



RICB

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

39TH ANNUAL REPORT 2013

Vision

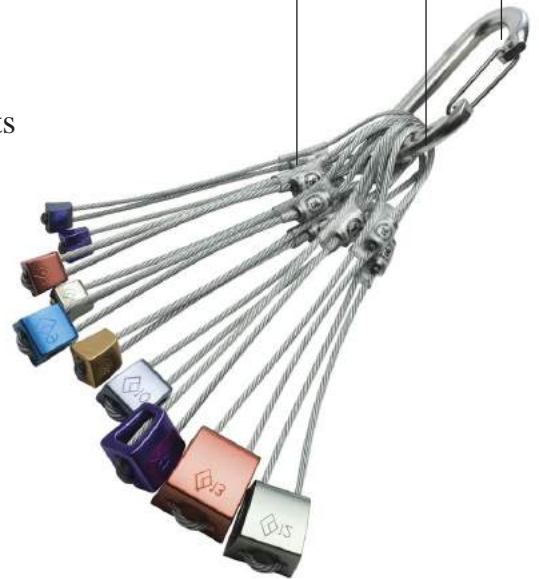
To be the Premier Financial Service provider in the country and beyond, securing the ever evolving aspiration of the society

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 values

- 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 : Pursing greater heights





R I C B

39 Years of
Service to the Nation



**INSURE WITH RICB
TO BE SURE**

ROYAL INSURANCE CORPORATION OF BHUTAN LTD
Annual Report 2013

GENERAL INFORMATION

HEAD OFFICE

THIMPHU

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Telephone (PABX): + 975-02-321037, 322426, 321161, 323487, 324282, 325858

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REGIONAL OFFICE

PHUENTSHOLING

Post Box no.: 77

PABX: + 975-05-252482, 252509, 252453, 252869

Fax No.: 05-252441

Toll Free No: 151

RICB BRANCH OFFICES

	Telephone	Fax
BAJO	02-481927/481929	02-481928
BUMTHANG	03-631101	03-631333
DAGANA	06-481289	06-481290
GASA	02-688221	02-688122
GEDU	05-282330	05-282564
GELEPHU	06-251070	06-251782
GOMTU	05-371255	05-371256
HAA	08-375351	08-375301
JOMOTSHANGKHA	07-264032	07-264033
KHURUTHANG	02-584310/ 584346	02-584309
LAMOIZINGKHA	+ 975 17161718	-
LHUNTSE	04-545176	04-545176
MONGAR	04-641116/ 641104	04-641446
NGANGLAM	07-481221	07-481222
PARO	08-271281/ 272853	08-272019
PEMAGATSHEL	07-471290	07-471291
SAKTEN	04-594642	04-594642
S/JONGKHAR	07-251095/ 251491	07-251492
SAMTSE	05-365235	05-365591
TRASHIGANG	04-521156/ 521324	04-521298
TRASHIYANGTSE	04-781270	04-781270
TRONGSA	03-521444	03-521403
TSIRANG	06-471420	06-471421
WAMRONG	04-571155	04-571155
ZHEMGANG	03-741291	03-741292

BANKERS

BANK OF BHUTAN

H.O. THIMPHU, BHUTAN

BHUTAN NATIONAL BANK

H.O. THIMPHU, BHUTAN

DRUK PNB BANK

H.O. THIMPHU, BHUTAN

T- BANK

H.O. THIMPHU, BHUTAN

SBI Bank

New York

HDFC BANK LTD.

INDIA

AUDITORS

S.N MUKHERJI & CO.

CHARTERED ACCOUNTANTS
1B, OLD POST OFFICE STREET,
KOLKATA – 700 001

BOARD OF DIRECTORS



(CHAIRMAN)
Dasho Topgyal Dorji
Managing Director
Bhutan Ferro Alloys Ltd.



