



**RICB**

38 Years of  
*Service to the Nation*



INSURE WITH **RICB**  
TO BE SURE

**ROYAL INSURANCE CORPORATION OF BHUTAN**  
**Annual Report 2012**

# GENERAL INFORMATION

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Website: www.ricb.com.bt

## REGIONAL OFFICE : PHUENTSHOLING

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## RICB BRANCH OFFICES

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Gedu	05-282330	05-282564
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KhuRuthAnG	02-584310, 584346	02-584309
tRAshiGAnG	04-521156, 521324	04-521298
Gelephu	06-251070	06-251782
s/JonGKhAR	07-251095, 251491	07-251492
tsiRAnG	06-471420	06-471421
BuMthAnG	03-631101	03-631333
MonGAR	04-641116, 641104	04-641446
nGAnGIAM	07-481221	07-481222
hAA	08-375351	08-375301
t/y AnGtse	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
JoMot - shAnGKhA	07-264032	07-264031

## BANKERS

### BANK OF BHUTAN

h.o. phuentsholinG, Bhut An

### BHUTAN NATIONAL BANK

h.o. thiMphu, Bhut An

### DRUK PNB BANK

h.o. thiMphu, Bhut An

### T- BANK

h.o. thiMphu, Bhut An

### SBI Bank

new y ork

### HDFC BANK LTD.

india

## AUDITORS

### S.N MUKHERJI & CO.

chAR teRed Account Ants  
1B, old post office stReet ,  
KolKA t A – 700 001

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## Corporate Milestones

**Established under the Royal Charter**

7th January, 1975

**Convened First Board Meeting**

30th January, 1975

**Licensed by Ministry of Economic Affairs**

9th April, 1991

**Incorporation of the Company**

11th october, 1991

**Delinked Unit Trust of Bhutan (now Bhutan National Bank)**

year 1992

**Listed on Royal Securities Exchange of Bhutan**

year 1993

**Licensed by Royal Monetary Authority of Bhutan**

18th october, 1994

**Completed 25 Years (Silver Jubilee)**

7th January, 2000

**Delinked Government Employee Provident Fund from RICB (Now NPPF)**

30th June, 2000

**Shifted Head Office to Thimphu**

year 2010

**Established of First Micro Office**

17th August, 2010

**Winner of the ADFIAP Development Award 2012 in Corporate Social Responsibility (CSR) category.**

year 2012



## Company profile

The Royal Insurance Corporation of Bhutan Limited (RICB) is the second oldest financial institution established on 7th January, 1975 under the Royal charter of his Majesty the fourth King Jigme Singye Wangchuk. The company started its business with a paid up capital of BtN. 1 million against authorized capital of BtN. 2 million. The Royal Government of Bhutan injected fifty one percent of the seed capital while Late Dasho Ugyen Dorji, a renowned business personality and reputed industrialist in the country along with the general public, injected the balance of forty nine percent. The company was incorporated as a public limited company with the company Registrar on 11th October 1991. The company was listed on the securities exchange in the year 1993 subsequent upon the founding of the Royal securities exchange of Bhutan in the same year.

With the growth and expansion of the company, both authorized capital and paid up capital of the company were enhanced to BtN. 1000 million and BtN. 240 million respectively on December 31, 2012. The Government disinvested part of its equity to the public towards promoting private sector growth. Today 61% of the company is owned by public and private organizations, 18% by Druk Holding and Investment (a government holding) and remaining 21% by His Majesty's Welfare Fund.

The primary mandate of RicB is to meet the insurance needs of the people and to actively participate in the economic development of the nation. RICB is the only multi-faceted financial service provider in the kingdom catering life insurance, General insurance, credit facilities and other social security schemes. RicB has Reinsurance arrangement with India, Japan, Thailand, Nepal, Bangladesh and Germany beside many other international companies.

RICB is focused on providing professionalized services in the region and beyond through our diversified line of business under one umbrella. The company aims at securing the insurance need of each individual and the nation. Our main line of business are as follows:

- life insurance
- General insurance
- credit and investment
- Group insurance cum savings scheme
- private provident fund
- RicB securities limited (fully owned subsidiary)

# PRODUCTS

Today RicB has more than 20 non-life policies, 16 life policies and more than 11 types of loan besides managing the private provident fund and Group insurance scheme of the entire government employees and armed forces.

RICB also has a brokerage firm RIBB Securities Limited which is fully owned subsidiary of RIBB

## Life Insurance

- |  |                                       |
|--|---------------------------------------|
| 1. limited payment life policy             | 7. Millennium education scheme        |
| 2. endowment Assurance policy              | 8. silver Jubilee term Assurance plan |
| 3. Money back policy with profit           | 9. youth endowment Assurance plan     |
| 4. new Version Money back plan             | 10. pho-Mo Joint life policy          |
| 5. Double cover endowment plan with profit | 11. Gaki pelzom life policy           |
| 6. Ashi nangsey living policy              | 12. t en-tsai Mangul ngenchoel        |

## General Insurance

- |   |  |
|---|--|
| 1. fire insurance                             | 13. Aviation insurance   |
| 2. industrial insurance                       | 14. health insurance scheme  |
| 3. storage cum erection All Risk insurance    | 15. dratsang sowai ngenchoel thuenken                              |
| 4. contractor's All Risk insurance            | 16. house holder's insurance                                       |
| 5. contractor's plant and Machinery insurance | 17. t rekking insurance (for foreigners and Bhutanese tour guides) |
| 6. Marine/t ransit insurance                  | 18. overseas t ravel insurance                                     |
| 7. Motor insurance                            | 19. shopkeeper's insurance   |
| 8. Group /personal Accident insurance         | 20. cattle insurance   |
| 9. cash in-transit insurance                  | 21. Rural house insurance scheme                                   |
| 10. cash in-safe insurance                    | 22. t ravel insurance (internal)                                   |
| 11. Burglary insurance                        |  |
| 12. fidelity Guarantee insurance              |  |

## Credit and Investment

1. housing loan
2. t ransport loan
3. industrial loan
4. Business loan
5. loan against share
6. personal loan
7. card loan
8. preferential finance scheme loan (pfs)
9. contractor's Revolving credit (cRcs)
10. private provident fund loan(ppf)
11. Machinery and equipment loan



RICB has been achieving consistent growth over the years delivering both underwriting and investment profits. Over the years, RICB has established its track record as a premier financial service provider, consistently meeting its commitments in terms of financial services and insurance needs of each and every individual.

To be a responsible corporate entity is an important objective of RicB besides maximizing the shareholders' value. The company has played a vital role in maintaining the corporate social responsibilities by providing social security to the citizens of Bhutan. The award received from the Association of development financing Institutions in Asia and the Pacific (ADFIAP) on the Corporate Social Responsibility (CSR) in 2012 is a testimony to the company's commitment towards promoting CSR.

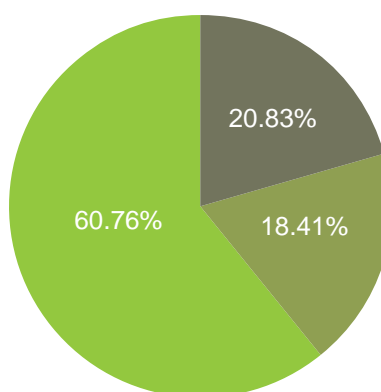
With the corporate head quarter in Thimphu and a business center in every district, RicB covers length and breadth of the nation. In order to reach the remote areas of the country and provide value added services to the customers, RicB has embraced the cutting edge technology and deployed this state-of-the-Art technology such as connecting all the business centers throughout the country; on-line interactive Website with database connectivity, SMS push and pull technology and 24 x 7 toll free service.

The quality of a corporation's resources is the single most important factor determining company's competitiveness. It is attributed by the employees' innovation, entrepreneurship, teamwork and their work ethics that gives the company the sharp cutting edge in competitiveness. RicB intends to transform itself into a knowledge based company and thus strives to nurture human talents which is at present the most scarce and valuable resources. Towards this end RicB has implemented performance Management system which will monitor performance of each and every employee of the corporation.

RicB has grown from strength to strength over the years in keeping with nation's march towards the goal of economic growth, self-reliance and Gross national happiness. With the dedicated and farsighted Board of directors and committed employees, RicB is poised to achieve its vision and take the company to greater heights through an array of products and services.

## shareholding pattern

His Majesty's secretariat	20.83%
Druk Holding & Investment	18.41%
Private & public holding	60.76%



## Vision

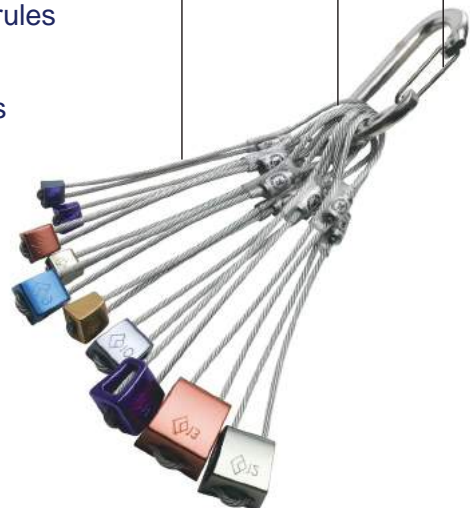
to be the premier financial service provider in the country and beyond, securing the ever evolving aspiration of the society

## 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 Value

- transparency : openness is our name
- Accountability : honoring our responsibility
- commitment : delivering our promises
- team Work : united we stand
- integrity : playing by the rules
- creativity : new day, new ideas
- specialization : pursuing greater heights



## Board of Directors



(Chairman)  
 Dashi T. Ogyal Dorji  
 Managing Director  
 Bhutan Ferro Alloys Ltd.



(Director)  
 Dashi Penjore  
 Gyalpo Zimpon  
 Gyalpo Zimpon's Office



(Director)  
 Mr. T. Shenchok Thinley  
 Managing Director  
 Tashi Tours & Treks



(Director)  
 Mr. Phub Dorji  
 proprietor  
 Utpal Academy, Paro



(Director)  
 Mr. Chenchot Namgay  
 senior Analyst  
 Druk Holding & Investments



