
TOTAL	<u>34,890</u>	<u>32,420</u>



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
THIMPHU BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31December, 2010 Nu.	As at 31December, 2009 Nu.
SCHEDULE - 5		
<u>DEPOSIT WITH RICBL</u>		
As per last Account	233,067,489	183,417,837
Add: Addition during the Year (Net)	75,194,060	49,649,652
TOTAL	<u>308,261,549</u>	<u>233,067,489</u>
SCHEDULE - 6		
<u>BANK BALANCES</u>		
Bank Balances	1,785,652	2,324,781
In current Accounts (Bank of Bhutan)		
TOTAL	<u>1,785,652</u>	<u>2,324,781</u>
SCHEDULE - 7		
<u>OTHER ASSETS</u>		
Receivable from RICBL (Interest Accrued)	17,393,012	12,951,737
TOTAL	<u>17,393,012</u>	<u>12,951,737</u>



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

PRIVATE PROVIDENT FUND

THIMPHU 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 31st December 2010, 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 31ST DECEMBER 2010:

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 30th March 2000 and the letter dated 23rd 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 31st December, 2010 have been accounted for @ 6% per annum on daily product basis.
4. Contribution includes Nu.2,000,000(Net) as special contribution made by the Bhutan Board Products Limited (Not Member of PPF) which is refundable to them.
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:

6 MAR 2011