(DIRECTOR)
Dasho Penjore
Gyalpo Zimpon
Gyalpo Zimpon's Office



(DIRECTOR)
Mr. Tshenchok Thinley
Managing Director
Tashi Tours & Treks



(DIRECTOR)
Mr. Phub Dorji
Proprietor
Utpal Academy, Paro



(DIRECTOR)
Mr. Chenchu T. Namgay
Senior Analyst
Druk Holding & Investments



(DIRECTOR)
Mr. Kinga Thinley
Senior Risk Analyst
NPPF



(DIRECTOR)
Mr. Namgyal Lhendup
Chief Executive Officer
RICBL

MANAGEMENT TEAM



CHIEF EXECUTIVE OFFICER
Mr. Namgyal Lhendup



EXECUTIVE DIRECTOR
Mr. Sonam Dorji



GENERAL MANAGER
FINANCE & ACCOUNTS
Mr. Yeshe Jamtsho



GENERAL MANAGER
CREDIT & INVESTMENT
Mr. Kinzang Dorji



GENERAL MANAGER
GENERAL INSURANCE
Mr. Sangay Wangdi



GENERAL MANAGER
LIFE INSURANCE
Mr. Karma S. Tshering

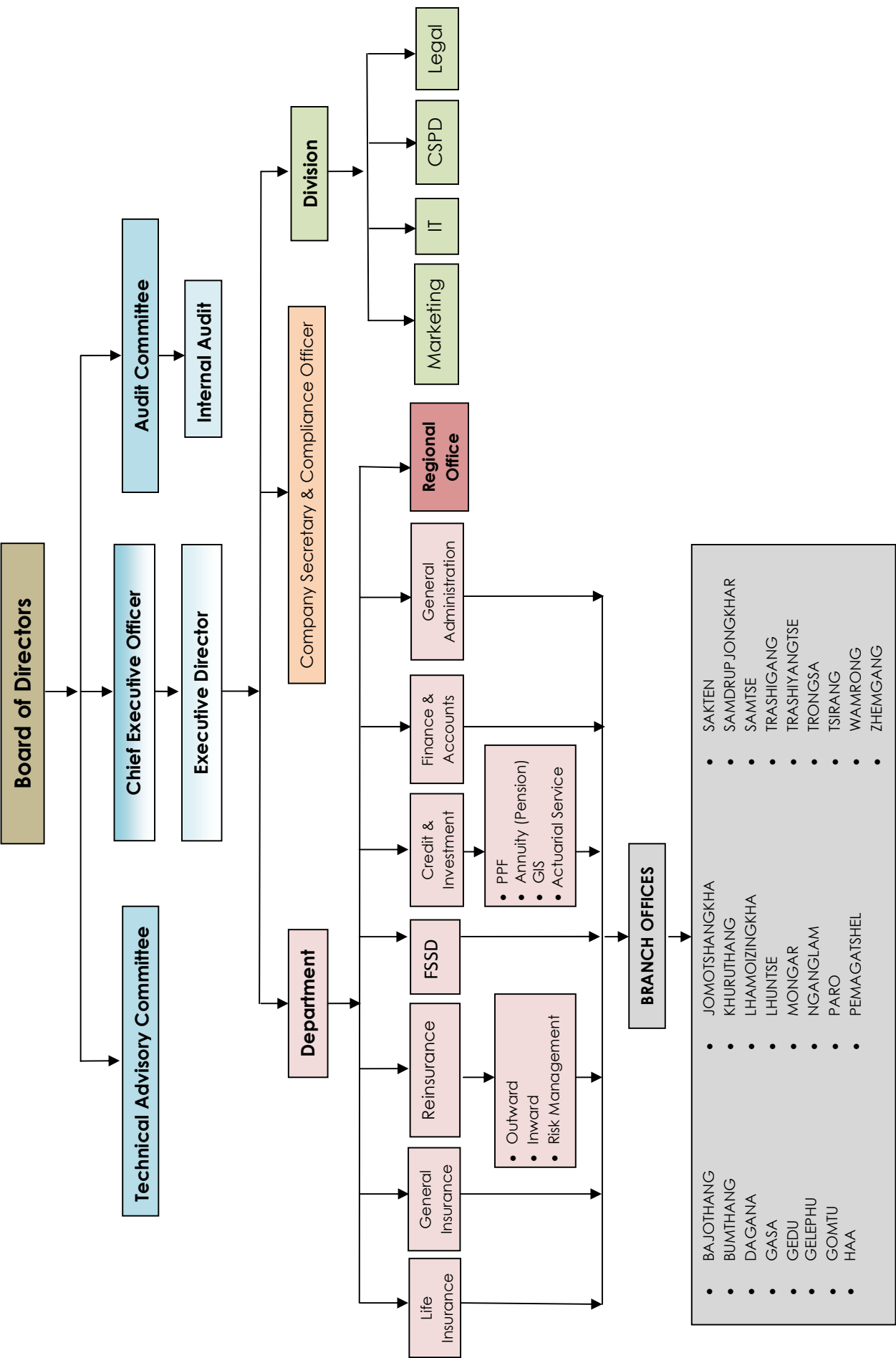


GENERAL MANAGER
FSSD
Mr. Ugyen Tshewang



GENERAL MANAGER
REGIONAL OFFICE
Mr. Dhendup Tshering

ORGANIZATION STRUCTURE



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 First Micro Office
17th August, 2010

Winner of the ADFIAP Development Award 2012 in
Corporate Social Responsibility (CSR) Category
Year 2012

Assigned Financial Strength Rating “B+” & Issuer Credit Rating “bbb-”
by A.M. Best Company, Hongkong
08th August, 2013

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RICB Securities Limited

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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, 2009. 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 lines of business are as follows:

1. Life Insurance
2. General Insurance
3. Reinsurance
4. Group Insurance cum Savings Scheme
5. Private Provident Fund
6. Annuity (Pension)
7. Credit and Investment
8. 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 post retirement benefits (Annuity, Private Provident Fund and Group Insurance Scheme) for the entire government employees and armed forces along with private agencies. RICB is also into Reinsurance business carrying out both inward and outward business.

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

Life Insurance

- | | |
|--|---------------------------------------|
| 1. Limited payment life policy | 8. Silver Jubilee term Assurance Plan |
| 2. Endowment Assurance policy | 9. Youth Endowment Assurance plan |
| 3. Money back policy with profit | 10. Pho-Mo Joint Life Policy |
| 4. New Version Money back plan | 11. Gaki Pelzom Life Policy |
| 5. Double cover endowment plan with profit | 12. Ten-tsai Mangul Ngenchoel I |
| 6. Ashi Nangsey Living policy | 13. Ten-tsai Mangul Ngenchoel II |
| 7. Millennium Education Scheme | |

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. Trekking Insurance (for foreigners and Bhutanese tour guides) |
| 6. Marine/Transit Insurance | 18. Overseas Travel 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. Travel Insurance (Internal) |
| 11. Burglary Insurance | 23. Flight Coupon Insurance Policy |
| 12. Fidelity Guarantee Insurance | 24. Professional Indemnity |

Credit and Investment

1. Housing Loan
2. Transport 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

Financial Security and Services

1. Group Insurance cum Savings Scheme
2. Private Provident Fund
3. Life Annuity (Pension)
4. Actuarial Services

RICB has been achieving consistent growth over the years delivering both underwriting and investment profits. Over the years, RIBC 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. RIBC has engaged in financial rating and was awarded Financial Strength Rating “B+” and Issuer Credit Rating “bbb -” by A.M. Best Company, Hongkong on August 8th, 2013. These ratings reflect RIBC’s adequate risk-adjusted capitalization, favorable operating performance and investment income as well as its dominating market position in Bhutan.

To be a responsible corporate entity is an important objective of RIBC besides maximizing the Shareholders’ value. The company has played 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.

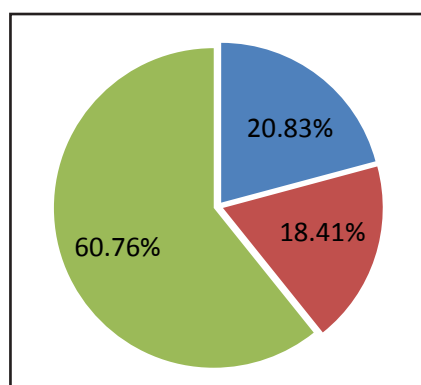
With the Corporate head quarter in Thimphu and a business center in every District, RIBC covers length and breadth of the nation. In order to reach the remote areas of the country and provide value added services to the customers, RIBC has embraced the cutting edge technology and deployed this State-of-the-Art 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. RIBC 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 RIBC 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, RIBC 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%





RICB- GLOBAL NETWORK AND PARTNERSHIP

RICB

Has a Reinsurance arrangement
with the following Partners and
Brokers:

Reinsurance Partners

- National Insurance Company Limited, India
- The Oriental Insurance Company Limited, India
- United India Insurance Company Limited, India
- The New India Assurance Company Limited, India
- General Insurance Corporation of India, India
- Asian Reinsurance Corporation, Thailand
- Nipponkoa Insurance Company Limited, Japan
- Tokyo Marine Global Re Asia Limited, Malaysia
- Santam Re, South Africa
- GIC- Bhutan Re Limited, Bhutan

Reinsurance Brokers:

- Kubera Insurance Brokers Private Limited, Bhutan
- K.M.Dastur Reinsurance Brokers Private Limited, India
- Risk Care Insurance Broking Services Private Limited, India
- Alliance Insurance Brokers Private Limited, India
- Aon Global Insurance Brokers Private Limited, India
- Reliance Composite Insurance Broking Limited, India
- Ace Insurance Brokers Private Limited, India
- J.B Boda Reinsurance Brokers Private Limited, India

COMPANY'S PERFORMANCE

5 years at glance

Figures in Million (BTN)