(Director)  
 Mr. Kinga Thinley  
 senior Risk Analyst  
 nppf



(Director)  
 Mr. Namgyal Lhendup  
 Chief Executive Officer  
 RicBI



## Management Team



chief eXecutiVe officeR  
 Mr. namgyal Ihendup



eXecutiVe diRectoR  
 Mr. sonam dorji



GeneRAI MAnAGeR  
 finAnce & Accounts  
 Mr. yeshe Jamtsho



GeneRAI MAnAGeR  
 cRedit & inVestMent  
 Mr. Kinzang dorji



GeneRAI MAnAGeR  
 GeneRAI insuRAnce  
 Mr. sangay Wangdi



GeneRAI MAnAGeR  
 life insuRAnce  
 Mr. Karma sonam t shering



GeneRAI MAnAGeR  
 ReGionAI office  
 Mr. dhendup t shering

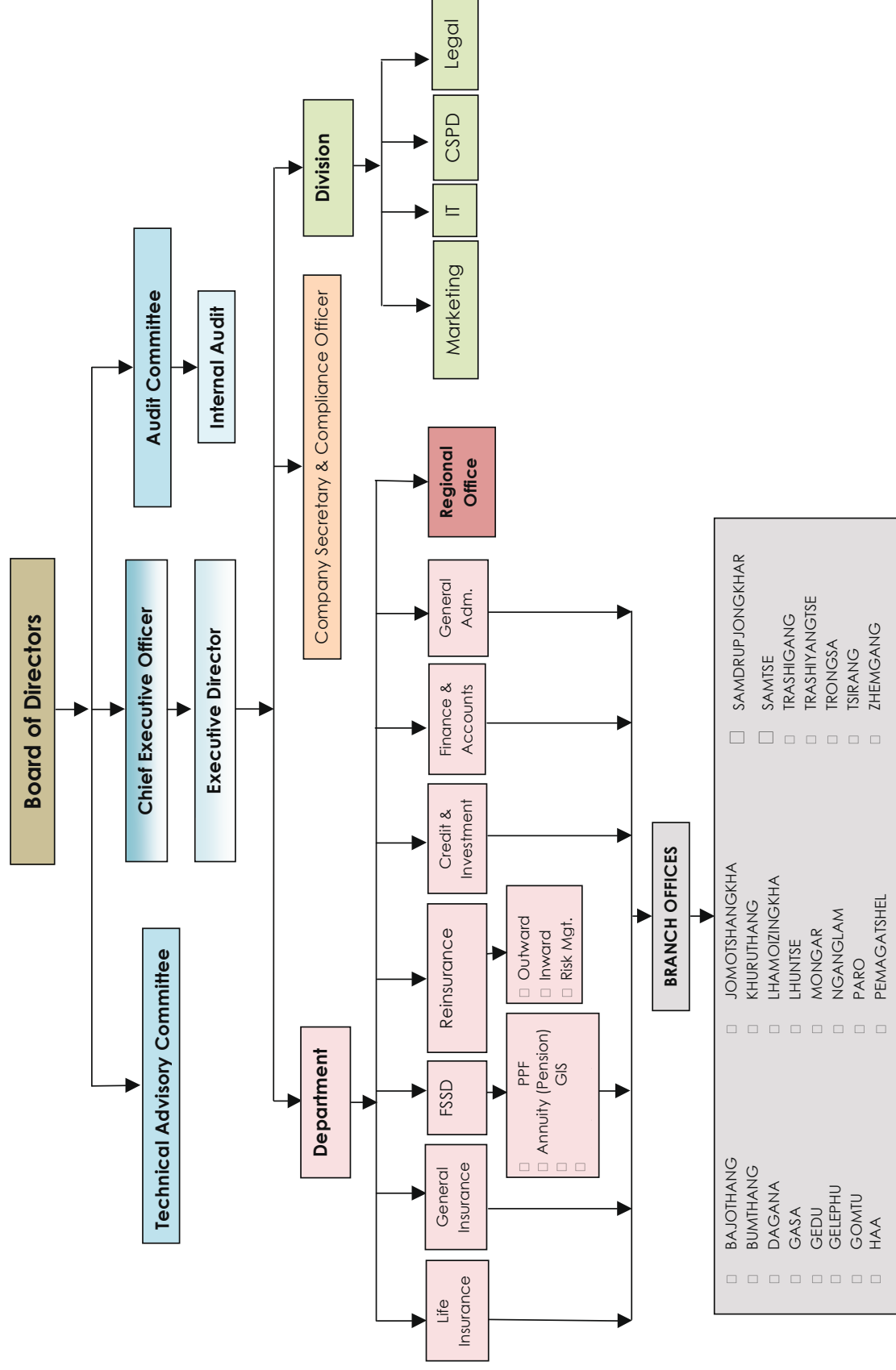
# Company's Performance

## 5 years at glance

Figures in Million BTN

	2012	2011	2010	2009	2008
<b>SHARE CAPITAL &amp; RESERVES</b>					
paid up capital	240.00	240.00	240.00	240.00	96.00
total Reserves & surplus	1,267.06	982.52	734.42	583.83	550.05
net Worth	1,507.06	1,222.52	974.42	823.83	646.05
<b>ASSETS</b>					
loans & investments	5,796.58	5,524.09	4,908.81	3,020.63	2,329.12
cash & Bank Balance	1,489.20	979.52	731.86	343.73	364.07
net fixed Assets	157.20	131.48	121.91	112.99	114.32
total Assets	7,747.27	6,773.40	5,835.40	3,567.49	2,672.76
<b>PROFITABILITY</b>					
Profit Before Tax	501.06	450.94	300.19	261.27	170.38
Profit After Tax	350.74	315.66	210.13	182.89	119.27
dividend	84.00	72.00	60.00	60.00	28.80
<b>RATIOS</b>					
networth to total Assets	19.45	18.05	16.70	23.09	24.17
capital Adequacy	17.05	17.20	18.33	24.23	25.38
slR (liquidity)	23.86	17.65	15.06	12.42	19.75
npl Ratio	3.55	3.86	6.75	8.27	12.32
earning per share	146.15	131.52	87.56	75.5	124.23
Book Value per share	627.94	509.38	406.01	333.26	672.97
solvency Ratio (General insurance)	5.64	5.47	5.24	8.44	8.06
combined Ratio (General insurance)	72.51%	59.94%	88.65%	81.38%	76.91%
<b>LIFE INSURANCE</b>					
net premium	304.93	222.18	154.57	102.89	77.18
net claims	40.12	27.17	22.95	20.19	18.49
interest earned	54.66	38.73	28.18	21.72	17.87
fund Balance	906.22	654.27	472.45	342.29	260.04
Actuarial surplus	3.49	2.78	-	1.09	0.97
net claim Ratio	13.16%	12.23%	14.85%	19.62%	23.96%
<b>GROUP INSURANCE</b>					
Risk premium	37.12	33.73	30.11	28.97	26.65
claims	17.86	14.9	16	14.85	13.2
interest earned	44.83	39.28	35.29	29.67	24.99
interest paid on savings	40.14	35.11	30.5	25.95	23.5
fund Balance	647.07	572.96	498.43	433.73	368.53
claim Ratio	48.11%	44.17%	53.14%	51.26%	49.53%
<b>GENERAL INSURANCE</b>					
Gross Premium	662.63	618.79	470.88	391.54	335.55
Reinsurance	378.4	297.57	281.68	187.38	164.88
net premium	284.23	321.22	189.2	204.16	170.67
Gross Claims	196.01	440.54	212.35	158.28	146.96
Reinsurance	35.03	293.13	89.74	44.01	50.7
net claims	160.98	147.41	122.61	114.27	96.26
commission on Reinsurance	100.95	89.59	78.19	78.35	70.73
interest earned	62.28	52.37	43.65	38.66	31.24
unexpired Risk premium	170.53	192.72	113.53	122.5	102.41
net claim Ratio	56.64%	45.89%	64.80%	55.97%	56.40%
department surplus	248.85	186.19	150.23	134.85	127.52
<b>CREDIT &amp; INVESTMENT</b>					
interest income (net)	707.5	674.56	484.67	320.65	262.19
interest expenses	412.89	369.14	266.13	170.07	135.91
net interest differential	294.61	305.42	218.54	150.58	126.28
other income	36.2	37.7	48.1	29.29	13.4
provisions	5.88	10.98	29.53	-	61.61
department surplus	281.3	291.34	175.76	147.68	56.23

# Organization Structure







## RICB – Global Network and Partnership

# R i c B

has Reinsurance arrangements  
with the following companies/  
Brokers:

### Reinsurance Partners

- oriental insurance co. ltd. (india)
- national insurance co. ltd. (india)
- new india Assurance co. ltd. (india)
- united india insurance co. ltd. (india)
- Asian Re-insurance corporation (Bangkok)
- General insurance corporation of india (india)

### Reinsurance Brokers

- K. M. dastur Broking pvt. ltd.
- Risk care insurance Broker pvt. ltd.

## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

### Directors' Report for the Year 2012

#### To the Members:

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 38<sup>th</sup> Annual Report together with the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> December 2012.

#### Operational & Performance Highlights

Financial Year 2012 was a difficult year for all financial institutions in the country because of the limited availability of funds in the market. Further the regulators imposed restrictions through various monetary measures on lending as a corrective measure to improve the rupee shortage in the economy. Invariably the lending activity has direct impact on the insurance business too. Despite all this difficulties, for RICB, it was yet another year of satisfactory growth with a Profit Before Tax posted Nu. 501.07 million (Nu. 450.94 million in the previous year). The total gross business posted to Nu. 1,756.10 million with the growth of 15.54% compared to Nu. 1,519.86 million in the previous year. The Investment Business contributed Nu. 667.56 million followed by General Insurance Business by Nu. 662.65 million, and the remaining contribution of Nu. 456.60 million registered from Life Insurance, GIS business and other miscellaneous income.

It is also noteworthy to mention that for the first time the total business from the insurance sector (General, Life & Group Insurance) surpassed one billion mark despite the stiffing market. The net premium after affecting the re-insurance premiums posted at Nu. 626.28 million. Correspondingly, the gross claims amounted to Nu. 254.01 million and the net claims after considering reinsurance recoveries posted at Nu 192.29 million. The overall net claim ratio during the financial year 2012 stands at 30.70% compared to 32.82 % in the previous year.

The net revenue from the general insurance underwriting posted at Nu.248.86 million compared to Nu.186.19 million during the last financial year, which is transferred to the Profit and Loss Account of the Corporation. The investment business continues to contribute substantially to the overall performance of the company. The gross interest earned for the year posted at Nu 735.76 including the interest earned from the fixed deposits and the net interest earned after suspending the interest in line with the RMA prudential regulation 2002 posted to Nu. 707.50 million.

**Business Income for the Period ended 31.12.2012**

	Figures in (Nu. Million)	Premium			Claims		
		Gross Premium	Reinsurance	Net Premium	Gross Claim	Reinsurance	Net Claim
	Fire	213.31	117.89	95.42	0.16	(13.34)	(13.18)
	Miscellaneous	436.51	255.31	181.20	188.65	36.18	152.46
	Marine	12.84	5.22	7.62	7.23	12.19	(4.96)
<b>A</b>	<b>General Insurance</b>	<b>662.66</b>	<b>378.42</b>	<b>284.24</b>	<b>196.04</b>	<b>35.03</b>	<b>160.99</b>
<b>B</b>	<b>Life Insurance</b>	304.94	0.013	304.93	40.11	-	40.11
<b>C</b>	<b>GIS &amp; GISL</b>	37.11	-	37.11	17.86	-	17.86
	<b>Total = (A+B+C)</b>	<b>1,004.71</b>	<b>378.43</b>	<b>626.28</b>	<b>254.01</b>	<b>61.72</b>	<b>192.29</b>
<b>D</b>	<b>Investment</b>	Gross Interest Earned	Interest Suspense	Net - Interest Earned	Interest Expenses	Interest Differential	Further Provs.
		735.76	28.26	707.50	412.89	294.61	5.88
<b>E</b>	<b>Others</b>	43.89					
	<b>(A+B+C+D+E)</b>	<b>Total Business</b>		<b>1,756.10</b>			

## Financial Performance for the year 2011-2012

Particulars	2012 (Nu. Million)	2011 (Nu. Million)	Variance '12 & '11 %
<b><u>Income</u></b>			
General Insurance	248.86	186.19	33.66
Investment (Net)	281.30	291.34	(3.45)
Life (Surplus)	3.49	2.78	25.54
Other	8.43	6.62	27.34
<b>Total: ( I )</b>	<b>542.08</b>	<b>486.93</b>	<b>11.33</b>
<b><u>Expenses</u></b>			
Deprecation	13.33	13.54	(1.55)
Contribution to Gratuity Fund	3.00	3.57	(15.97)
Other Expenses	24.69	18.89	30.70
<b>Total: ( II )</b>	<b>41.02</b>	<b>36.00</b>	<b>13.94</b>
<b>Profit Before Tax ( I ) - ( II )</b>	<b>501.07</b>	<b>450.93</b>	<b>11.12</b>
<b>Profit After Tax</b>	<b>350.75</b>	<b>315.57</b>	<b>11.15</b>
<b>Earning Per Share</b>	<b>146.15</b>	<b>131.52</b>	<b>11.12</b>
<b>Book Value Per Share</b>	<b>627.94</b>	<b>509.38</b>	<b>23.27</b>
<b>Net-worth of the Company</b>	<b>1,507.06</b>	<b>1,222.52</b>	<b>23.27</b>
<b>Return on Core Equity</b>	<b>146.15%</b>	<b>131.52%</b>	<b>11.12</b>

Despite limited availability of funds in the market, it is significant to note that the Investment Department continues to contribute substantially to the net revenue of the corporation with Nu. 281.30 million (51.89%), followed by the General Insurance Department with Nu. 248.86 million (45.91%), the remaining contribution is from other miscellaneous sources.

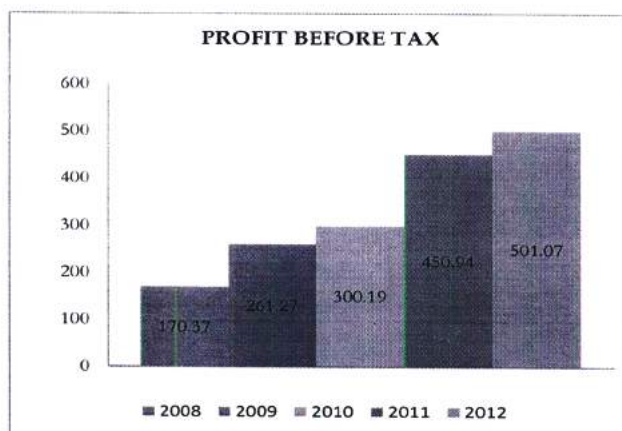


The earnings per share of the Company during the year have posted to Nu.146.15 vis-à-vis Nu. 131.52, in the last financial year. The net worth of the company as on 31.12.2012 posted at Nu. 1,507.06 million compared to Nu. 1,222.52 million in the last financial year and the book value per share translate to Nu. 627.94 compared to Nu. 509.38 during the last financial year. The return to core equity posted to 146.15% compared to 131.52% during the last financial year.

Based on the profitability and considering the fund position, the Board has recommended a dividend to the Shareholders at 35% of the face value of share (Nu.35 per share) vis-à-vis 30% (Nu. 30 per share) in the previous year.

### **Performance Highlights (Gross Profit) from 2008 - 2012**

Year	Nu. in Million	%
2008	170.37	12.15%
2009	261.27	53.35%
2010	300.19	14.90%
2011	450.94	50.22%
2012	501.07	11.12%



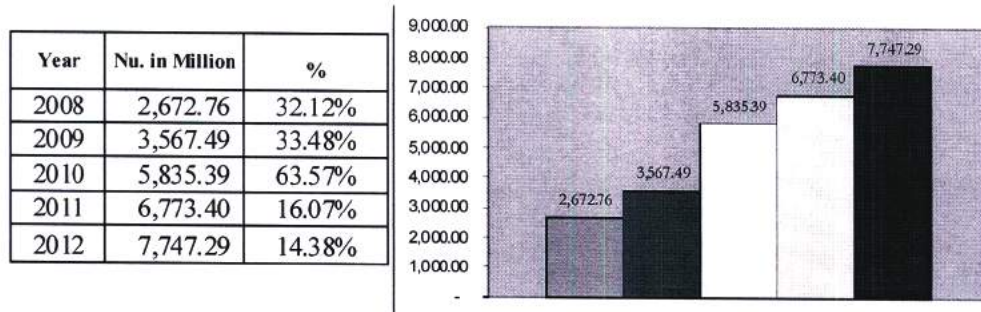
The company continues to perform consistently y-o-y with the average growth of profit (before tax) at 28.35 % in the last five years.

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

The total asset of the company has increased by 16.07 % to Nu. 7.75 billion during the year compared to Nu. 6.77 billion in the previous financial year. The RICB's net worth posted to Nu. 1.51 billion, an increase by about 23.77% from the previous year of Nu. 1.22 billion.

The net fund balance has increased to Nu. 4.99 billion from Nu. 4.56 billion in the previous year. The Corporation is expected to contribute about Nu.150.32 million, to the national exchequer in the form of Corporate Income Tax during financial year 2012.

### Growth in Balance sheet size



### Statutory Compliances

#### Royal Monetary Authority

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

Year	Recovery Rate	Statutory Liquidity Ratio	Ratio of NPL
2008	92.30 %	19.75 %	12.32 %
2009	92.30 %	12.53 %	8.27 %
2010	94.77 %	15.06 %	6.75 %
2011	95.69 %	17.65 %	3.86 %
2012	90.75 %	23.86 %	3.55 %

#### Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2011. The company is in the process of resolving the issues raised by RAA.

### Statutory Auditors

S.N. Mukherji & Co. Chartered Accountants was appointed as the Statutory Auditors of RICB for the financial year 2012 in the 37<sup>th</sup> 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 2011, and no adverse comments were noted.

## **Acknowledgement**

On behalf of the Board of Directors, and on my own behalf, I would like to take the opportunity to thank all our business partners and valued clients whose enduring confidence and faith reposed in the Company has made possible the result achieved during the year. The Board also places on record its deep appreciation to the Royal Government and its various agencies for continued support and co-operation provided to the Royal Insurance Corporation of Bhutan Limited (RICBL). In particular, I would like to thank Royal Monetary Authority of Bhutan, the Royal Audit Authority of Bhutan, Registrar of Companies and the Department of Revenue and Customs for their patronage and continued support. The Directors are also pleased to place on record their sincere appreciation to all our agents, and reinsurance partners and surveyors in India without whose support it would have been difficult to achieve the plans and goals of the Company.

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

**Tashi Delek**

SD/-  
**(Topgyal Dorji)**  
**CHAIRMAN**



# S. N. Mukherji & Co.

CHARTERED ACCOUNTANTS

## 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)** as at 31<sup>st</sup> December 2012, the Profit and Loss Account and the Cash Flow Statement of the Corporation for the year ended on that date (hereinafter referred to as "Financial Statements") in which are incorporated the Balance Sheet and Revenue Accounts of Life Insurance, Group Insurance Saving, General Insurance, Credit & Investment and Private Provident Fund, all of which we have signed under the reference to this report. The accounts/returns of un-audited eleven Branches and eleven Micro offices not visited by us have also been incorporated in the Financial Statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We report as under -

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



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valuation has been certified by the Actuary, on which we have relied upon to express an opinion on these financial statements of the Corporation.