	2013	2012	2011	2010	2009
SHARE CAPITAL & RESERVES					
Paid up Capital	240	240	240	240	240
Total Reserves & Surplus	1,524.56	1,267.06	982.52	734.42	583.83
Net Worth	1,764.56	1,507.06	1,222.52	974.42	823.83
ASSETS					
Loans & Investments	6,848.87	5,796.58	5,524.09	4,908.81	3,020.63
Cash & Bank Balance	1,608.60	1,489.20	979.52	731.86	343.73
Net Fixed Assets	162.01	157.2	131.48	121.91	112.99
Total Assets	9,078.02	7,747.27	6,773.40	5,835.40	3,567.49
PROFITABILITY					
Profit Before Tax	521.65	501.06	450.94	300.19	261.27
Profit After Tax	365.16	350.74	315.66	210.13	182.89
Dividend	108	84	72	60	60
RATIOS					
Networth to Total Assets	19.44	19.45	18.05	16.7	23.09
Capital Adequacy	14.46	17.05	17.2	18.33	24.23
SLR (Liquidity)	22.03	23.86	17.65	15.06	12.42
NPL Ratio	3.5	3.55	3.86	6.75	8.27
Earnings Per Share	152.15	146.15	131.52	87.56	75.5
Book Value Per Share	735.23	627.94	509.38	406.01	333.26
Solvency Ratio (General Insurance)	5.76	5.64	5.47	5.24	8.44
Combined Ratio (General Insurance)	93.29%	72.51%	59.94%	88.65%	81.38%
LIFE INSURANCE					
Net Premium	396.08	304.93	222.18	154.57	102.89
Net Claims	61.13	40.12	27.17	22.95	20.19
Interest earned	76.44	54.66	38.73	28.18	21.72
Fund Balance	1,216.59	906.22	654.27	472.45	342.29
Actuarial Surplus	4.9	3.49	2.78	-	1.09
Net Claim Ratio	15.43%	13.16%	12.23%	14.85%	19.62%
GROUP INSURANCE					
Risk Premium	41.1	37.12	33.73	30.11	28.97
Claims	17	17.86	14.9	16	14.85
Interest earned	52.03	44.83	39.28	35.29	29.67
Interest paid on savings	54.85	40.14	35.11	30.5	25.95
Fund Balance	723.66	647.07	572.96	498.43	433.73
Claim Ratio	41.35%	48.11%	44.17%	53.14%	51.26%
GENERAL INSURANCE					

Gross Premium	696.82	662.63	618.79	470.88	391.54
Reinsurance	442.37	378.41	297.57	281.68	187.38
Net Premium	254.44	284.23	321.22	189.2	204.16
Gross Claims	582.48	196.01	440.54	212.35	158.28
Reinsurance	415.4	35.03	293.13	89.74	44.01
Net Claims	167.08	160.98	147.41	122.61	114.27
Commission on Reinsurance	112.51	100.95	89.59	78.19	78.35
Interest Earned	70.36	62.28	52.37	43.65	38.66
Unexpired Risk Premium	152.66	170.53	192.72	113.53	122.5
Net Claim Ratio	65.66%	56.64%	45.89%	64.80%	55.97%
Profit	222.08	248.85	186.19	150.23	134.85
CREDIT & INVESTMENT					
Interest Income (net)	861.67	707.5	674.56	484.67	320.65
Interest Expenses	526.5	412.89	369.14	266.13	170.07
Net Interest Differential	335.17	294.61	305.42	218.54	150.58
Other income	42.88	36.2	37.7	48.1	29.29
Provisions	7.95	5.88	10.98	29.53	-
Profit	324.08	281.3	291.34	175.76	147.68

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**Directors' Report for the Year 2013****To the Members:**

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 39th Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2013.

Operational & Performance Highlights

Financial Year 2013 was yet another 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 of Nu. 521.66 million (Nu. 501.07 million in the previous year). The total gross business posted to Nu. 2,130.36 million with the growth of 21.31% compared to Nu. 1,756.10 million in the previous year. The investment business continues to contribute substantially to the overall performance of the company. The gross interest earned for the year posted at Nu 897.38 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. 861.68 million. In addition to the contribution of Investment business, another major chunk of the contribution of Nu. 696.82 million was from the General Insurance business, and the remaining contribution of Nu. 671.08 million registered from Life Insurance, GIS, Reinsurance and Annuity business and other miscellaneous income such as guarantee commission, dividend income and rental income.

It is also noteworthy to mention that despite stiffening market, there is growth in the life insurance and group insurance business. As for the general insurance, the growth in the business saw a marginal increase over the previous year mainly due to shortage of fund in the market which impacted the motor and property insurance business. However, the net premium after affecting the re-insurance premiums posted at Nu. 254.45 million.

Correspondingly, the net claims after considering reinsurance recoveries posted at Nu 167.07 million. The overall net claim ratio during the financial year 2013 stands at 65.66% compared to 56.64% in the previous year.

The net revenue from the general insurance underwriting posted at Nu.222.08 million compared to Nu.248.86 million during the last financial year, which is transferred to the Profit and Loss Account of the Corporation.

Business Income for the Period ended 31.12.2013

	<u>Figures in</u> <u>(Nu. Million)</u>	<u>Premium</u>			<u>Claims</u>		
	Particulars	<u>Gross</u> <u>Premium</u>	Reins.	Net Premium	Gross Claim	Reins.	Net Claim
	Fire	346.67	273.29	73.38	156.13	137.08	19.05
	Miscellaneous	341.18	164.35	176.83	420.27	279.69	140.58
	Marine	8.97	4.73	4.24	6.08	(1.37)	7.45
A	General Insurance	696.82	442.37	254.45	582.48	415.40	167.08
B	Life Insurance	396.11	0.017	396.09	61.13	-	61.13
C	GIS & GISL	41.11	-	41.11	17.00	-	17.00
D	Reinsurance	46.61	11.83	34.78	12.97	-	12.97
E	Annuity	0.85		0.85	-	-	-
	Total = (A+B+C+D+E)	1,181.50	442.39	691.65	660.61	415.40	245.21
F	Investment	Gross Interest Earned	Interest Suspense	Net - Interest Earned	Interest Expense	Interest Diff.	Provs.
		897.38	35.70	861.68	526.50	335.18	7.95
G	Others	51.48					
	<u>(A+B+C+D+E</u> <u>+F+G)</u>	<u>Total Business</u>		2,130.36			

Financial Performance for the year 2012-2013

Particulars	2013 (Nu. Million)	2012 (Nu.Million)	Variance '13 & '12 %
<u>Income</u>			
General Insurance	222.08	248.86	(10.76)
Investment (Net)	324.08	281.30	15.21
Life (Surplus)	4.91	3.49	40.69
Reinsurance	4.37	-	
Private Provident Fund	(1.87)	-	-
Other	8.60	8.43	2.02
Total: (I)	562.17	542.08	3.71
<u>Expenses</u>			
Deprecation	16.27	13.33	22.06
Contribution to Gratuity Fund	3.50	3.00	16.67
Other Expenses	20.74	24.69	(16.00)
Total: (II)	40.51	41.02	(1.24)
Profit Before Tax (I) - (II)	521.66	501.06	4.10
Profit After Tax	365.16	350.75	4.10
Earning Per Share	152.15	146.15	4.10
Book Value Per Share	740.23	627.94	17.88
Net-worth of the Company	1,776.56	1,507.06	17.88
Return on Core Equity	152.15	146.15	4.10

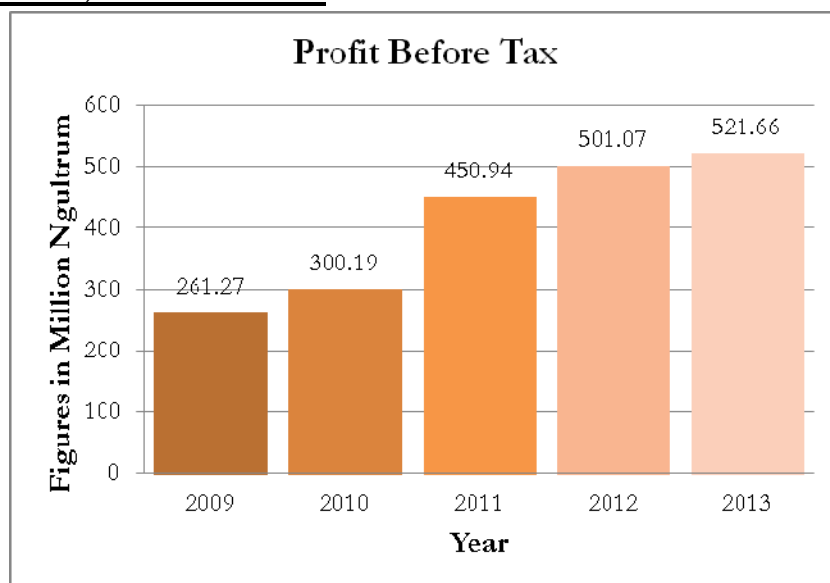
Despite limited availability of funds in the market, it is significant to note that the Investment Department continues to contribute substantially to the net revenue of the corporation with Nu. 324.08 million followed by the General Insurance Department with Nu. 222.08 million, the remaining contribution is from other miscellaneous sources.