3. As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. Further, to our comments in the annexure as referred above, we report that:
  - (a) Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
  - (b) 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.
  - (c) In our opinion, proper books of account as required by the law have been kept by the Corporation, so far as it appears from our examination of those books.
  - (d) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. We draw attention to the following notes on **Schedule 22 (Notes on Accounts)**:
  - (a) Note No.9 regarding non computation of actual tax liability as per Income Tax Act, 2001.
  - (b) Note No.12 regarding fraud / embezzlement of funds at different offices;



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- (c) Note No.15 regarding non-provision of bonus payable to employees;
- (d) Note No.16 regarding non-reconciliation of unadjusted deposits;
- (e) Note No. 21 regarding non-ascertainment of surplus and bonus payable to policy holders based on the accounts of 2011;
- (f) Note No. 22 regarding extent of further adjustments as required to be made in these accounts that 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;
- (g) Note No. 25(a) regarding managerial remuneration awaiting shareholders' approval;
- (h) Note No. 28 regarding non-creation of Premium Deficiency in the books which cannot be quantified and impact of income tax on treatment of Nu. 10 million as Claim Expenses and transferring the same to Technical Reserves cannot be commented upon by us;
- (i) Note No. 31 regarding non-reconciliation of current account maintained with RICB Securities Ltd which may affect the financial statement of the corporation;
- (j) The Corporation has paid Bonus and Leave Encashment benefit to employees and accounted for the same on cash basis as per Significant Accounting Policy No. 2(vii) but not on accrual basis, which is against the generally accepted accounting principle.
- (k) Nu. 2.00 million accepted by the Private Provident Fund from a Company in earlier years, which is beyond the object of the Fund, continues to remain in the books and has not been refunded. (Refer Note no.35 of schedule 22)

The total impact of our observations mentioned in the above paragraphs on the financial state of affairs and operational results of the Corporation is not ascertainable at this stage.

Without further qualifying our opinion we would like to state that loan appraisal, processing, claim settlement, loan management and internal control



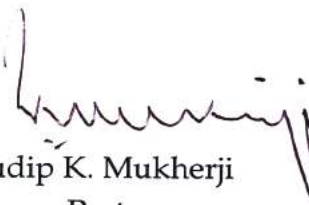


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requires improvement specially in view of the fact that fraud / embezzlement of funds have taken place. In view of the above, certain perpetrated irregularities may remain undetected in the books which are subject to review by the Corporation.

6. In our opinion and to the best of our information and according to the explanations given to us, subject to para 5 of above, the said accounts give the information required by The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and the said accounts give a true and fair view:
- i) In the case of Balance Sheet, of the state of affairs of the Corporation as at 31<sup>st</sup> December 2012;
  - ii) In the case of Profit & Loss account, of the profit of the Corporation for the year ended on that date;
  - iii) In the case of Cash Flow Statement, of the cash flows during the year ended on that date.

For **S. N. Mukherji & Co.**  
*Chartered Accountants*  
Firm's Registration No-301079E

  
Sudip K. Mukherji  
Partner

Membership No. 13321

Place: **Thimphu**  
Date: **29/03/2013**



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*Chartered Accountants*

## ANNEXURE

### STATEMENT ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(REFERRED IN THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 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 22, the identification numbers and locational details are in the process of updation as stated to us as indicated in Note 17(b) of schedule 22.
- (b) Pending reconciliation between the book records and physical inventory as indicated in Note 17 (a) on Schedule 22, 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 has borrowed money from various organizations and the terms and conditions of such loans are, *prima facie*, not prejudicial to the interest of the Corporation. According to information and explanations provided to us, there is no Company under the same management.
- 4.(a) The Corporation, in normal course of its operations, has granted loan to other companies, firms or other parties wherein the rate of interest and the other terms and conditions of loans availed are not, *prima facie*, prejudicial to the interest of the Corporation. According to the information and explanations provided to us,



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

- (b) 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.
5. 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.
6. The Corporation has, in general, an 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. *However in our opinion Internal Control /Risk Management needs improvement to prevent fraud.*
7. There is, in general, a system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including equipment and other assets and for the services *but the same offers further scope for improvement.* Since the Corporation is a financial institution, it is not engaged in the purchase of stores and raw materials and sale of goods.





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8. 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.
9. According to information and explanations provided to us, there are transactions entered into by the Corporation wherein the directors are directly or indirectly interested. The examination of records in accordance with the generally accepted auditing practices do not reveal any transactions that are prejudicial to the interest of the other shareholders and the Corporation. Records under Section 97 of the Companies Act of Kingdom of Bhutan, 2000 is maintained but not in a required format.
10. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authorities. Provision for corporate tax is made @ 30% of book profit as disclosed in **Accounting Policies No. 15 of Schedule No 21**. However necessary adjustments have not been made to calculate the income tax liability as required under the Income Tax Act of Bhutan, 2001.
11. 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.
12. During our examination of the books of account we have not come across any instances of personal expenses, which have been charged to the Corporation's



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accounts, other than those payable under contractual obligations or in accordance with generally accepted business practices nor we have been reported of any such instance by the management.

13. 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. The agency commission structure is in keeping with the industry norms / market conditions, as we have been given to understand by the management. As informed to us, the Corporation has, in general, a system of evaluating performance of each agent on a periodic basis. However necessary documentation in this regard were not produced to us for our verification. In our opinion, such systems offer further scope for improvement.
14. 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.
15. The management of liquid resources particularly cash / bank and short term deposits, etc., are generally adequate and as such no excessive amounts are lying idle in non-interest bearing accounts. Withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amount is withdrawn leading to avoidable interest burden on the Corporation has been made during the year under review.
16. 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.
17. 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





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accepted auditing practices, we state that the activities / investments are made, subject to prior approval of the Board and investments in new projects are generally made only after ascertaining the technical and economic feasibility of such new ventures.

18. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.
19. The details of remuneration of the directors of the Corporation are disclosed in the Note 25 (a) and (b) of Schedule 22.
20. The directives of the Board have generally been complied with, by the management of the Corporation during the year.
21. 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.
22. 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. *The settlement of claims in regard to General Insurance business also requires improvement.*
23. The Corporation has investment in equity shares in companies, however it is not engaged in dealing or trading in shares, securities and other investments.
24. Reasonable records are generally maintained for funds collected from depositors and for interest payment.
25. The Corporation follows the accounting policy of making provisions for permanent diminution, if any, in the value of investment in shares.



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26. The Corporation has generally complied with the requirements of Financial Services Act, 2011 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities, except for the following-
  - (i) Governance Committee of the Board of Directors is yet to be formed;
  - (ii) None of the members of the Audit Committee and the Risk Management Committee is an independent director;
  - (iii) 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.
27. Recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2002.
28. 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 ensured that at that stage, such assets are free of any prior lien or charges. *However there is scope for improvement in record maintenance for loans and advances* as stated in our Audit Report to the Management.
29. 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.
30. According to the information and explanations given, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.



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31. 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.
32. The Corporation, in general, has the system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.
33. 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**

34. According to the information and explanations provided to us, the organizational and system development controls and other internal controls are generally adequate commensurate with size and nature of computer installations.
35. According to information and explanations provided to us, adequate safeguard measures and back-up facility measures generally exist including maintenance of local stand-by servers at Head Office and Phuentsholing Regional Office for the





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database of their respective locations, *except absence of documented policies regarding back-ups.*

36. 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.
37. According to information and explanations provided to us, the measures to prevent unauthorized access over the computers installations and files are generally adequate except proper structured documented systems and procedures relating to access controls, including policies and its implementations regarding changing of passwords at periodical intervals and invalidations thereof, in cases of circumstances.

**General:**

**1. Going concern problems**

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

**2. Ratio Analysis**

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

**3. Compliance with the Companies Act of Kingdom of Bhutan**

The Corporation has complied with the requirements of The Companies Act of the Kingdom of Bhutan, 2000 *except the following:*

*The details as required in the prescribed format under Section 97 of The Companies Act of the Kingdom of Bhutan, 2000 should be maintained in:-*

*(a) Register of Directors,*



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- (b) Register of Directors' Shareholding,*
- (c) Register of Charges.*

#### **4. Adherence to Laws, Rules and Regulations**

Audit of the Corporation is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Bank. The Corporation does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Corporation during the year 2012.

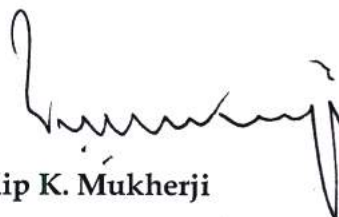
Place: **Thimphu**

Date : **29/03/2013**

For **S. N. Mukherji & Co.**

*Chartered Accountants*

*Firm's Registration No. 301079E*



**Sudip K. Mukherji**

Partner

Membership No: 13321



(REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 200) FOR THE YEAR ENDED 31ST DECEMBER, 2012 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

**STATEMENT OF SIGNIFICANT RATIOS**

FINANCIAL RATIOS:			2012	2011
<b>A</b>	<b>STABILITY RATIOS:</b>			
1	Capital Adequacy Ratio	(%)	17.05	17.20
2	Solvency Ratio (General Insurance)	(%)	5.64	5.47
3	Non-Performance Loan Ratio	(%)	3.55	3.86
4	Net Worth to Total Liabilities	(%)	19.45	18.05
5	Equity Investments to (Net Worth + Insurance Fund)	(%)	2.61	3.19
<b>B</b>	<b>PROFITABILITY RATIOS:</b>			
1	<b>Combined Ratios (Gross Expenses to Net Premium)</b>			
a	Life Insurance	(%)	35.33	35.83
b	Group Insurance Scheme	(%)	206.43	194.17
c	General Insurance	(%)	78.70	63.08
d	Credit & Investment (Interest Differential)	(%)	61.11	57.28
2	<b>Claim Ratio (Net)</b>			
a	Life Insurance	(%)	13.15	12.23
b	Group Insurance Scheme	(%)	48.13	44.18
c	General Insurance	(%)	56.64	45.88
d	Recovery Rate (Credit & Investment)	(%)	90.75	95.69
3a	Mgt. Expenses to Gross Premium - (Life Insurance)	(%)	8.95	10.17
b	Mgt. Expenses to Gross Premium - (Group Insurance)	(%)	50.13	45.89
c	Mgt. Expenses to Gross Premium - (General Insurance)	(%)	8.98	8.52
d	Mgt. Expenses to Gross Interest - (Credit & Investment)	(%)	6.38	5.98
4	Operating Income to Net worth -Net	(%)	33.25	36.89
5	Operating Income to Total Assets	(%)	6.47	6.66
6	Net Profit (After Tax) to Net Worth	(%)	23.27	25.82
7	Net Profit (After Tax) to Total Assets	(%)	4.53	4.66
8	Return on Core Equity (Profit After Tax)	(%)	146.15	131.52
<b>C</b>	<b>STRUCTURAL RATIOS :</b>			
1	Debt/Core Equity Ratio		15.85	14.79
2	Long Term Debt to Net Worth		2.52	2.90
3	Net Fixed Assets to Long Term Debt		0.04	0.03
4	Net Fixed Assets to Net Worth		0.10	0.10

Financial Data		2012	2011
Face Value of share	(Nu.)	100.00	100.00
Earning per Share	(Nu.)	146.15	131.52
Book Value per Share	(Nu.)	627.94	509.38
Market price per Share	(Nu.)	600.00	450.00
Dividend per share	(Nu.)	35.00	30.00
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 AS AT 31ST DECEMBER, 2012**

LIABILITIES	Schedule	2012 Nu.	2011 Nu.
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	1,267,061,156	982,775,765
		<b>1,507,061,156</b>	<b>1,222,775,765</b>
<b>Other Funds &amp; Borrowings</b>			
Insurance Funds	14	1,723,838,605	1,419,964,520
Investment and Borrowing Funds	15	5,798,722,873	5,278,363,895
		7,522,561,478	6,698,328,415
Less: Insurance Funds Investments		2,533,752,872	2,140,393,894
		<b>4,988,808,606</b>	<b>4,557,934,521</b>
<b>Other Liabilities</b>			
Reinsurance Reserves		2,640,251	1,561,433
Sundry Creditors	16	366,164,579	358,964,560
Due on Reinsurance and Insurance Business	17	55,968,095	3,049,239
Outstanding Claims less Reinsurance	18	23,326,245	9,566,977
PPF Contribution & Interest	19	568,999,938	439,062,505
Corporate Tax payable		150,320,815	135,279,779
Dividend Payable		84,000,000	72,000,000
		<b>1,251,419,922</b>	<b>1,019,484,493</b>
		<b>7,747,289,684</b>	<b>6,800,194,779</b>
<b>ASSETS</b>			
Cash and Bank Balances	5	1,486,902,130	982,757,367
Foreign Currency Balance with a Bank outside Bhutan		2,300,541	1,393,790
		<b>1,489,202,671</b>	<b>984,151,157</b>
<b>Loans and Investments</b>			
Equity Investment	6	84,415,300	84,415,300
Treasury Bills		-	-
Loans and Advances	7	5,649,372,761	5,382,610,606
Assets acquired against Loans		62,798,565	57,066,871
		<b>5,796,586,626</b>	<b>5,524,092,777</b>
<b>Less: Provisions</b>			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		62,798,565	57,066,871
For Loans and Advances		119,298,306	109,451,983
For Interest Suspense		28,264,378	20,487,779
		<b>210,795,727</b>	<b>187,441,111</b>
		<b>5,585,790,899</b>	<b>5,336,651,666</b>
<b>Fixed Assets</b>			
Gross Block- at cost	8	232,888,313	219,299,526
Less: Accumulated Depreciation		85,756,485	99,784,365
<b>Net Block</b>		<b>147,131,828</b>	<b>119,515,161</b>
Capital Work in Progress		10,075,459	11,957,927
		<b>157,207,286</b>	<b>131,473,088</b>
<b>Other Assets</b>			
Interest, Rent and Other Receivables	9	284,206,019	197,560,841
Due from Reinsurance & Insurance Business	10	163,613,694	62,313,729
Advances, Deposits and Prepaid Expenses	11	67,269,115	88,044,299
		<b>515,088,829</b>	<b>347,918,869</b>
		<b>7,747,289,684</b>	<b>6,800,194,779</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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, 2012 and that the assets set forth in the Balance sheet are as shown in the Balance Sheet referred to in our report of even date.

For S. N. Mukherji & Co.

Chartered Accountants  
Firm's registration no. 301079E

(Sudip K. Mukherji)

Partner

Membership Number: 13321

Place: Thimphu

Date:

General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**LIFE INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2012**


LIABILITIES	Schedule	2012 Nu.	2011 Nu.
<b>Funds</b>			
Life Insurance Fund	14A	906,223,029	654,272,648
<b>Other Liabilities</b>			
Sundry Creditors [Note 16(a) on Schedule 21]	16A	50,108,882	34,835,230
Due on Reinsurance and Insurance Business	17A	-	-
Outstanding Claims less Reinsurance	18A	4,195,960	2,914,163
		<u>54,304,842</u>	<u>37,749,393</u>
		<u>960,527,872</u>	<u>692,022,041</u>
<b>ASSETS</b>			
Cash and Deposits			
Cash and Bank Balance	5A	11,884,248	8,911,498
<b>Loans</b>			
Policy Loans	7A	417,690	320,529
<b>Investment Fund</b>			
Life Investment Fund	15AA	892,789,693	643,379,999
<b>Other Assets</b>			
Interest, Rent and other Receivables	9A	54,655,491	38,732,157
Due from Reinsurance and Insurance Business	10B	780,750	677,858
Advances, Deposits and Prepaid Expenses	11B	-	-
		<u>55,436,241</u>	<u>39,410,015</u>
		<u>960,527,872</u>	<u>692,022,041</u>
Significant Accounting Policies	21		
Notes to Accounts	22		

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, 2012 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 S . N. Mukherji & Co  
Chartered Accountants

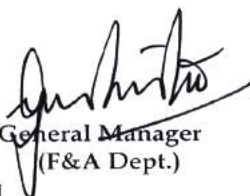
  
Sudip K. Mukherji)  
Partner

Membership Number: 13321


Place: Thimphu

Date: 29/03/2013



  
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, 2012**

LIABILITIES	Schedule	2012 Nu.	2011 Nu.
<b>Funds</b>			
GIS Savings Liability		340,162,177	298,887,243
GIS Interest Liability		258,081,108	230,606,519
GIS Fund	14B	48,831,627	43,467,381
		<b>647,074,912</b>	<b>572,961,143</b>
<b>Other Liabilities</b>			
Sundry Creditors	16B	937,517	594,190
Outstanding Claims	18B	522,110	900,000
		<b>1,459,627</b>	<b>1,494,190</b>
		<b>648,534,539</b>	<b>574,455,333</b>
<b>ASSETS</b>			
Cash and Deposits			
Cash and Bank Balance	5B	10,970,824	6,791,353
<b>Investment Fund</b>			
Group Investment Fund	15AB	588,906,139	524,759,893
<b>Other Assets</b>			
Interest, Rent and other Receivables	9B	44,832,975	39,282,686
Advances, Deposits and Prepaid Expenses	11A	3,824,601	3,621,401
		<b>48,657,576</b>	<b>42,904,087</b>
		<b>648,534,539</b>	<b>574,455,333</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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, 2012 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 S. N. Mukherji & Co.  
Chartered Accountants

(Sudip K. Mukherji)  
Partner  
Membership Number: 13321  
Place: Thimphu  
Date: 29/03/2013

General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman  
Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GENERAL INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2012**

<b>LIABILITIES</b>	<b>Schedule</b>	<b>2012</b>	<b>2011</b>
		<b>Nu.</b>	<b>Nu.</b>
Reserve and Surplus	13B	889,980,722	705,776,087
<b>Funds</b>			
Insurance Funds	14C	170,540,664	192,730,729
<b>Other Liabilities</b>			
Reinsurance Reserves		2,640,251	1,561,433
Sundry Creditors	16C	13,088,611	51,262,756
Due on Reinsurance and Insurance Business	17B	55,968,095	3,049,239
Outstanding Claims less Reinsurance ceded	18C	18,608,175	5,752,814
Corporate Tax payable		74,659,132	55,858,403
		<b>164,964,264</b>	<b>117,484,645</b>
		<b>1,225,485,650</b>	<b>1,015,991,460</b>
<b>ASSETS</b>			
Cash and Bank Balances	5C	46,164,864	47,857,659
Foreign Currency balance held with a Bank outside Bhutan		2,300,541	1,349,161
		<b>48,465,405</b>	<b>49,206,820</b>
<b>Investments</b>			
Investment Fund	15AC	925,174,202	852,069,448
<b>Other Assets</b>			
Interest, Rent and other Receivables	9C	85,123,526	52,370,221
Due from Reinsurance and Insurance Business	10A	162,832,944	61,635,871
Advances, Deposits and Prepaid Expenses	11C	3,889,573	709,100
		<b>251,846,043</b>	<b>114,715,192</b>
		<b>1,225,485,650</b>	<b>1,015,991,460</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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, 2012 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 S. N. Mukherji & Co.

Chartered Accountants

(Sudip K. Mukherji)  
Partner

Membership Number: 13321

Place: Thimphu

Date: 29/03/2013

General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman

Director





**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**CREDIT & INVESTMENT BALANCE SHEET AS AT 31ST DECEMBER, 2012**

LIABILITIES	Schedule	2012 Nu.	2011 Nu.
Reserves and Surplus	13C	900,969,791	696,521,560
		900,969,791	696,521,560
<b>Funds</b>			
Borrowing Funds	15	5,798,722,873	5,278,363,895
		5,798,722,873	5,278,363,895
<b>Other Liabilities</b>			
Sundry creditors	16D	285,787,568	258,851,979
Corporate Tax payable		84,390,604	87,400,619
		370,178,172	346,252,598
		<u>7,069,870,836</u>	<u>6,321,138,053</u>
<b>ASSETS</b>			
Cash and Bank Balances	5	1,414,234,660	913,862,240
<b>Investments</b>			
Equity Investment	6	84,415,300	84,415,300
Treasury Bills		-	-
Loans and Advances (Net of Credit)	7	5,648,955,071	5,382,290,077
Assets acquired against Loans		62,798,565	57,066,871
		5,796,168,936	5,523,772,248
<b>Less: Provisions</b>			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		62,798,565	57,066,871
For Loans and Advances		119,298,306	109,451,983
For Interest Suspense		28,264,378	20,487,779
		210,795,727	187,441,111
		5,585,373,209	5,336,331,137
<b>Other Assets</b>			
Interest, Rent and other Receivables	9D	68,753,630	43,398,599
Advances, Deposits and Prepaid Expenses	11D	1,509,336	27,546,076
		70,262,966	70,944,675
		<u>7,069,870,836</u>	<u>6,321,138,053</u>
Significant Accounting Policies	21		
Notes to Accounts	22		

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, 2012 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 S. N. Mukherji & Co.

Chartered Accountants

On behalf of Board of Directors

(Sudip K. Mukherji)  
Partner

Membership Number: 13321

Place: Thimphu

Date:

General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman

Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**PRIVATE PROVIDENT FUND BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER, 2012**  
Schedule                      2012                      2011

Employees' & Employers' Contribution	19A	480,482,020	371,051,269
Interest Credited to Employees' Account	19B	88,517,918	68,011,236
General Reserve	13D	260,290	260,290
Other Liabilities	16F	103,901	37,716
<b>TOTAL</b>		<b>569,364,128</b>	<b>439,360,511</b>

**ASSETS**

Deposit with RICBL	15BA	537,836,744	412,565,523
Cash and Bank Balances	5E	2,288,582	4,628,234
Other Assets	9F	29,238,803	22,166,754
<b>TOTAL</b>		<b>569,364,128</b>	<b>439,360,511</b>

Significant Accounting Policies	21
Notes on Accounts	22

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.

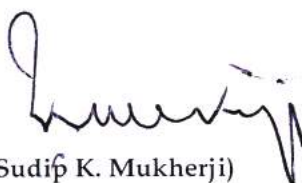
On behalf of Board of Directors

For S.N Mukherji & Co.  
Chartered Accountants  
Firms Registration No. 301079E

  
General Manager  
(Finance & Accounts)

  
Chief Executive  
Officer

  
Chairman Director

  
(Sudip K. Mukherji)

Partner

Membership No. 13321

Place : Thimphu

Date : 29/03/2013







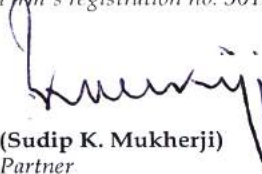
**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	Schedule	2012 Nu.	2011 Nu.
<b>OPERATING INCOME</b>			
Surplus transferred from -			
Miscellaneous Insurance Revenue Account		97,761,659	102,404,479
Marine Insurance Revenue Account		11,468,698	7,872,543
Fire Insurance Revenue Account		139,633,412	75,917,655
		<b>248,863,769</b>	<b>186,194,677</b>
Life Insurance Revenue Account		3,494,366	2,784,607
Credit & Investment Revenue Account		281,302,008	291,335,396
		<b>533,660,143</b>	<b>480,314,680</b>
<b>OTHER INCOME</b>			
Rental Income		6,522,334	6,385,615
Miscellaneous Income		1,903,099	236,880
		<b>8,425,433</b>	<b>6,622,494</b>
<b>TOTAL INCOME</b>		<b>542,085,576</b>	<b>486,937,174</b>
<b>OPERATING EXPENSES.</b>			
Repairs and Maintenance		3,447,306	2,673,103
Contribution to Gratuity Fund (Note 14 on Schedule 22)		3,000,000	3,569,267
Depreciation		13,330,802	13,544,048
Other Expenses		21,238,089	16,218,159
		<b>41,016,197</b>	<b>36,004,577</b>
<b>Profit Before Taxation</b>		<b>501,069,379</b>	<b>450,932,597</b>
Taxation (Note 9 on Schedule 22)		150,320,814	135,279,779
Short provision for previous years (Depreciation)		-	15,565,430
Profit available for Appropriations		<b>350,748,565</b>	<b>300,087,388</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		84,000,000	72,000,000
Transfer to Catastrophe Fund (Note 11 on Schedule 22)		5,000,000	5,000,000
Transfer to General Reserve		261,748,565	223,087,388
		<b>350,748,565</b>	<b>300,087,388</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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 S. N. Mukherji & Co.**  
Chartered Accountants  
Firm's registration no. 301079E

  
(Sudip K. Mukherji)  
Partner

Membership Number: 13321  
Place: Thimphu  
Date: 29/03/2013

  
General Manager  
(F&A Dept.)

  
Chief Executive  
Officer

  
Chairman

  
Director



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**LIFE INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

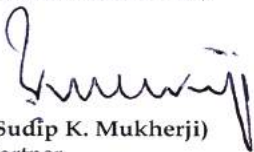
REVENUE	Schedule	2012 Nu.	2011 Nu.
Premium Less Reinsurance			
Other Policies	1	304,927,474	222,184,110
Interest on Investment Fund of Life Fund		54,655,491	38,734,357
Interest on Policy Loan		43,983	87,792
Commission on reinsurance ceded		-	240,922
Other revenue		49,527	192,820
<b>TOTAL</b>	<b>( I )</b>	<b>359,676,475</b>	<b>261,440,001</b>
<b>EXPENSES</b>			
Claims Paid And Outstanding Net of Reinsurance			
By Death/Maturity/Surrender			
Other Policies	2	40,108,030	27,167,832
Life Policies Bonus [Notes 21 on Schedule 22] [Inclusive of Interim Bonus Nu. 145,291.69]		14,134,755	11,203,752
Commission & Others		22,271,932	15,498,536
Prior Period Adjustment		430,956	280,651
Surplus Allocated to Shareholders - Per Actuarial Report		3,494,366	2,784,607
		<b>80,440,039</b>	<b>56,935,378</b>
<b>MANAGEMENT EXPENSES</b>			
Other Policies	20	27,286,056	22,677,597
<b>TOTAL</b>	<b>(II)</b>	<b>107,726,095</b>	<b>79,612,975</b>
<b>Net Fund During the Year</b>	<b>III ( I - II )</b>	<b>251,950,380</b>	<b>181,827,026</b>
<b>Life Fund Brought Forward from Previous Year</b>	<b>(IV)</b>	<b>654,272,648</b>	<b>472,445,622</b>
<b>LIFE FUND CARRIED FORWARD</b>	<b>(III + IV )</b>	<b>906,223,028</b>	<b>654,272,648</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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 S . N. Mukherji & Co  
Chartered Accountants

  
(Sudip K. Mukherji)  
Partner

  
General Manager  
(F&A Dept.)

  
Chief Executive  
Officer

 Chairman  
 Director

Membership Number: 13321  
Place: Thimphu  
Date: 29/03/2013



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**GROUP INSURANCE SAVING**  
**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

REVENUE	Schedule	2012 Nu.	2011 Nu.
Premium			
Group Saving Linked Insurance Policies		3,763,546	2,139,424
Group Insurance Cum Savings Policies		33,344,048	31,585,712
		<b>37,107,594</b>	<b>33,725,136</b>
Interest On Investment Of GIS Fund		44,832,975	39,282,686
Other Revenue		23,557	224,282
<b>TOTAL</b>	<b>( I )</b>	<b>81,964,126</b>	<b>73,232,104</b>
<b>EXPENSES</b>			
Claims Paid and Outstanding			
Group Saving Linked Insurance Policies (Death)	2	1,500,000	600,000
Group Insurance Cum Savings Policies (Death)	2	16,360,000	14,300,000
		<b>17,860,000</b>	<b>14,900,000</b>
Interest On Group Insurance Cum Savings		39,285,962	34,472,320
Group Saving Linked Insurance Policies		850,771	634,622
		<b>57,996,733</b>	<b>50,006,942</b>
Management Expenses			
Group Saving Linked Insurance Policies		1,740,219	695,804
Civil Employees		12,451,808	11,427,670
Armed Forces		4,411,120	3,352,510
	<b>20</b>	<b>18,603,147</b>	<b>15,475,984</b>
<b>TOTAL</b>	<b>( II )</b>	<b>76,599,880</b>	<b>65,482,926</b>
<b>Net Fund During the Year</b>	<b>III ( I - II )</b>	<b>5,364,246</b>	<b>7,749,178</b>
<b>GIS Fund Brought Forward From Previous Year</b>	<b>( IV )</b>	<b>43,467,381</b>	<b>35,718,203</b>
<b>Group Fund Carried Forward</b>	<b>( III + IV )</b>	<b>48,831,627</b>	<b>43,467,381</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

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 S . N. Mukherji & Co  
Chartered Accountants

  
(Sudip K. Mukherji)  
Partner

General Manager  
(F&A Dept.)

  
Chief Executive  
Officer

  
Chairman

  
Director

Membership Number: 13321

Place: Thimphu

Date: 29/03/2013





ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED  
GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2012

	MISCELLANEOUS		MARINE		FIRE		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>INCOME</b>								
Premium less Re-Insurance	181,200,056	220,564,335	7,618,029	3,126,109	95,416,354	97,527,437	284,234,439	321,217,881
Commission on Re-Insurance	43,153,958	42,128,181	1,479,396	3,542,168	56,338,317	43,922,451	100,971,671	89,592,800
On re-insurance ceded	-	-	-	-	383,572	2,874,270	383,572	2,874,270
Less: on re-insurance accepted.								
	43,153,958	42,128,181	1,479,396	3,542,168	55,954,745	41,048,181	100,588,099	86,718,530
Interest on Investment	132,338,601	81,525,638	1,875,666	1,550,867	58,516,462	30,445,459	192,730,729	113,521,964
Miscellaneous Income	108,720,034	132,338,601	4,570,818	1,875,666	57,249,812	58,516,462	170,540,664	192,730,729
Change in Fund Balance	2,139,100	4,618,083	62,901	178,080	1,042,520	2,925,070	3,244,521	7,721,233
Brought forward from previous year								
At the end of the year	23,618,567	(50,812,963)	(2,695,152)	(324,799)	1,266,650	(28,071,003)	22,190,065	(79,208,765)
<b>TOTAL ( I )</b>	<b>291,182,345</b>	<b>247,818,183</b>	<b>7,672,880</b>	<b>7,728,808</b>	<b>173,696,629</b>	<b>133,272,110</b>	<b>472,551,854</b>	<b>388,819,101</b>
<b>EXPENSES</b>								
Claims Paid/Outstanding (Net of Reinsurance)	152,456,530	111,934,343	(4,963,606)	(1,370,102)	13,500,218	36,809,480	160,993,142	147,373,721
Commission to Agent	1,250,969	1,662,839	-	-	1,208,224	388,333	2,459,193	2,051,172
Management Expenses	39,240,483	31,538,165	1,153,888	1,215,638	19,124,396	19,980,292	59,518,767	52,734,095
Miscellaneous Expenses	472,704	278,357	13,900	10,729	230,379	176,350	716,983	465,436
<b>TOTAL ( II )</b>	<b>193,420,686</b>	<b>145,413,704</b>	<b>(3,795,818)</b>	<b>(143,735)</b>	<b>34,063,217</b>	<b>57,354,455</b>	<b>223,688,085</b>	<b>202,624,424</b>
<b>Transfer to Profit and Loss Account ( I - II )</b>	<b>97,761,659</b>	<b>102,404,479</b>	<b>11,468,698</b>	<b>7,872,543</b>	<b>139,633,412</b>	<b>75,917,655</b>	<b>248,863,769</b>	<b>186,194,677</b>

Notes to Accounts 21  
Significant Accounting Policies 22

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 S. N. Mukherji & Co.