The earnings per share of the Company during the year have posted to Nu.152.15 vis-à-vis Nu. 146.15, in the last financial year. The net worth of the company as on 31.12.2013 posted at Nu. 1,776.56 million compared to Nu. 1,507.06 million in the last financial year and the book value per share translate to Nu. 740.23 compared to Nu. 627.94 during the last financial year. The return to core equity posted to 152.15% compared to 146.15% during the last financial year.

Based on the profitability and considering the fund position, the Board has recommended a dividend to the Shareholders at 45% of the face value of share (Nu.45 per share) vis-à-vis 35% (Nu. 35 per share) in the previous year.

Performance Highlights (Gross Profit) from 2009 - 2013

Year	Nu. in Million	%
2009	261.27	53.35%
2010	300.19	14.90%
2011	450.94	50.22%
2012	501.07	11.12%
2013	521.66	4.11%



The company continues to perform consistently y-o-y with the average growth of profit (before tax) at 26.74 % in the last five years.

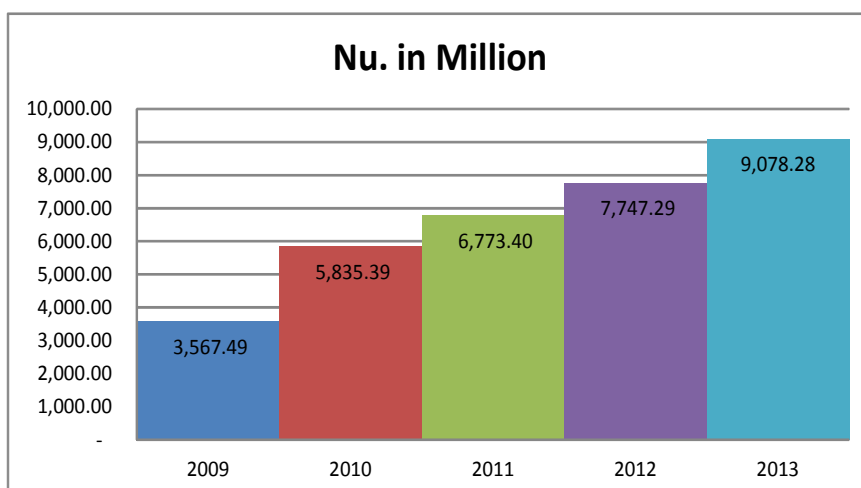
Financial Position of the Company

The total asset of the company has increased by 17.16% to Nu. 9.08 billion during the year compared to Nu. 7.75 billion in the previous financial year. The RICB's net worth posted to Nu. 1.78 billion, an increase by about 17.88% from the previous year of Nu. 1.51 billion.

The net fund balance has increased to Nu. 5.76 billion from Nu. 4.99 billion in the previous year. The Corporation is expected to contribute about Nu.156.50 million, to the national exchequer in the form of Corporate Income Tax during financial year 2013.

Growth in Balance sheet size

Year	Nu. in Million	%
2009	3,567.49	33.48%
2010	5,835.39	63.57%
2011	6,773.40	16.07%
2012	7,747.29	14.38%
2013	9,078.28	17.18%



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
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%
2013	89.80%	22.03%	3.50%

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 2013 in the 38th 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.

Business Highlights

As a strategy to maximize profit and the growth of the Company, the management had initiated various new activities including creation of two new Departments ie the Reinsurance Department and the Financial Securities and Services Department. The other very important initiative taken by the management was to get the company rated. The RICB was rated by one of the renowned rating agencies, A.M Best who assigned RICB's Credit Rating as bbb- and financial strength rating as B+. The rating had a tremendous impact on the reinsurance business of RICB. Insurance Companies around the globe now offers reinsurance business proposals to RICB. RICB now has business relations with around 40 Insurance Companies around the globe. The net premium earned from the Reinsurance business posted at Nu. 81 million during the year.

Simultaneously, the management also opened new branches in Jomotshangkha and Sakteng so as to expand its outreach and to tap the virgin market especially the life insurance market. Other initiatives and efforts the management had taken during the year were launching of the Ten Tsai Maguel Ngenchoel I & II, Drongseb Kuendrul Tshe-sog Ngensung and the Life Annuity Plan.

The management has various projects in the pipeline for the year 2014 all aiming to enhance profit, image and profitability of the company.

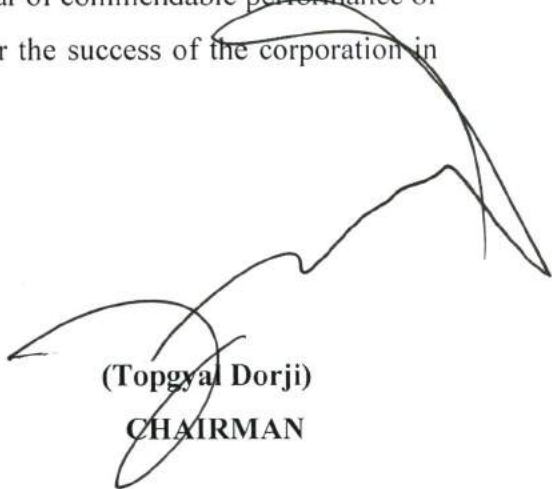
Acknowledgement

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



(Topgyal Dorji)
CHAIRMAN

S. N. Mukherji & Co.
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
THIMPHU, BHUTAN**

Report on the Financial Statements

1. We have audited the accompanying financial statements of **Royal Insurance Corporation of Bhutan Limited** ('Corporation'), which comprise of the Balance Sheet as at 31st December, 2013, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date and a summary of the Significant Accounting Policies and other explanatory information in which are incorporated the Balance Sheets and Revenue Accounts of Life Insurance, Group Insurance Saving, General Insurance, Credit & Investment, Reinsurance, Annuity and Private Provident Fund all of which we have signed under reference to this report. The accounts/returns of un-audited twenty four Branches not visited by us have also been incorporated in the Financial Statements.

Management's Responsibility for the Financial Statements

2. The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flow of the Corporation in accordance with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act'). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.
3. The actuarial valuation of liabilities for the Life / Group Insurance business is the responsibility of the Corporation's appointed actuary in accordance with the policies adopted by the Corporation. The said valuation has been certified by the Actuary, on which we have relied upon to express an opinion on the financial statements of the Corporation.