Chartered Accountants

(Sudip Mukherji)

Partner

Membership Number: 13321

Place: Thimphu

Date: 29/03/2013

Chartered Accountants

On behalf of Board of Directors

Director

Chairman

Chief Executive Officer

General Manager (F&A Dept.)

Royal Insurance Corporation of Bhutan Ltd.

Thimphu

**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**

**CREDIT & INVESTMENT REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

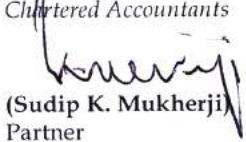
		2012 Nu.	2011 Nu.
<b>INTEREST INCOME</b>			
Interest on Loans (net of suspense)		667,561,278	646,723,537
Interest on Fixed Deposit - Gross		39,938,035	27,834,863
	<b>A</b>	<b>707,499,313</b>	<b>674,558,400</b>
<b>LESS:- INTEREST EXPENSES</b>			
Interest on Life Fund		54,655,491	38,734,357
Interest on GIS Fund		44,832,975	39,282,686
Interest on General Fund		62,294,730	52,370,221
Interest on PPF Fund		29,238,803	22,166,754
Interest on Borrowings		86,370,744	79,689,880
Interest on Bonds		135,496,528	136,901,747
	<b>B</b>	<b>412,889,271</b>	<b>369,145,645</b>
<b>NET INTEREST DIFFERENTIAL</b>	<b>(A - B) = ( C )</b>	<b>294,610,042</b>	<b>305,412,755</b>
<b>ADD: OTHER INCOME</b>			
Guarantee Commission		25,557,578	21,478,497
Dividends - Gross		9,575,160	15,028,360
Miscellaneous Income		1,065,820	1,194,154
	<b>D</b>	<b>36,198,558</b>	<b>37,701,011</b>
<b>TOTAL OPERATING INCOME</b>	<b>(C + D) = ( E )</b>	<b>330,808,600</b>	<b>343,113,766</b>
<b>LESS: OPERATING EXPENSES.</b>			
Bad Debts/Other Assets Written Off		116,104	-
Miscellaneous Expenses		389,527	2,230,197
Provisions		5,881,966	10,983,523
<b>TOTAL OPERATING EXPENSES</b>	<b>( F )</b>	<b>6,387,597</b>	<b>13,213,720</b>
<b>OPERATING PROFIT</b>	<b>( E - F) = ( G )</b>	<b>324,421,003</b>	<b>329,900,046</b>
Less: Management Expenses	<b>H</b>	43,118,995	38,564,650
<b>Transfer to Profit &amp; Loss Account</b>	<b>( G - H )</b>	<b>281,302,008</b>	<b>291,335,396</b>
Significant Accounting Policies	21		
Notes to Accounts	22		


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 **S. N. Mukherji & Co.**



Chartered Accountants

  
(Sudip K. Mukherji)  
Partner

  
General Manager  
(H&A Dept.)

  
Chief Executive  
Officer

On behalf of Board of Directors

 Chairman  
 Director

Membership Number: 13321

Place: Thimphu

Date: **29/03/2013**



**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED (RICBL)**  
**PRIVATE PROVIDENT FUND REVENUE ACCOUNT FOR THE YEAR ENDING 31<sup>st</sup>**  
**DECEMBER 2012**

	Schedule	2012 Nu.	2011 Nu.
<b><u>INCOME</u></b>			
Return on Deposits		29,238,803	22,166,754
		<u>29,238,803</u>	<u>22,166,754</u>
<b><u>EXPENSES</u></b>			
Return on Employees' Contribution		14,653,490	11,124,052
Return on Employers' Contribution		14,585,313	11,042,702
		<u>29,238,803</u>	<u>22,166,754</u>

Significant Accounting Policies 21  
Notes on Accounts 22

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 Board of Directors.

For S.N. Mukherji & Co.  
Chartered Accountants  
Firm Registration No. 301079E

(Sudip K. Mukherji)

Partner

Membership No. 13321

Place : Thimphu

Date : 29/03/2013





**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	<u>2012</u> <u>Nu.</u>	<u>2011</u> <u>Nu.</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAX- As per Profit and Loss Account</b>	501,069,379	450,932,597
<b>ADD:- Depreciation (Net of adjustment)</b>	13,330,802	13,544,048
	514,400,181	464,476,646
<b>Less:- Profit on sale of Assets</b>	-	-
	514,400,181	464,476,646
Add/(Less):Increase/(Decrease) in Other Liabilities	231,935,430	73,060,784
Add/(Less):Increase/(Decrease) in Other Assets	(167,169,960)	(64,302,539)
Add/(Less):Increase/(Decrease) in Loans and Investments	(272,493,849)	(615,283,525)
Add/(Less):Increase/(Decrease) in Provisions	31,179,327	7,066,555
<b>NET CASH FLOW FROM OPERATING ACTIVITIES -</b>	<b>(A) 337,851,129</b>	<b>(134,982,078)</b>
<b>Taxation</b>	<b>(B) (152,608,699)</b>	<b>(135,279,779)</b>
<b>NET CASH FLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Dividend paid	(C) (72,000,000)	(60,000,000)
<b>NET CASH FLOW FROM CAPITAL EXPENDITURE</b>		
Sale of Fixed assets	12,843,818	3,087,588
Purchase of Fixed Assets	(51,908,818)	(42,014,707)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES- FINANCING ACTIVITIES:</b>	<b>(D) (39,065,000)</b>	<b>(38,927,119)</b>
BORROWINGS ACCEPTED (NET)/(REPAYMENTS-NET)	252,271,221	281,293,974
INVESTMENT FUNDS MANAGEMENT	268,087,757	375,869,490
INSURANCE FUNDS MANAGEMENT	(89,484,893)	(40,307,765)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES- INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ((A) + (B)+ (C) + (D)+ (E))</b>	<b>(E) 430,874,085</b>	<b>616,855,698</b>
	505,051,514	247,666,722
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS- CASH AND BANK BALANCES</b>	<b>984,151,157</b>	<b>731,856,201</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS-CASH AND BANK BALANCES</b>	<b>1,489,202,671</b>	<b>979,522,923</b>
	505,051,514	247,666,722

1. This Schedules referred to above form an integral part of this Cash Flow Statement.
  2. This Cash Flow Statement is prepared under "Indirect Method" as reallocation required for the proper arrangement as made by the Corporation.
  3. Figures in parentheses 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.

On behalf of Board of Directors

For S. N. Mukherji & Co.

Chartered Accountants

(Sudip K. Mukherji)  
Partner

Membership Number: 13321  
Place: Thimphu

Date: 29/03/2013

(General Manager  
(F&A Dept.)

Chief Executive  
Officer

Chairman Director





**ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**  
**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST**  
**DECEMBER, 2012**

	2012 Nu.	2011 Nu.
<b>1 PREMIUM LESS REINSURANCE</b>		
<b>LIFE POLICES</b>		
FIRST YEAR PREMIUM (A)	111,580,333	81,819,733
RENEWAL PREMIUM (B)	193,361,101	141,077,991
(A+B)	<u>304,941,434</u>	<u>222,897,724</u>
Less: Reinsurance	13,960	713,614
	<u><u>304,927,474</u></u>	<u><u>222,184,110</u></u>
<b>2 CLAIMS PAID AND OUTSTANDING</b>		
(A) Group Saving Linked Insurance-GSLI (by Death)		
Paid during the year	1,500,000	600,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>1,500,000</u>	<u>600,000</u>
Less: outstanding at the end of the previous year	-	-
<b>TOTAL CLAIMS PAID</b>	<u><u>1,500,000</u></u>	<u><u>600,000</u></u>
(B) Group Saving Scheme Insurance (By Death)		
Paid during the year	16,360,000	14,300,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>16,360,000</u>	<u>14,300,000</u>
Less:- Outstanding at the end of the previous year	-	-
<b>TOTAL CLAIMS PAID/PAYABLE</b>	<u><u>17,860,000</u></u>	<u><u>14,900,000</u></u>
<b>CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE</b>		
Life Insurance		
(C) Other Policies (By Death/Maturity/Survival Benefits/Surrender)		
Paid during the year	40,108,030	27,523,922
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>40,108,030</u>	<u>27,523,922</u>
Less: Outstanding at the end of the previous year.	-	356,090
	<u>40,108,030</u>	<u>27,167,832</u>
Less: Re-Insurance	-	-
<b>Net Claims</b>	<u><u>40,108,030</u></u>	<u><u>27,167,832</u></u>
<b>3 PREMIUM LESS REINSURANCE</b>		
<b>1) Fire Insurance Policies</b>		
Rural Insurance Policies	7,882,110	7,624,881
Other Insurance Policies	205,425,152	226,827,933
	<u>213,307,262</u>	<u>234,452,814</u>
LESS: Reinsurance	117,890,908	136,925,377
<b>NET PREMIUM</b>	<u><u>95,416,354</u></u>	<u><u>97,527,437</u></u>
<b>2) Miscellaneous Insurance Policies</b>		
Motor Insurance Policies	238,114,443	235,649,336
Other Insurance Policies	160,071,132	103,119,838
Aviation Insurance Policies	38,323,503	31,306,076
	<u>436,509,078</u>	<u>370,075,250</u>
LESS: Reinsurance	255,309,022	149,510,913
<b>NET PREMIUM</b>	<u><u>181,200,056</u></u>	<u><u>220,564,335</u></u>
<b>3) Marine Insurance Policies</b>		
Premium	12,835,792	14,264,539
LESS: Reinsurance	5,217,763	11,138,430
<b>NET PREMIUM</b>	<u><u>7,618,029</u></u>	<u><u>3,126,109</u></u>



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

##### 1) Fire Insurance Policies

###### Paid during the year

Rural Insurance Policies

Other Insurance Policies

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

LESS: Reinsurance

NET CLAIMS

##### 2) Miscellaneous Insurance Policies

###### Paid during the year

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

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

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

LESS: Reinsurance

Motor Insurance Policies

Other Insurance Policies

Aviation Insurance Policies

NET CLAIMS

##### 3) Marine Insurance Policies

Claims Paid during the year

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

LESS: Reinsurance

NET CLAIMS

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

##### Cash in Hand

General Insurance Department

##### BANK BALANCES

In Current Accounts in Bhutan

A Life Insurance Department (LID)

B Group Insurance Schemes Department (GIS)

C General Insurance Department (GID)

D General Administration Department (GAD)

E PPF Department

(A)

##### CREDIT & INVESTMENT DEPARTMENT

Cash in Hand - As Certified by Management

##### BANK BALANCES

In Current Accounts in Bhutan

In Current Accounts outside Bhutan

Fixed Deposit

(B)

TOTAL

(A + B)

2012 Nu.	2011 Nu.
7,882,110	7,609,881
(9,362,121)	152,935,251
(1,480,011)	160,545,132
1,638,892	-
158,881	160,545,132
(13,341,337)	123,735,652
13,500,218	36,809,480
125,843,132	166,309,555
(56,901,404)	36,048,224
-	-
46,423,398	38,662,209
73,279,988	37,038,527
-	-
188,645,114	278,058,515
40,421,031	92,812,659
(4,232,447)	73,311,513
-	-
36,188,584	166,124,172
152,456,530	111,934,343
2,229,436	1,906,674
5,000,000	-
7,229,436	1,906,674
12,193,042	3,276,776
(4,963,606)	(1,370,102)
11,884,248	8,911,498
10,970,824	6,791,353
46,164,864	49,206,820
1,358,951	751,012
2,288,582	4,628,234
72,667,469	70,288,917
8,674,844	19,893,003
225,515,187	138,924,608
44,629	44,629
1,180,000,000	755,000,000
1,414,234,660	913,862,240
1,486,902,130	984,151,157



*[Handwritten signature]*

	2012 Nu.	2011 Nu.
<b>6 EQUITY INVESTMENT AT COST - LONG TERM</b>		
Credit & Investment Department		
In Quoted Equity Shares*		
Bhutan Carbide & Chemicals Ltd.	24,311,650	24,311,650
(181370 Nos Share, Face Value Nu. 100/-)	-	-
Bhutan Ferro Alloys Ltd.	8,100,000	8,100,000
(80000 Nos Share, Face Value Nu. 100/-)	-	-
Penden Cement Authority Ltd.	3,169,400	3,169,400
(18315 Nos Shares, Face Value Nu. 100/-)	-	-
Bhutan National Bank	43,125,000	43,125,000
(450000 Nos Shares, Face Value Nu. 100/-)	-	-
State Trading Corporation of Bhutan Ltd.	980,000	980,000
(44100 Nos Shares, Face Value Nu. 100/-)	-	-
Bhutan Board Products Ltd.	1,229,250	1,229,250
(11830 Nos shares, Face value Nu. 100/-)	-	-
<b>TOTAL QUOTED EQUITY INVESTMENTS (A)</b>	<b>80,915,300</b>	<b>80,915,300</b>
IN UNQUOTED EQUITY SHARES		
Bhutan Development Finance Corpn.	3,000,000	3,000,000
(3000 Nos Shares, Face Value Nu. 1000/-)	-	-
RICB Securities Ltd.	500,000	500,000
(500 Nos Shares, Face Value Nu. 1000/-)	-	-
<b>TOTAL UNQUOTED EQUITY INVESTMENTS (B)</b>	<b>3,500,000</b>	<b>3,500,000</b>
<b>TOTAL INVESTMENTS [(A)+(B)]</b>	<b>84,415,300</b>	<b>84,415,300</b>
*Note: Aggregate Marked values of Quoted shares as on 31st December 2012 Nu. 376,801,150/- (2011 Nu. 276,039,250/-)		
<b>7 LOANS AND ADVANCES</b>		
A Life Insurance Department Against Life Policies	I 417,690	320,529
B CREDIT & INVESTMENT DEPARTMENT		
Against Mortgagage/Hypothecation of Properties/Fixed Assets in Bhutan		
(A) Secured		
Housing Loans	1,935,071,123	1,800,769,566
Transport Loans	614,973,745	764,992,465
Industrial Loans	736,155,502	689,918,558
Staff Loans	21,251,337	17,928,889
Business Loans	644,772,322	619,119,910
Shares Loans	28,647,160	25,491,452
Personal Loans	583,488,160	458,117,681
RICB Card Loans	618,659,076	575,238,190
Preferential Loans	158,591,882	186,962,127
Contractor Loans(CRC Scheme)	282,775,276	226,905,006
Private Provident Fund Loan	15,132,374	9,406,987
	II 5,639,517,958	5,374,850,831
(B) Unsecured		
Housing Loans	709,589	805,280
Transport Loans	-	-
Industrial Loans	-	-
Business Loans	5,828,719	5,958,391
Shares Loans	-	-
Personal Loans	1,655,933	56,573
RICB Card Loans	-	619,002
Preferential Loans	1,242,870	-
Contractor Loans(CRC Scheme)	-	-
Private Provident Fund Loan	-	-
	III 9,437,112	7,439,245
	(II+III) 5,648,955,071	5,382,290,077
(C) Less: Credit Balance	-	-
<b>Total Loans &amp; Advances</b>	<b>5,649,372,761</b>	<b>5,382,610,606</b>





Schedule 8

Statement of Fixed Assets as on 31st December 2012

Particulars	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK	
	As at 1st January 2012	Additions during the year	Sales Adjustmt.	As at 31st December 2012	As at 1st January 2012	For the Year	Adj of dep'n during the Year	Adj. of Dep. For previous years	As at 31st December 2012	As at 31st December 2011
Land [Note 17(c) on Schedule 23]	33,562,968	14,959,378	-	48,522,346	-	-	-	-	48,522,346	33,562,968
Buildings [Notes 17(d) on Schedule. 23]	68,482,629	1,843,170	-	70,325,799	19,415,802	2,177,991	-	-	48,732,006	49,066,827
Furniture and Fixtures	12,629,017	1,065,625	-	13,694,642	8,178,379	1,049,772	-	-	4,466,492	4,450,638
Electric Installations [Note 17 (e) on Schedule. 23]	1	-	-	1	27,358,682	-	-	-	1	1
Office Equipment	11,369,398	754,151	-	12,123,549	6,059,927	1,043,512	-	-	5,020,110	5,309,471
Vehicles	3,769,650	-	-	3,769,650	2,697,025	406,766	-	-	665,859	1,072,625
Computer Equipments	62,127,182	22,325,144	-	84,452,326	36,074,551	8,652,761	-	-	39,725,015	26,052,632
<b>Total</b>	<b>191,940,844</b>	<b>40,947,468</b>	<b>-</b>	<b>232,888,313</b>	<b>99,784,365</b>	<b>13,330,802</b>	<b>-</b>	<b>-</b>	<b>147,131,828</b>	<b>119,515,161</b>
Capital Work in Progress	11,957,927	10,961,350	12,843,818	10,075,459	-	-	-	-	10,075,459	11,957,927
<b>Total</b>	<b>203,898,771</b>	<b>51,908,818</b>	<b>12,843,818</b>	<b>242,963,771</b>	<b>99,784,365</b>	<b>13,330,802</b>	<b>-</b>	<b>-</b>	<b>157,207,286</b>	<b>131,473,088</b>
<b>Previous Year</b>	<b>192,330,334</b>	<b>42,014,707</b>	<b>3,087,588</b>	<b>231,257,453</b>	<b>70,674,887</b>	<b>13,544,048</b>	<b>-</b>	<b>15,565,430</b>	<b>131,473,088</b>	



*[Handwritten signature]*



	2012 Nu.	2011 Nu.
<b>9 INTEREST, RENT AND OTHER RECEIVABLES</b>		
A Life Insurance Department	54,655,491	38,732,157
Internal Department adjustment	-	-
	<b>54,655,491</b>	<b>38,732,157</b>
B Group Insurance Department	44,832,975	39,282,686
C General Insurance Department	85,123,526	52,370,221
Internal Department adjustment	-	-
	<b>85,123,526</b>	<b>52,370,221</b>
D Credit & Investment Department	68,753,630	43,398,599
Internal Department adjustment	-	-
	<b>68,753,630</b>	<b>43,398,599</b>
E General Administration Department		
Stock in hand	877,813	958,844
Others	723,782	651,580
	<b>1,601,594</b>	<b>1,610,424</b>
Internal Department adjustment	-	-
	<b>1,601,594</b>	<b>1,610,424</b>
F PPF Department	29,238,803	22,166,754
	<b>284,206,019</b>	<b>197,560,841</b>
<b>10 DUE FROM OTHER REINSURANCE AND INSURANCE BUSINESS</b>		
A General Insurance Department	162,832,944	61,635,871
B Life Insurance Department	780,750	677,858
	<b>163,613,694</b>	<b>62,313,729</b>
<b>11 ADVANCES, DEPOSITS AND PRE-PAID EXPENSES.</b>		
A Group Insurance Department	3,824,601	3,621,401
Internal Department adjustment	-	-
	<b>3,824,601</b>	<b>3,621,401</b>
B Life Insurance Department	-	-
C General Insurance Department	3,889,573	709,100
D Credit & Investment Department	1,509,336	27,546,076
Internal Department adjustment	-	-
	<b>1,509,336</b>	<b>27,546,076</b>
E General Administration Department		
Advance Corporate Tax	56,738,128	45,744,757
Advance to staff	317,795	247,487
Others	989,683	10,175,478
	<b>58,045,606</b>	<b>56,167,722</b>
	<b>67,269,115</b>	<b>88,044,299</b>



	2012 Nu.	2011 Nu.
<b>12 SHAREHOLDERS' CAPITAL</b>		
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>
<b>13 RESERVES AND SURPLUS</b>		
<b>A General Administration</b>		
As per last Account	(419,782,168)	(313,598,505)
Less: provision for dividend	(84,000,000)	(72,000,000)
Less: Adjustment of previous year depreciation	-	(15,565,430)
Less: Adjustment of Revenue during the year for General Administration	(20,367,479)	(18,618,233)
<b>TOTAL RESERVES AND SURPLUS FOR GENERAL ADMINISTRATION</b>	<u>(524,149,647)</u>	<u>(419,782,168)</u>
<b>B General Insurance</b>		
<b>Catastrophe Fund</b>		
As per Last Account	80,000,000	75,000,000
Add: Transfer from Profit and Loss Account during the year	5,000,000	5,000,000
	<u>85,000,000</u>	<u>80,000,000</u>
<b>General Reserve</b>		
As per Last Account	579,842,355	454,506,082
Add: Transfer from Revenue Account	169,204,638	125,336,273
	<u>749,046,993</u>	<u>579,842,355</u>
<b>Technical Reserve</b>		
As per Last Account	45,933,729	35,933,729
Addition during the year	10,000,000	10,000,000
	<u>55,933,729</u>	<u>45,933,729</u>
<b>TOTAL RESERVES AND SURPLUS FOR GENERAL INSURANCE</b>	<u>889,980,722</u>	<u>705,776,083</u>
<b>C Credit &amp; Investment Department</b>		
As per last Account	620,453,201	416,518,423
Add:- Transfer from Revenue Account	196,911,406	203,934,777
	<u>817,364,607</u>	<u>620,453,201</u>
General Provision	83,605,184	76,068,359
<b>TOTAL RESERVES AND SURPLUS FOR CID</b>	<u>900,969,791</u>	<u>696,521,560</u>
<b>D PPF Department</b>		
General Reserve	260,290	260,290
<b>TOTAL OF RESERVES AND SURPLUS</b>	<u>1,267,061,156</u>	<u>982,775,765</u>
<b>14 INSURANCE FUNDS</b>		
<b>A Life Insurance Business Account</b>	906,223,029	654,272,648
<b>B Group Insurance Business Account</b>	48,831,627	43,467,381
Group Savings Insurance Business Account	598,243,285	529,493,762
	<u>647,074,912</u>	<u>572,961,143</u>
<b>C Fire Insurance Business Account</b>	57,249,812	58,516,462
Miscellaneous Insurance Business Account	108,720,034	132,338,601
Marine Insurance Business Account	4,570,818	1,875,666
	<u>170,540,664</u>	<u>192,730,729</u>
	<u>1,723,838,605</u>	<u>1,419,964,520</u>



✓

**15A INVESTMENT AND BORROWING FUNDS****INVESTMENT FUNDS**

- A Life Insurance Fund  
B Group saving Insurance Fund  
C General Insurance Fund  
D General Administration Fund

**15B BORROWING FUNDS**

- A Private Provident Fund  
B National Pension & Provident Fund  
C Bond Series I & II  
D Short Term Borrowings  
**TOTAL (15A+15B+15C)**

**16 SUNDRY CREDITORS**

- A Life Insurance Department  
Bonus Payable  
Agent Liability  
Others  
Deposit

Internal Department Adjustment

- B Group Insurance Department  
Deposit  
Internal Department Adjustment

- C General Insurance Department  
Agent Liability  
Others  
Deposit

Internal Department Adjustment

- D Credit & Investment Department  
Interest on Investment Fund payable  
Interest payable on Bond Series-I & II  
Others

Internal Department Adjustment

- E General Administration Department  
Others  
Internal Department Adjustment

- F PPF Department  
Excess Contribution Refundable  
Others

**17 DUE ON REINSURANCE AND INSURANCE BUSINESS.**

- A Life Insurance Department (Note 23(b) (i) on Schedule 22)  
B General Insurance Department

**18 OUTSTANDING CLAIMS LESS REINSURANCE**

- A Life Insurance Department  
B Group Insurance Department  
C General Insurance Department

	2012 Nu.	2011 Nu.
<b>15A INVESTMENT AND BORROWING FUNDS</b>		
<b>INVESTMENT FUNDS</b>		
A Life Insurance Fund	892,789,693	643,379,999
B Group saving Insurance Fund	588,906,139	524,759,893
C General Insurance Fund	925,174,202	852,069,448
D General Administration Fund	(410,953,904)	(292,380,968)
	<b>1,995,916,129</b>	<b>1,727,828,372</b>
<b>15B BORROWING FUNDS</b>		
A Private Provident Fund	537,836,744	412,565,523
B National Pension & Provident Fund	415,000,000	638,000,000
C Bond Series I & II	1,999,970,000	1,999,970,000
D Short Term Borrowings	850,000,000	500,000,000
<b>TOTAL (15A+15B+15C)</b>	<b>3,802,806,744</b>	<b>3,550,535,523</b>
	<b>5,798,722,873</b>	<b>5,278,363,895</b>
<b>16 SUNDRY CREDITORS</b>		
A Life Insurance Department		
Bonus Payable	30,460,487	19,394,539
Agent Liability	9,474,771	6,440,425
Others	5,375,213	5,407,226
Deposit	4,798,411	3,593,040
	<b>50,108,882</b>	<b>34,835,230</b>
Internal Department Adjustment	-	-
	<b>50,108,882</b>	<b>34,835,230</b>
B Group Insurance Department		
Deposit	937,517	594,190
Internal Department Adjustment	-	-
	<b>937,517</b>	<b>594,190</b>
C General Insurance Department		
Agent Liability	443,072	633,485
Others	11,424,246	38,235,771
Deposit	1,221,293	12,393,500
	<b>13,088,611</b>	<b>51,262,756</b>
Internal Department Adjustment	-	-
	<b>13,088,611</b>	<b>51,262,756</b>
D Credit & Investment Department		
Interest on Investment Fund payable	191,021,999	152,554,017
Interest payable on Bond Series-I & II	67,056,614	67,056,967
Others	27,708,955	39,240,995
	<b>285,787,568</b>	<b>258,851,979</b>
Internal Department Adjustment	-	-
	<b>285,787,568</b>	<b>258,851,979</b>
E General Administration Department		
Others	16,138,100	13,382,689
Internal Department Adjustment	-	-
	<b>16,138,100</b>	<b>13,382,689</b>
F PPF Department		
Excess Contribution Refundable	19,391	19,391
Others	84,510	18,325
	<b>103,901</b>	<b>37,716</b>
	<b>366,164,579</b>	<b>358,964,560</b>
<b>17 DUE ON REINSURANCE AND INSURANCE BUSINESS.</b>		
A Life Insurance Department (Note 23(b) (i) on Schedule 22)	-	-
B General Insurance Department	55,968,095	3,049,239
	<b>55,968,095</b>	<b>3,049,239</b>
<b>18 OUTSTANDING CLAIMS LESS REINSURANCE</b>		
A Life Insurance Department	4,195,960	2,914,163
B Group Insurance Department	522,110	900,000
C General Insurance Department	18,608,175	5,752,814
	<b>23,326,245</b>	<b>9,566,977</b>





	2012 Nu.	2011 Nu.
<b>19 PPF CONTRIBUTION &amp; INTEREST</b>		
A Employers' Contribution		
As per last account	184,923,619	136,397,636
Add: Contribution during the year	82,334,143	71,085,670
Less: Refund during the year	26,697,049	22,559,687
	<b>240,560,713</b>	<b>184,923,619</b>
Employees' Contribution		
As per last account	186,127,650	137,625,417
Add: Contribution during the year	80,442,913	71,301,670
Less: Refund during the year	26,649,256	22,799,437
	<b>239,921,307</b>	<b>186,127,650</b>
<b>Total Employers' &amp; Employees' Contribution</b>	<b>480,482,020</b>	<b>371,051,269</b>
Interest on Employers' Contribution		
As per last account	33,936,510	26,529,268
Add: Contribution during the year	14,585,313	11,042,702
Less: Refund during the year	4,363,940	3,635,460
	<b>44,157,883</b>	<b>33,936,510</b>
B Interest on Employees' Contribution		
As per last account	34,074,726	26,592,712
Add: Contribution during the year	14,653,490	11,124,052
Less: Refund during the year	4,368,181	3,642,038
	<b>44,360,035</b>	<b>34,074,726</b>
<b>Total Interest on Employers' &amp; Employees' Contribution</b>	<b>88,517,918</b>	<b>68,011,236</b>
<b>Total PPF Contributions &amp; Interest</b>	<b>568,999,938</b>	<b>439,062,505</b>
<b>20 MANAGEMENT EXPENSES</b>		
Staff Cost	103,689,736	89,502,212
Occupancy Cost	4,987,628	4,924,696
Travelling & Transfer Cost	7,109,013	7,372,786
Communication Cost	8,256,167	6,206,931
Operating Cost	8,376,427	7,310,577
Advertising & Public Relation Cost	11,651,978	9,995,609
Statutory & Consultant Cost	4,456,016	4,139,515
<b>Management Expenses allocated to the respective Department (A)</b>	<b>148,526,965</b>	<b>129,452,326</b>
Life Insurance Department	27,286,056	22,677,597
Group Insurance & Saving Schemes	18,603,147	15,475,984
General Insurance Department	59,518,767	52,734,095
Credit & Investment Department	43,118,995	38,564,650
<b>Total</b>	<b>148,526,965</b>	<b>129,452,326</b>
Human Resource Development Expenses	21,238,089	16,218,159
Deprecation	13,330,802	13,544,048
Contribution to the Employee Gratuity	3,000,000	3,569,267
Repair & Maintenance	3,447,306	2,673,103
Loss on sale of Assets	-	-
<b>Total (B)</b>	<b>41,016,197</b>	<b>36,004,577</b>
<b>Total Management Expenses (A+B)</b>	<b>189,543,161</b>	<b>165,456,903</b>



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# ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

## SCHEDULE - 21

### SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2012

#### 1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting except in few cases 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 from Loans and Advances are recognized as per the Prudential Regulations of Royal Monetary Authority of Bhutan.
- (v) Dividend and Rental income are recognized, as and when received.
- (vi) Interest on policy loan is accounted for on accrual basis.
- (vii) Bonus to employees and Leave Encashment benefit is accounted for on payment basis.
- (viii) Acquisition Cost, Product Development and Launching Expenses etc are accounted on Cash basis.