Auditors' Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and subject to our observations in para 7 below, give a true and fair view in conformity with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000:
 - I) In the case of Balance sheet, of the state of affairs of the Corporation as at 31st December 2013;
 - II) In case of Profit & Loss Account, of the Profit of the Corporation for the year ended on that date and;



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III) In the case of Cash Flow Statement of the movement of cash flows of the Corporation for the year ended on that date.

7. We draw attention to the following Notes in Schedule 24 (Notes on Accounts):

- (a) Note No.9 regarding non computation of actual tax liability as per Income Tax Act of the Kingdom of Bhutan, 2001;
- (b) Note No.12 regarding fraud / embezzlement of funds at different offices;
- (c) Note No.15 regarding non-provision of bonus payable to employees;
- (d) Note No.16(b) regarding non-reconciliation of unadjusted deposits;
- (e) Note No.21(b) regarding non-ascertainment of surplus and bonus payable to policy holders based on the accounts of 2013;
- (f) Note No. 22(b)(i) 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;
- (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) Note No. 35 regarding 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;
- (l) Note No. 36 regarding non implementation of Accounting Standards issued by Accounting & Auditing Standard Board of Bhutan.

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.



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

Report on Other Legal and Regulatory Requirements

8. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Part II of Schedule XIV there to (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
9. As required by Section 74(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit.
 - (b) 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.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
 - (d) In our opinion the Balance sheet, Profit and Loss Account and the Cash Flow Statement comply with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

Place : *Thimphu*
Date : *14.03.2014*

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

[Signature]
Sudip K Mukherji
Partner
M. No. 13321



S. N. Mukherji & Co.
Chartered Accountants

ANNEXURE TO AUDITOR'S REPORT

STATEMENT ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(REFERRED IN THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 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 24, the identification numbers and locational details are in the process of updation as stated to us as indicated in Note 17(b) of schedule 24.
- (b) Pending reconciliation between the book records and physical inventory, 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, 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 control 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. In our opinion Internal Control / Risk Management should be reviewed by the management from time to time.
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. Since the Corporation is a financial institution, it is not engaged in the purchase of stores and raw materials and sale of goods.
8. According to information and explanations provided to us, there has been no transaction 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)



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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 or companies where the directors are interested, which were sanctioned at the prevailing 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 the 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 23. However necessary adjustments have not been made to calculate the income tax liability as required under the Income Tax Act of the Kingdom of Bhutan, 2001.
11. According to the information and explanations provided to us, as at the Balance Sheet date, there were no disputed 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 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 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



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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 24.
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 agreements have been drawn up and timely entries have been made therein.
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.
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 ensures 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.
31. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performance loans). 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



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management to us, rephrasing has generally not 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 in repayment of previous advances.
33. Other 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 manufacturing 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 lying in the books, which should be written off/sold as 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 database of their respective locations, *except absence of documented policies regarding back-ups*. The management should review the backup facilities and disaster recovery measures and ensure that files are kept in different and remote locations immediately.



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 the Kingdom of Bhutan, 2001.

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 the required format:-

- (a) Register of Directors,
- (b) Register of Directors' Shareholding,



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(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 2013.

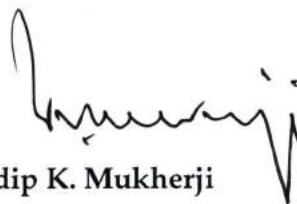
Place: Thimphu

Date : 14.03.2014.

For S. N. Mukherji & Co.

Chartered Accountants

Firm's Registration No. 301079E



Sudip K. Mukherji

Partner

Membership No: 13323



APPENDIX

EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		2013	2012
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	14.46	17.05
2	Solvency Ratio (General Insurance)	(%)	5.76	5.64
3	Non-Performance Loan Ratio	(%)	3.50	3.55
4	Net Worth to Total Liabilities	(%)	19.44	19.45
5	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.00	2.61
B	PROFITABILITY RATIOS:			
1	Combined Ratios (Gross Expenses to Net Premium)			
a	Life Insurance	(%)	40.83	35.33
b	Group Insurance Scheme	(%)	211.10	206.43
c	General Insurance	(%)	93.29	78.70
d	Credit & Investment (Interest Differential)	(%)	68.28	61.11
2	Claim Ratio (Net)			
a	Life Insurance	(%)	15.43	13.15
b	Group Insurance Scheme	(%)	41.35	48.13
c	General Insurance	(%)	65.66	56.64
d	Recovery Rate (Credit & Investment)	(%)	89.80	90.75
3a	Mgt. Expenses to Gross Premium - (Life Insurance)	(%)	7.55	8.95
b	Mgt. Expenses to Gross Premium - (Group Insurance)	(%)	43.01	50.13
c	Mgt. Expenses to Gross Premium - (General Insurance)	(%)	9.47	8.98
d	Mgt. Expenses to Gross Interest -(Credit & Investment)	(%)	5.83	6.38
4	Operating Income to Net worth -Net	(%)	29.56	33.25
5	Operating Income to Total Assets	(%)	5.75	6.47
6	Net Profit (After Tax) to Net Worth	(%)	20.69	23.27
7	Net Profit (After Tax) to Total Assets	(%)	4.02	4.53
8	Return on Core Equity (Profit After Tax)	(%)	152.15	146.15
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio		15.16	15.85
2	Long Term Debt to Net Worth		2.06	2.52
3	Net Fixed Assets to Long Term Debt		0.04	0.04
4	Net Fixed Assets to Net Worth		0.09	0.10

Financial Data		2013	2012
Face Value of share	(Nu.)	100.00	100.00
Earning per Share	(Nu.)	152.15	146.15
Book Value per Share	(Nu.)	735.23	627.94
Market price per Share	(Nu.)	700.00	600.00
Dividend per share	(Nu.)	45.00	35.00
No. of Shareholders		1,530.00	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, 2013

LIABILITIES	Schedule	2013 Nu.	2012 Nu.
Capital Fund			
Shareholders' Fund			
Authorised Capital	13	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid up Capital	13	240,000,000	240,000,000
Reserves and Surplus	14	1,524,560,666	1,267,061,156
		1,764,560,666	1,507,061,156
Other Funds & Borrowings			
Insurance Funds	15	2,118,171,718	1,723,838,605
Investment and Borrowing Funds	16	6,743,541,635	5,798,722,873
		8,861,713,353	7,522,561,478
Less: Insurance Funds Investments		3,104,492,575	2,533,752,872
		5,757,220,778	4,988,808,606
Other Liabilities			
Reinsurance Reserves		39,493,284	2,640,251
Sundry Creditors	17	497,983,393	366,164,579
Due on Reinsurance and Insurance Business	18	14,781,529	55,968,095
Outstanding Claims less Reinsurance	19	22,662,533	23,326,245
PPF Contribution & Interest	20	712,136,078	568,999,938
Annuity Contribution & Interest	21	4,685,733	-
Corporate Tax payable		156,497,199	150,320,815
Dividend Payable		108,000,000	84,000,000
		1,556,239,749	1,251,419,922
		9,078,021,195	7,747,289,684
ASSETS			
Cash and Bank Balances	6	1,582,354,624	1,486,902,130
Foreign Currency Balance with a Bank outside Bhutan		26,250,428	2,300,541
		1,608,605,052	1,489,202,671
Loans and Investments			
Equity Investment	7	116,415,300	84,415,300
Long Term Investment		100,000,000	-
Loans and Advances	8	6,558,361,876	5,649,372,761
Assets acquired against Loans		74,095,588	62,798,565
		6,848,872,764	5,796,586,626
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		74,095,588	62,798,565
For Loans and Advances		118,394,348	119,298,306
For Interest Suspense		35,704,747	28,264,378
		228,629,161	210,795,727
		6,620,243,603	5,585,790,899
Fixed Assets			
Gross Block- at cost	9	260,097,852	232,888,313
Less: Accumulated Depreciation		102,031,746	85,756,485
Net Block		158,066,105	147,131,828
Capital Work in Progress		3,948,063	10,075,459
		162,014,168	157,207,286
Other Assets			
Interest, Rent and Other Receivables	10	409,639,248	284,206,019
Due from Reinsurance & Insurance Business	11	196,209,574	163,613,694
Advances, Deposits and Prepaid Expenses	12	81,309,551	67,269,115
		687,158,373	515,088,829
		9,078,021,195	7,747,289,684
Significant Accounting Policies	23		
Notes to Accounts	24		

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, 2013 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

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

For S. N. Mukherji & Co.