#### 3. 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, when intimated. Provision for outstanding death claims is made for those policies where the intimation of death has been received up to 31<sup>st</sup> December. Additional provisions are also made as considered necessary by the management.
- (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.

Interest on saving portion of Group Insurance Scheme 1987 is credited to individual member's account @ 7.5% p.a. on accrual basis.



#### 4. 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.

#### 5. Fixed Assets

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

#### 6. 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.
- (ii) Contributions to Provident Fund and other funds are accounted for, as and when accrued.

#### 7. 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.

#### 8. 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 adopts appropriate valuation assumptions after taking into consideration the various relevant factors like interest, mortality, morbidity, expenses, inflation, commission, lapses and future bonuses.

#### 9. Foreign Currency Transaction

All Assets and Liabilities in foreign currencies are converted at the rate of exchange prevailing as on the Balance Sheet date. The exchange gain /loss arising there from are transferred to the relevant Revenue Account.





#### 10. Loan Asset Classification and Provisioning for Non- performing Assets

- a. Loans are stated at historical cost, subject to provisions.
- b. Loans 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.
- c. Provisions against loans are made as per the guidelines issued by Royal Monetary Authority of Bhutan.

#### 11. Returns from Foreign Treaty Companies

Returns to the extent received up to 31st December from various foreign treaty companies are considered for incorporation in the accounts.

#### 12. General

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.

- (i) Total expenses of branches and common allocable management expenses are allocated and charged on the basis as decided by the management.
- (ii) 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.
- (iii) Transfers to Catastrophe Fund are made as per the amount decided by the management from time to time.

#### 13. Private Provident Fund (PPF)

- (i) 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.
- (ii) 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.
- (iii) Employer's contributions have been accounted for in the accounts on the basis of actual remittance received as per the 'recovery schedule' obtained up to 31<sup>st</sup> December 2012, from various Private Companies and Non Government Organizations and refunds are made as per the intimation received from them.





#### 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, wherever applicable, useful life 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 in the accounts.

  
General Manager  
(F&A)

  
Chief Executive Officer

 Chairman

 Director

Place: Thimphu  
Date: 29/03/2013



## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

### SCHEDULE - 22

#### NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2012

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. Consolidation of Balance Sheet of General Insurance, Life Insurance, Group Insurance Scheme, Private Provident Fund 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. 28.26 million (Previous Year Nu. 20.49 million) on account of advances amounting to Nu. 200.35 million (Previous Year Nu. 207.84 million), which are classified as non-performing assets, has not been reckoned as income.
4. Provision for possible loss against loans and advances aggregating to Nu. 202.90 million (Previous Year Nu. 185.52 million) has been retained in these accounts in



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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, both Specific and General, are net of adjustments on account of additional provision of Nu. 27.94 million (Previous year Nu. Nil) being the difference between the old rate and the new rate of provision as per the guidelines dated 9<sup>th</sup> November, 2012 on provisioning norms issued by Royal Monetary Authority of Bhutan, which has been duly reflected in the Credit & Investment Revenue Account.

5. (a) The overall Capital Adequacy Ratio as at 31<sup>st</sup> December, 2012 is 17.05% (Previous Year 17.20%) and the Core Capital adequacy Ratio as on that date comes to 16.10% (Previous Year 16.13%) against at least 10% and 5% respectively, as laid down in the Prudential Regulations of Royal Monetary Authority of Bhutan.
- (b) The total exposure to a single borrower as at 31<sup>st</sup> December, 2012 amounted to 11.79% (Previous Year 9.65%) of Capital Funds, as compared to 30% limit prescribed by Prudential Regulations of Royal Monetary Authority of Bhutan.
- (c) The total of top ten large advances extended as at 31<sup>st</sup> December, 2012 aggregated to 18.86% (Previous Year 11.16%) of total advances as against 30% maximum limit laid down in the Prudential Regulation of Royal Monetary Authority of Bhutan.
- (d) The liquidity ratio as at 31<sup>st</sup> December 2012 is 23.86% (Previous Year 17.65%) as against 10% minimum, as prescribed in Prudential Regulations 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. FIRD/03/96/648 & 649 of September 1996. Accordingly, the total outstanding amount as at 30<sup>th</sup> September 1996 is treated as opening principal balance as at 1<sup>st</sup> October 1996 for calculation of interest on



*[Handwritten signature]*



- 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 / as per contractual obligation.
  8. Contingent liabilities not provided for (as certified by the management) :
    - (a) Certain claims in respect of General Insurance business (including third party claims on motor car accidents) Nu.8.55 million (Previous Year Nu. 5.7 million)
    - (b) Outstanding Guarantees given on behalf of various parties - Nu. 1,059.95million (Previous Year Nu 979.41million)
    - (c) Commitments :  
The estimated amount of contracts remaining to be executed on Capital accounts (net of advances) is Nu.42.60 million (Previous Year Nu. 18.73 million).
  9. Provision @ 30% on book profit is made in these accounts towards Corporate Income Tax for the year 2012 amounting to Nu. 150.32 million (Previous Year Nu. 135.28 million). Advance Income Tax paid during the year is Nu. 46 million (Previous year Nu 31 million). However necessary adjustments have not been made for inadmissible expenditure to calculate the income tax liability as required under the Income Tax Act of Bhutan,2001.
  10. Reserves for un-expired risks amounting to Nu.170.54 million (Previous Year Nu. 192.73 million) created in the Revenue Accounts in respect of General Insurance business at 60% (Previous Year 60%) of the net premium income



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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 towards Catastrophe Fund.
12. (a) In 2007 a fraud amounting to Nu 14.47 million had been reported at Gelephu Branch Office in the Credit & Investment Department. The judgement from the Hon'ble Court of Law has been received. According to the settlement reached with the person concerned, his land valued at Nu. 14.00 million has been taken over by RICBL and adjusted with the amount due from him. Provision held against the exposure has been written back in the books.
- (b) In 2009, a fraud amount of Nu. 11.26 million has been reported at Thimphu Regional Bank Account No. 292 The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect.
- (c) In 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.
- (d) In 2011 a fraud amounting to Nu 1.47 million has been reported at Head Office Thimphu, in the General Insurance Department. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect.



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13. Certain Assets are acquired in satisfaction of loans including interest due thereon amounting to Nu. 62.80 million (Previous Year Nu. 57.07 million) consequent to decrees obtained and surrender of properties by the borrowers, which has been reckoned in these accounts.
14. Year-end gratuity liability as on 31<sup>st</sup> December, 2012 ascertained as per actuarial valuation is Nu. 21.21 million, which has been provided (Previous Year Nu. 20.76 million) in the accounts.
15. Provision for bonus payable to employees for the current year has neither been ascertained nor been provided in these accounts. An amount of Nu. 20.20 million has been paid for the year 2011 (For the Year 2010 Nu. 14.65 million).
16. Sundry Creditors include -
  - (a) Provision for bonus payable to Life policyholders has been ascertained as per Actuarial Valuation amounting to Nu.10.99 million (Previous Year Nu. 11.13).
  - (b) Unadjusted deposits in respect of General and Life/Group Insurance policies aggregating to Nu. Nil (Previous Year Nu. Nil) and Nu.1.88 million (Previous Year Nu. 1.79 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 phased 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 provided by the Income Tax Act.



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18. Capital Work-in-Progress includes expenses incurred in connection with the software development amounting to Nu. 10.08 million (Previous Year Nu. 10.35 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 excepting certain accounts with the banks located outside Bhutan.
20. There are no loan assets, (Standard, Watch, Sub-standard, Doubtful and Loss), which are subject to restructuring/re-scheduling 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 2011. 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. 10.99 million (Previous Year Nu. 11.13 million) has been accounted for. An amount of Nu.3.02 million (Previous year Nu. 3.05 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. Re-insurance:
  - (a) Life Policies

The ceding of the re-insurance in respect of certain policies (for both new and renewal) are outstanding for the year 2012 estimated to Nu. Nil (Previous year Nu. 0.69 million)



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(b) Non-Life Policies

- (i) The balances outstanding, both debits and credits, as at the Balance Sheet date to/from various re-insurers aggregating to Nu. 162.83 million (Previous Year Nu. 61.63 million) and Nu 55.97 million (Previous Year Nu. 3.04 million) respectively are pending final reconciliation process/confirmation and acceptance of the re-insurance. Any further adjustments thereof are not ascertainable at this stage.
- (ii) The balances due to and from of reinsurers have been netted off from accounts.

23. Interest on borrowed funds of Credit & Investment Department is charged to Credit & 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	:	8.75% p.a
Private Provident Fund	:	6.00% p.a
National Pension & Provident Fund	:	9.20% p.a
National Pension & Provident Fund	:	6.50% p.a
Druk PNB Bank Limited	:	9.00% p.a
Bhutan Development Bank Limited	:	9.50% p.a
Bond Series I	:	7.00% p.a
Bond Series II	:	6.70% p.a



*[Handwritten signature]*

24. 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% |
25. Management expenses include -
- (a) Managerial Remuneration paid/payable to the Managing Directors (Chief Executive Officers) :
- Remuneration: Nu. 1.77 million (Previous Year Nu. 1.28million)
  - Other Benefits: Nu. 0.53 million (Previous Year Nu. 0.67 million)
- (b) Directors' Sitting fees: Nu. 0.51 million (Previous Year Nu. 0.55 million)
- (c) Audit fee payable: Nu. 0.13 million (Previous Year Nu. 0.13 million) and provision for audit expenses Nu. 0.57 million (Previous Year Nu. 0.57 million)
26. Security details of the borrowings-
- (a) National Pension and Provident Fund: Secured by fixed assets, both movable and non-movables and pledge of equity investments.
- (b) Bank of Bhutan Limited: Secured by fixed assets, both movable and non-movables and Book debts.
- (c) Bond Series I & II: Secured by only Book Debts.
27. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 0.31 million (Previous Year Nu. 0.30 million), being the proportion of expenses attributable to RICB Securities Ltd., the wholly owned subsidiary of the Corporation, in view of the liquidity crisis faced by them.
28. 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



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Reserve for Unexpired Risks. Further, during the year Nu.10.00 million (Previous year Nu. 10.00 million) has been considered as Claim Expenses and added to Technical Reserves to meet any unforeseen events. (Schedule 13 (b)).

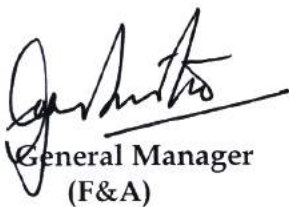
29. In the opinion of the management, acquisition costs for the new and renewal long duration insurance and reinsurance contracts have been expensed out, as and when incurred and not deferred, since the same do not vary materially in a constant relationship to premium or insurance in force or are level or recurring in nature.
30. In the opinion of management, there is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.
31. Difference in current account maintained between RICB Securities Ltd and RICBL amounting to Nu.1.94 million (Previous Year Nu. 1.74) is in the process of reconciliation. Any effect in these accounts can be ascertained only upon completion of reconciliation.
32. The accounts of Private Provident Fund is consolidated with the main accounts of RICBL during the year.
33. Consequent upon delinking of Government Employees Provident Fund with effect from 30 June, 2000, Provident Fund Management for Private Companies and Non Government Organizations remained with Royal Insurance Corporation of Bhutan Limited (RICBL) as per the Government Directives, vide Letter No. MOF/Pension/4841 dated 30<sup>th</sup> March 2000 and the letter dated 23<sup>rd</sup> June 2000 from the Ministry of Finance, Royal Government of Bhutan.
34. Interest on Employees' Contribution and the Employers' contribution of Private Provident Fund Department for the year ended 31<sup>st</sup> December, 2012 have been accounted for @ 6% (previous year 6%) per annum on daily product basis.
35. Contribution in Private Provident Fund 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.



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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: 29/03/2013





**RICB SECURITIES LIMITED**  
**(A wholly owned subsidiary Company of RICBL)**  
Directors' Report of the year 2012

On behalf of the Board of Directors of Royal Securities Ltd, I have the pleasure in presenting the 20<sup>th</sup> Annual report together with Audited Accounts for the year ended 31<sup>st</sup> December, 2012.

**Business Information**

RICB Securities Ltd. (a wholly owned subsidiary Company of RICBL) was established and registered on 1<sup>st</sup> May, 1993 under the Companies Act of the Kingdom of Bhutan to carry on the business of a security Broker. The Company was established as per Government directives, to promote securities trading in the country.

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Profit/ (loss) before tax	186,993	590,780	966,462	1,407,124	69,462

**Performance Highlights**

This year, in the secondary market, 9 listed companies securities were traded with the largest being BNB followed by T Bank, DPNB, BIL, PCAL, RICB, DWAL, & EBCC. In the primary Market Rights share issue were executed related to Druk Punjab National Bank.



The details of the transactions are presented below:

Primary Market Transaction						
SL no.	Code	Items	Qty (Buy)	Qty (Sell)	Nu. (Buy)	Nu. (Sell)
1	DPNB	Rights Issue	1,346,169	1,346,169	134,616,900	134,616,900

Secondary Market Transaction					
Sl. No	Company	Buy (Qty)	Sell (Qty)	Buy (Nu.)	Sell (Nu.)
1	BIL	7,636	6,936	1,884,220	1,763,929
2	BNB	204,213	265,508	56,393,770	73,747,180
3	DPNB	6,617	7,908	2,251,964	2,707,014
4	DWAL	650	150	367,500	67,500
5	EBCC	236	236	70,800	70,800
6	PCAL	225	345	209,250	311,250
7	RICB	470	560	258,500	312,500
8	TBL	7,832	7,892	2,060,740	2,051,990
9	KCL	978	978	127,140	127,140
	<b>TOTAL</b>	<b>228,857</b>	<b>291,213</b>	<b>63,623,884</b>	<b>81,159,303</b>

Unlike in the previous year, transaction in primary capital market during the current financial year declined. Except for Rights issue of the DPNB there was no other activity at all. Some of the transactions were executed by BOB Securities and BNB Securities. Despite slow down in primary market business, the year has recorded highest amount of trade in secondary

market (weekly traded stocks) for the company with 228,857 stocks being bought and 291,213 stocks sold.

In terms of the volume of the transaction in the securities market, RICB Securities Limited has carried out 33% of the weekly stock trading in the secondary market. Comparative analysis of the transaction among the securities Brokerage is presented below:

### **Secondary Market**

Nu. In Million				
Broker	Bought	Sold	Total	%
RICB	63.44	81.16	144.60	33.00
BOB	38.77	45.10	83.87	19.14
Drook	0.49	0.45	0.94	09.22
BNB	116.40	92.39	208.78	47.65

It is important to note that there is increase in the volume of secondary transactions over the previous year indicating a positive growth in securities business. Unlike primary market stocks whose availability in the market is chiefly determined by factors such as policy and regulations governing the capital market, secondary stock trading is purely based on market forces of demand and supply, solvency and purchasing power of investors. Further, another merit of secondary stock trading is that it can be used as a milestone for setting future business targets/projections because not only does it measures market potential for the period but it also highlights scope and possibilities for growth in the coming years. The same cannot be said for business from primary market as IPOs and additional capital gearing by listed companies varies from year to year and it's completely inconsistent.

The Board envisages that the Capital Market in Bhutan would become more active in future with the government policy of private sector

development in the country and changes taking place in the financial sector. With more industries coming up in the country, the Initial Public Offers (IPO) is expected to increase, offering more business opportunities to the brokerage firms in the country.