Chartered Accountants

Firm's registration no. 301079E

(Sudip K. Mukherji)

Partner

Membership Number: 13321

Place: Thimphu

Date: 14.03.2014

General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of the Board of Directors

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
LIFE INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2013

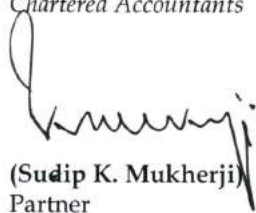
LIABILITIES	Schedule	2013	2012
Funds		Nu.	Nu.
Life Insurance Fund	15A	1,216,596,049	906,223,029
Other Liabilities			
Sundry Creditors [Note 16(a) on Schedule 21]	17A	109,817,798	50,108,882
Outstanding Claims less Reinsurance	19A	6,355,759	4,195,960
		<u>116,173,557</u>	<u>54,304,842</u>
		<u>1,332,769,607</u>	<u>960,527,872</u>
ASSETS			
Cash and Deposits			
Cash and Bank Balance	6A	18,117,894	11,884,248
Loans			
Policy Loans	8A	732,179	417,690
Investment Fund			
Life Investment Fund	16AA	1,237,473,919	892,789,693
Other Assets			
Interest, Rent and other Receivables	10A	76,445,615	54,655,491
Due from Reinsurance and Insurance Business	11B	-	780,750
Advances, Deposits and Prepaid Expenses	12B	-	-
		<u>76,445,615</u>	<u>55,436,241</u>
		<u>1,332,769,607</u>	<u>960,527,872</u>
Significant Accounting Policies	23		
Notes to Accounts	24		

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, 2013 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

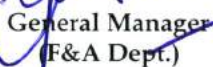
Membership Number: 13321


Place: Thimphu

Date:



14.03.2014


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, 2013

LIABILITIES	Schedule	2013	2012
Funds		Nu.	Nu.
GIS Savings Liability		371,946,154	340,162,177
GIS Interest Liability		296,431,766	258,081,108
GIS Fund	15B	55,289,517	48,831,627
		723,667,437	647,074,912
Other Liabilities			
Sundry Creditors	17B	15,116,661	937,517
Outstanding Claims	19B	1,725,672	522,110
		16,842,332	1,459,627
		740,509,769	648,534,539
ASSETS			
Cash and Deposits			
Cash and Bank Balance	6B	16,691,723	10,970,824
Investment Fund			
Group Investment Fund	16AB	667,958,430	588,906,139
Other Assets			
Interest, Rent and other Receivables	10B	52,035,016	44,832,975
Advances, Deposits and Prepaid Expenses	12A	3,824,601	3,824,601
		55,859,617	48,657,576
		740,509,769	648,534,539
Significant Accounting Policies	23		
Notes to Accounts	24		

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, 2013 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:

14.03.2014



General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2013

LIABILITIES	Schedule	2013 Nu.	2012 Nu.
Reserve and Surplus	14B	1,047,438,084	889,980,722
Funds			
Insurance Funds	15C	152,669,335	170,540,664
Other Liabilities			
Reinsurance Reserves		2,640,251	2,640,251
Sundry Creditors	17C	21,298,006	13,088,611
Due on Reinsurance and Insurance Business	18B	14,781,529	55,968,095
Outstanding Claims less Reinsurance ceded	19C	12,621,620	18,608,175
Corporate Tax payable		66,624,583	74,659,132
		<u>117,965,989</u>	<u>164,964,264</u>
		<u>1,318,073,409</u>	<u>1,225,485,650</u>
ASSETS			
Cash and Bank Balances	6C	22,995,541	46,164,864
Foreign Currency balance held with a Bank outside Bhutan		2,626,490	2,300,541
		<u>25,622,031</u>	<u>48,465,405</u>
Investments			
Investment Fund	16AC	1,033,979,937	925,174,202
Other Assets			
Interest, Rent and other Receivables	10C	84,796,924	85,123,526
Due from Reinsurance and Insurance Business	11A	172,202,517	162,832,944
Advances, Deposits and Prepaid Expenses	12C	1,472,000	3,889,573
		<u>258,471,441</u>	<u>251,846,043</u>
		<u>1,318,073,409</u>	<u>1,225,485,650</u>
Significant Accounting Policies	23		
Notes to Accounts	24		

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, 2013 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:

General Manager
(I & A Dept.)

Chief Executive
Officer

Chairman

Director



14.03.2014



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CREDIT & INVESTMENT BALANCE SHEET AS AT 31ST DECEMBER, 2013

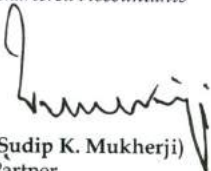
LIABILITIES	Schedule	2013 Nu.	2012 Nu.
Reserves and Surplus	14C	1,126,165,741	900,969,791
		1,126,165,741	900,969,791
Funds			
Borrowing Funds	16	6,743,541,635	5,798,722,873
		6,743,541,635	5,798,722,873
Other Liabilities			
Sundry creditors	17D	332,174,297	285,787,568
Corporate Tax payable		97,224,246	84,390,604
		429,398,543	370,178,172
		8,299,105,919	7,069,870,836
ASSETS			
Cash and Bank Balances	6	1,519,423,498	1,414,234,660
Investments			
Equity Investment	7	116,415,300	84,415,300
Long Term Investment		100,000,000	-
Loans and Advances (Net of Credit)	8	6,557,629,697	5,648,955,071
Assets acquired against Loans		74,095,588	62,798,565
		6,848,140,585	5,796,168,936
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		74,095,588	62,798,565
For Loans and Advances		118,394,348	119,298,306
For Interest Suspense		35,704,747	28,264,378
		228,629,161	210,795,727
		6,619,511,424	5,585,373,209
Other Assets			
Interest, Rent and other Receivables	10D	156,995,582	68,753,630
Advances, Deposits and Prepaid Expenses	12D	3,175,415	1,509,336
		160,170,997	70,262,966
		8,299,105,919	7,069,870,836
Significant Accounting Policies	23		
Notes to Accounts	24		

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, 2013 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


(Sudip K. Mukherji)
Partner

Membership Number: 13321

Place: Thimphu

Date:

14.03.2014




General Manager
(I&A Dept.)


Chief Executive
Officer


Chairman


Director

On behalf of Board of Directors



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
REINSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2013

LIABILITIES	Schedule	2013 Nu.
Reserve and Surplus	14E	3,057,972
Funds		
Insurance Funds	15E	29,622,882
Other Liabilities		
Reinsurance Reserves		36,853,033
Sundry Creditors		-
Due on Reinsurance and Insurance Business		-
Outstanding Claims less Reinsurance ceded	19D	1,959,482
Corporate Tax payable		1,310,560
		40,123,075
		72,803,929
ASSETS		
Cash and Bank Balances	6F	79,600
Foreign Currency balance held with a Bank outside Bhutan		23,623,938
		23,703,538
Investments		
Investment Fund	16AF	24,280,258
Other Assets		
Interest, Rent and other Receivables	10H	813,076
Due from Reinsurance and Insurance Business	11C	24,007,057
Advances, Deposits and Prepaid Expenses		-
		24,820,133
		72,803,929
Significant Accounting Policies	23	
Notes to Accounts	24	

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, 2013 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 Reinsurance 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:



General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND BALANCE SHEET AS AT 31st DECEMBER, 2013
Schedule 2013 2012

LIABILITIES

Employees' & Employers' Contribution	20A	597,629,576	480,482,020
Interest Credited to Employees' Account	20B	114,506,502	88,517,918
General Reserve	14D	260,290	260,290
Other Liabilities	17F	181,054	103,901
TOTAL		712,577,422	569,364,128

ASSETS

Deposit with RICBL	16AE	670,600,645	537,836,744
Cash and Bank Balances	6E	2,973,410	2,288,582
Other Assets	10F	37,134,036	29,238,803
Transfer from Revenue Account		1,869,331	-
TOTAL		712,577,422	569,364,128

Significant Accounting Policies	23
Notes on Accounts	24

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, 2013 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 Private Provident Fund 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:

Membership No. 13321

Place : Thimphu

Date :

14.03.2014



General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
ANNUITY FUND BALANCE SHEET AS AT 31st DECEMBER, 2013

Schedule 2013

LIABILITIES

Annuity Contribution	21A	4,549,181
Interest Payable on Annuity Account	21B	136,552
Other Liabilities	17G	7,708
TOTAL		4,693,441

ASSETS

Deposit with RICBL	16AG	55,135
Other Assets	10G	254,321
Transfer from Revenue Account		4,383,985
TOTAL		4,693,441

Significant Accounting Policies	23
Notes on Accounts	24

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

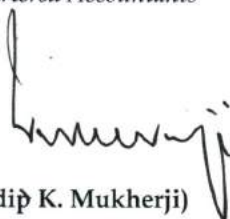
We certify that the values of all assets have been reviewed as at 31st December, 2013 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

This is the Annuity Fund 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:

Membership No. 13321

Place : Thimphu

Date :



14.03.2014


General Manager
(H&A Dept.)


Chief Executive
Officer


Chairman


Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Schedule	2013 Nu.	2012 Nu.
OPERATING INCOME			
Surplus transferred from -			
Miscellaneous Insurance Revenue Account		77,434,652	97,761,659
Marine Insurance Revenue Account		666,949	11,468,698
Fire Insurance Revenue Account		143,980,340	139,633,412
		222,081,941	248,863,769
Life Insurance Revenue Account		4,908,767	3,494,366
Credit & Investment Revenue Account		324,080,821	281,302,008
Reinsurance Revenue Account		4,368,532	-
Private Provident Fund Revenue Account		(1,869,331)	-
		553,570,730	533,660,143
OTHER INCOME			
Rental Income		7,586,742	6,522,334
Miscellaneous Income		1,009,440	1,903,099
		8,596,183	8,425,433
TOTAL INCOME		562,166,912	542,085,576
OPERATING EXPENSES.			
Repairs and Maintenance		1,187,982	3,447,306
Contribution to Gratuity Fund (Note 14 on Schedule 24)		3,500,000	3,000,000
Depreciation		16,275,262	13,330,802
Other Expenses		19,546,338	21,238,089
		40,509,582	41,016,197
Profit Before Taxation		521,657,330	501,069,379
Taxation (Note 9 on Schedule 24)		156,497,199	150,320,814
Profit available for Appropriations		365,160,131	350,748,565
APPROPRIATIONS			
Proposed Dividend		108,000,000	84,000,000
Transfer to Catastrophe Fund (Note 11 on Schedule 24)		5,000,000	5,000,000
Transfer to Technical Reserve (Note 11 on Schedule 24)		12,000,000	-
Transfer to General Reserve		240,160,131	261,748,565
		365,160,131	350,748,565
Significant Accounting Policies	23		
Notes to Accounts	24		

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: 14.03.2014

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, 2013

REVENUE	Schedule	2013 Nu.	2012 Nu.
Premium Less Reinsurance			
Other Policies	1	396,088,891	304,927,474
Interest on Investment Fund of Life Fund		76,445,615	54,655,491
Interest on Policy Loan		2,414	43,983
Commission on reinsurance ceded		-	-
Other revenue		18,000	49,527
TOTAL	(I)	472,554,920	359,676,475
EXPENSES			
Claims Paid And Outstanding Net of Reinsurance By Death/Maturity/Surrender			
Other Policies	2	61,133,394	40,108,030
Life Policies Bonus [Notes 21 on Schedule 22] [Inclusive of Interim Bonus Nu. 145,291.69]		18,178,899	14,134,755
Commission & Others		47,598,746	22,271,932
Prior Period Adjustment		-	430,956
Surplus Allocated to Shareholders - Per Actuarial Report		4,908,767	3,494,366
		131,819,807	80,440,039
MANAGEMENT EXPENSES			
Other Policies	22	29,895,217	27,286,056
TOTAL	(II)	161,715,024	107,726,095
Net Fund During the Year	III (I - II)	310,839,896	251,950,380
Life Fund Brought Forward from Previous Year	(IV)	906,223,028	654,272,648
Previous year refund from the Life Fund		466,875	-
LIFE FUND CARRIED FORWARD	(III + IV)	1,216,596,050	906,223,028

Significant Accounting Policies

23

Notes to Accounts

24

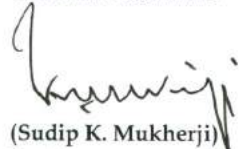
The Schedules referred to above and attached thereto form an integral part of this Revenue Account.

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

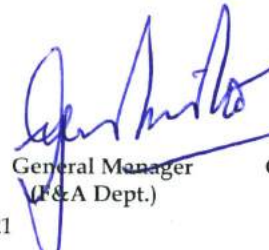
Membership Number: 13321

Place: Thimphu

Date:



14.03.2014


General Manager
(F&A Dept.)