### **Conclusion**

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

On behalf of the Board of Directors.

SD/-

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

SD/-

**(Kinzang Dorji)**  
**Chief Executive Officer**



## S. N. Mukherji & Co.

CHARTERED ACCOUNTANTS

### AUDITORS' REPORT

To  
The Members of **RICB SECURITIES LIMITED**.  
Thimphu  
Bhutan

1. We have audited the attached Balance Sheet of **RICB Securities Limited** (the Company), as at 31<sup>st</sup> December 2012 and the Profit & Loss account and the Cash Flow Statement of the Company for the year ended on that date which are in agreement with the books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures 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.
3. As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the annexure a statement on the matters specified therein to the extent applicable.
4. Further, to our comments in the annexure as referred above, we report that:
  - (a) Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
  - (b) 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.



S. N. Mukherji & Co.  
Chartered Accountants

- (c) In our opinion, proper books of account as required by the law have been kept by the Company, so far as it appears from our examination of those books.
- (d) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. We draw attention to the following:  
*Trading Fees on have been accounted on Cash basis instead of Accrual basis.*  
(Refer Note 2 of Schedule 9)
- Difference in Current Account with RICBL is Nu. 1,942,883, the effect of which may only be ascertained after reconciliation.*  
(Refer Note 3 of Schedule 9)
- Regarding non computation of actual tax liability as per Income Tax Act, 2001.*  
(Refer Note 4 of Schedule 9)
6. In our opinion and to the best of our information and according to the explanations given to us, subject to para 5 of above, the said accounts give the information required by The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and the said accounts give a true and fair view:
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2012.
  - ii) In the case of Profit & Loss account, of the profit of the Company for the year ended on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flows during the year ended on that date.

Place: Thimphu  
Date: 29/03/2013



For S. N. Mukherji & Co.  
Chartered Accountants  
Firm's Registration No. 301079E

Sudip K. Mukherji  
Partner  
Membership No.13321

*S. N. Mukherji & Co.*  
*Chartered Accountants*

## **ANNEXURE**

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

**(REFERRED IN THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 OF RICB SECURITIES LIMITED)**

1. The Company is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. As informed to us, no material discrepancies were noticed on the physical verification.
2. None of the Fixed Assets have been revalued during the year.
3. In our opinion, the internal control procedures of the Company to ensure completeness, accuracy and reliability of accounting records, in carrying out the business in orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the systems and procedures are adequate.
4. The Company is regular in depositing rates and taxes and other statutory dues with the appropriate authority.
5. There are no undisputed amounts payable in respect of rates and taxes and statutory dues outstanding at the year-end.
6. During the course of our examination in accordance with the generally accepted auditing principles we have not come across any personal expenses that have been debited to the Profit and Loss Account other than those payable under contractual obligations/service rules of the Company.
7. The management of liquid resources particularly cash and bank needs close monitoring considering the nature and size of the business since fund is lying idle in non-interest bearing current account.





*S. N. Mukherji & Co.  
Chartered Accountants*

8. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intravires to the Articles of Incorporation of the Company.
9. According to the information and explanation given to us the directives of the Board have generally been complied with.
10. According to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information, which is not made publicly available 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.

#### **Computerised accounting environment**

1. The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. According to information and explanations provided to us, adequate safeguard measures and back up facilities exist.
3. *There is no system of off-site storage of files.*
4. According to information and explanations provided to us, the operational controls are adequate to ensure correctness and validity of input data and output information.
5. According to information and explanations provided to us, the measures to prevent unauthorized access over the computer installations and files are adequate.



*S. N. Mukherji & Co.*  
*Chartered Accountants*

### General

#### 1. **Going concern problems**

Based on the Company's financial statements for the year ended 31<sup>st</sup> December 2012 audited by us, the Company has earned sufficient profit during the year under audit and we have no reason to believe that the Company is not a going concern.

#### 2. **Ratio Analysis**

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

Ratios	2012	2011	Remarks
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.39	1.43	Liquidity position has improved.
$\frac{\text{Profit on Capital Employed}}{\text{Net profit after Tax}} = \frac{\text{Capital employed}}{\text{Capital employed}}$	0.26	0.27	Profitability requires improvement through cost curtailment.
$\frac{\text{Profit on Turnover}}{\text{Net profit/(loss) after Tax}} = \frac{\text{Total Turnover}}{\text{Total Turnover}}$	0.11	0.80	Profitability requires improvement through cost curtailment.

#### 3. **Compliance with The Companies Act of The Kingdom of Bhutan**

The Company has generally complied with the Requirement of The Companies Act of the Kingdom of Bhutan, 2000. However requirements under various provisions of The Financial Services Act of Bhutan 2011 are not yet complied.

#### 4. **Adherence of Laws Rules & Regulations**

Audit of the Corporation is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course



*S. N. Mukherji & Co.*  
*Chartered Accountants*

of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. *The Company does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Company during the year 2012.*

Place: Thimphu

Date: **29/03/2013**



For **S. N. Mukherji & Co.**  
Chartered Accountants.

Firm's Registration No. 301079E

**Sudip K. Mukherji**  
Partner

Membership No.13321



## RICB SECURITIES LIMITED

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

### BALANCE SHEET AS AT 31ST DECEMBER 2012

	Schedule	2012 Nu.	2011 Nu.
<b>SOURCES OF FUND</b>			
Share Capital	1	500,000	500,000
Profit & Loss Account		2,081,693	1,950,798
		<u>2,581,693</u>	<u>2,450,798</u>
<b>APPLICATIONS OF FUND</b>			
Fixed Assets (Net Block)	2	13,775	17,945
Investment		500,000	500,000
Unquoted 5000 Equity shares of Nu. 100/- each of Royal Securities Exchange of Bhutan Limited			
Settlement Guarantee Fund		200,000	-
Current Assets	3	6,442,908	6,400,657
Less: Current Liabilities and Provisions	4	4,574,990	4,467,805
Net Current Assets/(Liabilities)		1,867,918	1,932,853
<b>TOTAL</b>		<u>2,581,693</u>	<u>2,450,798</u>
Significant Accounting Policies	8		
Notes on Accounts	9		

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 S.N. Mukherji & Co.

Chartered Accountants

Firms registration no. 301079E

(Sudip K. Mukherji) General Manager  
Partner (F&A)

On behalf of the Board of Directors

Chief Executive  
Officer

Chairman  
Directors

Membership No. 13321

Place : Thimphu

Date : 29/03/2013



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2012.**

	Schedule	2012 Nu.	2011 Nu.
<b><u>INCOME</u></b>			
Commission		519,660	695,534
Fees		645,000	117,000
Interest Income		63,756	19,006
Miscellaneous Income		50	6,054
<b>TOTAL</b>	<b>A</b>	<b>1,228,466</b>	<b>837,594</b>
<b><u>EXPENSES</u></b>			
Operating Expenses	5	228,797	181,104
Management Expenses	6	762,507	540
Sitting Fees for Directors & Invitees		46,000	61,000
Depreciation	7	4,170	4,170
<b>TOTAL</b>	<b>B</b>	<b>1,041,473</b>	<b>246,814</b>
<b>Profit/(Loss) before Tax</b>	<b>(A-B)</b>	<b>186,993</b>	<b>590,780</b>
Provision for Tax for Current Year		56,098	177,234
Excess Provision of Prior Period Written Back		-	255,018
<b>Profit/(Loss) after Tax</b>		<b>130,895</b>	<b>668,564</b>
Balance brought forward		1,950,798	1,282,234
<b>Balance Carried over to Balance Sheet</b>		<b>2,081,693</b>	<b>1,950,798</b>
Significant Accounting Policies	8		
Notes on Accounts	9		

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 S.N. Mukherji & Co.

On behalf of the Board of Directors

Chartered Accountants

Firms registration no. 301079E

(Sudip K. Mukherji)  
Partner

General Manager  
(F&A)

Chief Executive  
Officer

Chairman

Directors

Membership No. 13321

Place : Thimphu

Date : 29/03/2013



**RICB SECURITIES LIMITED****(A Wholly Owned Subsidiary of Royal Insurance Corporation of Bhutan Limited)****Cash Flow Statement for the year ended 31<sup>st</sup> December 2012**

	<b>2012</b>	<b>2011</b>
	<b>Nu.</b>	<b>Nu.</b>
<b>Net Cash flow from Operating Activities</b>		
Balanced transferred to Reserves & Surplus	2,081,693	1,950,798
Balance Brought Forward	(1,950,798)	(1,282,234)
Depreciation charges	4,170	4,170
(Increase)/Decrease in Other Assets	(1,627)	16,383
Increase/(Decrease) in Other Liabilities	107,185	(1,123,224)
Increase/(Decrease) in cash and cash equivalent	<u>240,623</u>	<u>(434,107)</u>
 Opening Cash and Cash Equivalents - Bank balances	<u>6,400,657</u>	<u>6,834,764</u>
Closing Cash and Cash Equivalents - Bank balances	<u>6,641,280</u>	<u>6,400,657</u>
 Increase/(Decrease) in Cash/ Bank	<b>240,623</b>	<b>(434,107)</b>

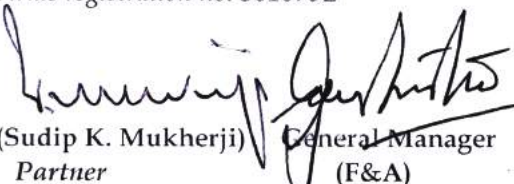
The Schedules referred to above form an integral part of the cash Cash Flow Statement

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

For S.N. Mukherji & Co.

Chartered Accountants

Firms registration no. 301079E




  
(Sudip K. Mukherji)  
Partner  
(F&A)

Membership No. 13321

Place : Thimphu

Date : 29/03/2013

On behalf of the Board of Directors

    
Chief Executive Officer    Chairman    Directors





**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)  
**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS**

	2012 Nu.	2011 Nu.
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
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		
500 Equity Shares of Nu. 1000/each fully paid	<u>500,000</u>	<u>500,000</u>
(All the shares are held by Royal Insurance Corporation of Bhutan Limited, the Holding Company)		
 <b>SCHEDULE - 2</b>		
<b>FIXED ASSETS - At cost</b>		
Electrical Installation & Computers		
Gross Block - As per last Account	212,042	212,042
Add: For the year	<u>-</u>	<u>-</u>
	<u>212,042</u>	<u>212,042</u>
Less: Depreciation		
As per Last Account	194,097	189,927
Add: For the year	<u>4,170</u>	<u>4,170</u>
	<u>198,267</u>	<u>194,097</u>
Net Block	<u><u>13,775</u></u>	<u><u>17,945</u></u>
 <b>SCHEDULE - 3</b>		
<b>CURRENT ASSETS</b>		
Cash at Bank		
In Current Accounts	5,221,150	5,301,418
Fixed Deposit	<u>1,032,177</u>	<u>1,001,264</u>
	<u>6,253,327</u>	<u>6,302,682</u>
 Tax Deducted at Source	1,627	-
GAD Control	138,996	-
Interest Receivable	48,958	17,742
Advance Tax Paid	<u>-</u>	<u>80,234</u>
	<u>189,581</u>	<u>97,976</u>
<b>Total</b>	<u><u>6,442,908</u></u>	<u><u>6,400,657</u></u>



**RICB SECURITIES LIMITED**  
(A Wholly Owned Subsidiary of RICBL)  
**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS**

	2012 Nu.	2011 Nu.
<b>SCHEDULE - 4</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A.Current Liabilities</b>		
Client Account	-	8,300
Payable to RICBL	4,286,538	4,183,271
Stale Cheque	133,873	99,000
Management Expenses Outstanding	98,481	
<b>B.Provision for Income Tax</b>	56,098	177,234
	<u><b>4,574,990</b></u>	<u><b>4,467,805</b></u>

**SCHEDULE- 5**  
**OPERATING EXPENSES**

Advertisement Expenses	27,072	-
Annual Maintenance Fees	25,000	-
Licence Fees/Rates & Taxes	4,220	4,100
Listing Fees	45,000	-
Membership Fees	75,000	75,000
Trading Fees	52,505	102,004
	<u><b>228,797</b></u>	<u><b>181,104</b></u>

**SCHEDULE- 6**  
**MANAGEMENT EXPENSES**

Bank Charges	250	540
Bonus	45,000	-
Canteen Expenses	2,954	-
Training Expenses	702,303	-
Miscellaneous Expenses	12,000	-
	<u><b>762,507</b></u>	<u><b>540</b></u>



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

**SCHEDULE-7**

**STATEMENT OF DEPRECIATION FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2012**

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2012 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2012 (Nu.)	Rate of Depreciation	Depreciation during the period (Nu.)	Total Depreciation as on 31.12.2012 (Nu.)	Net Block as on 31.12.2012 (Nu.)	Net Block as on 31.12.2011 (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	14,029.00	13,771.00	17,941.00
				212,042.00	-	212,042.00		4,170.00	198,267.00	13,775.00	17,945.00
		<b>Previous Years</b>		212,042.00	-	212,042.00		4,170.00	194,097.00	17,945.00	





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

## **STATEMENT OF ASSET AS ON 31<sup>ST</sup> DECEMBER 2012**

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2011 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2011 (Nu.)	Rate of Depreciation
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 YEAR ENDED 31<sup>ST</sup> DECEMBER 2012**

**SCHEDULE - 8**

**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 :** Investments made by the Company are stated at cost. Any permanent diminution in the value of investments are provided for.
- 4 **Fixed Assets:** Fixed Assets have been accounted for on the basis of historical cost or capital grant wherever applicable for distinct assets. Depreciation is provided on straight line method at the rates and manner prescribed by the Income Tax Act of the Kingdom of Bhutan, 2001.
- 5 **Income Tax:** Provision for income tax is calculated on book profit of the Company at the prevailing rate as per Income Tax Act of the Kingdom of Bhutan, 2001.

**SCHEDULE - 9**

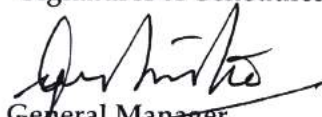
**NOTES FORMING THE PART OF ACCOUNTS**

- 1 Royal Insurance Corporation of Bhutan Limited (the Holding Company), has not charged the entire Brokers' salaries and others emoluments amounting to Nu. 311,534/- (previous year Nu. 301,187/-) incurred on behalf of the Company and has been borne by them entirely.
- 2 Trading Fees are accounted on Cash basis
- 3 There is a difference of Nu. 1,942,883/- (Previous year Nu. 1,746,150/-) in Current Account 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.
- 4 Provision @ 30% on book profit is made in these accounts towards Corporate Income Tax for the year 2012 amounting to Nu. 0.05 million (Previous Year Nu. 0.18 million). However necessary adjustments have not been made for inadmissible expenditure to calculate the income tax liability as required under the Income Tax Act of Bhutan, 2001.
- 5 Corporate Income Tax for the first half year has not been paid



- 5 Corporate Income Tax for the first half year has not been paid
- 6 Figures of the previous year have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 9

  
General Manager  
(F&A)

Place: Thimphu

Date: 29/03/2013

  
Chief Executive Officer

  
Chairman

  
Directors