Chief Executive
Officer


Chairman


Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GROUP INSURANCE SAVING
REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

REVENUE	Schedule	2013 Nu.	2012 Nu.
Premium			
Group Saving Linked Insurance Policies		6,955,995	3,763,546
Group Insurance Cum Savings Policies		34,153,760	33,344,048
		41,109,755	37,107,594
Interest On Investment Of GIS Fund		52,035,016	44,832,975
Other Revenue		95,907	23,557
TOTAL (I)		93,240,678	81,964,126
EXPENSES			
Claims Paid and Outstanding			
Group Saving Linked Insurance Policies (Death)	2	1,300,000	1,500,000
Group Insurance Cum Savings Policies (Death)	2	15,700,000	16,360,000
		17,000,000	17,860,000
Interest On Group Insurance Cum Savings		52,843,840	39,285,962
Group Saving Linked Insurance Policies		2,009,294	850,771
		71,853,134	57,996,733
Management Expenses			
Group Saving Linked Insurance Policies		1,396,585	1,740,219
Civil Employees		9,992,997	12,451,808
Armed Forces		3,540,073	4,411,120
	22	14,929,654	18,603,147
TOTAL (II)		86,782,788	76,599,880
Net Fund During the Year	III (I - II)	6,457,890	5,364,246
GIS Fund Brought Forward From Previous Year	(IV)	48,831,627	43,467,381
Group Fund Carried Forward	(III + IV)	55,289,517	48,831,627
Significant Accounting Policies	23		
Notes to Accounts	24		

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

Membership Number: 13321

Place: Thimphu

Date:



14.03.2014

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

	MISCELLANEOUS		MARINE		FIRE		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
INCOME								
Premium less Re-Insurance	176,834,550	181,200,056	4,232,905	7,618,029	73,381,437	95,416,354	254,448,892	284,234,439
Commission on Re-Insurance								
On re-insurance ceded	36,953,825	43,153,958	1,760,504	1,479,396	73,802,814	56,338,317	112,517,143	100,971,671
Less: on re-insurance accepted.						383,572		383,572
							112,517,143	100,588,099
Interest on Investment								
Miscellaneous Income	34,453,191	41,070,664	905,366	1,207,706	35,007,821	20,016,360	70,366,378	62,294,730
Change in Fund Balance	2,083,563	2,139,100	54,752	62,901	2,117,104	1,042,520	4,255,419	3,244,521
Brought forward from previous year	108,720,034	132,338,601	4,570,818	1,875,666	57,249,812	58,516,462	170,540,664	192,730,729
At the end of the year	106,100,730	108,720,034	2,539,743	4,570,818	44,028,862	57,249,812	152,669,335	170,540,664
	2,619,304	23,618,567	2,031,075	(2,695,152)	13,220,950	1,266,650	17,871,329	22,190,065
TOTAL (I)	252,944,433	291,182,345	8,984,602	7,672,880	197,530,126	173,696,629	459,459,161	472,551,854
EXPENSES								
Claims Paid/ Outstanding (Net of Reinsurance)	140,583,143	152,456,530	7,453,912	(4,963,606)	19,043,202	13,500,218	167,080,257	160,993,142
Commission to Agent	2,057,455	1,250,969	-	-	1,108,271	1,208,224	3,165,726	2,459,193
Management Expenses	32,300,496	39,240,483	848,797	1,153,888	32,820,472	19,124,396	65,969,765	59,518,767
Miscellaneous Expenses	568,687	472,704	14,944	13,900	577,841	230,379	1,161,472	716,983
TOTAL (II)	175,509,781	193,420,686	8,317,653	(3,795,818)	53,549,786	34,063,217	237,377,220	223,688,085
Transfer to Profit and Loss Account (I - II)	77,434,652	97,761,659	666,949	11,468,698	143,980,340	139,633,412	222,081,941	248,863,769

Significant Accounting Policies
Notes to Accounts

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: 14.03.2014.



Chief Executive Officer

Chairman

On behalf of Board of Directors



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

CREDIT & INVESTMENT REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

		2013 Nu.	2012 Nu.
INTEREST INCOME			
Interest on Loans (net of suspense)		759,452,927	667,561,278
Interest on Fixed Deposit - Gross		102,226,980	39,938,035
	A	861,679,907	707,499,313
LESS:- INTEREST EXPENSES			
Interest on Life Fund		76,445,615	54,655,491
Interest on GIS Fund		52,035,016	44,832,975
Interest on General Fund		70,366,378	62,294,730
Interest on PPF Fund		37,134,036	29,238,803
Interest on Reinsurance Fund		634,798	-
Interest on Annuity Fund		242,252	-
Interest on Borrowings		154,146,120	86,370,744
Interest on Bonds		135,496,949	135,496,528
	B	526,501,164	412,889,271
NET INTEREST DIFFERENTIAL	(A - B) = (C)	335,178,743	294,610,042
ADD: OTHER INCOME			
Guarantee Commission		22,860,116	25,557,578
Dividends - Gross		18,653,750	9,575,160
Miscellaneous Income		1,368,987	1,065,820
	D	42,882,853	36,198,558
TOTAL OPERATING INCOME	(C + D) = (E)	378,061,596	330,808,600
LESS: OPERATING EXPENSES.			
Bad Debts/Other Assets Written Off		-	116,104
Miscellaneous Expenses		1,043,059	389,527
Provisions		7,953,453	5,881,966
TOTAL OPERATING EXPENSES	(F)	8,996,512	6,387,597
OPERATING PROFIT	(E - F) = (G)	369,065,084	324,421,003
Less: Management Expenses	H	44,984,263	43,118,995
Transfer to Profit & Loss Account	(G - H)	324,080,821	281,302,008
Significant Accounting Policies	23		
Notes to Accounts	24		

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

Membership Number: 13321

Place: Thimphu

Date:



14.03.2014

General Manager
(E&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
REINSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Schedule	2013 Nu.
<u>INCOME</u>		
Net Premium	5 (1)	81,351,967
Net Commission	5 (2)	(17,173,506)
Interest on Investment		634,798
Miscellaneous Income		112,497
Change in Fund Balance		
Brought forward from previous year		-
At the end of the year		(29,622,882)
		<u>(29,622,882)</u>
TOTAL (I)		<u>35,302,874</u>
<u>EXPENSES</u>		
Net Claim	5 (3)	25,782,965
Management Expenses	22	4,760,033
Miscellaneous Expenses		391,344
TOTAL (II)		<u>30,934,342</u>
Transfer to Reserves & Surplus (I-II)		<u>4,368,532</u>
Significant Accounting Policies		23
Notes to Accounts		24

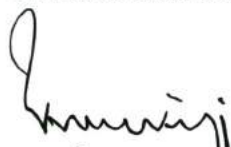
The Schedules referred to above and attached thereto form an integral part of this Revenue Account.

This is the Reinsurance 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:



14.03.2014



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED (RICBL)
PRIVATE PROVIDENT FUND REVENUE ACCOUNT FOR THE YEAR ENDING 31st
DECEMBER 2013

		2013	2012
	Schedule	Nu.	Nu.
<u>INCOME</u>			
Return on Deposits		37,134,036	29,238,803
Other Income		5,212	-
		<u>37,139,248</u>	<u>29,238,803</u>
<u>EXPENSES</u>			
Return on Employees' Contribution		18,768,405	14,653,490
Return on Employers' Contribution		18,768,017	14,585,313
Management Expenses	22	1,472,157	-
		<u>39,008,579</u>	<u>29,238,803</u>
Departmental Net Revenue		<u>(1,869,331)</u>	<u>-</u>
Significant Accounting Policies	23		
Notes on Accounts	24		

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

General Manager
(Finance & Accounts)

Chief Executive
Officer

Chairman

Director

(Sudip K. Mukherji)

Partner

Membership No. 13321

Place : Thimphu

Date :

14.03.2014



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
ANNUITY REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013
Schedule	Nu.
<u>Annuity Plan</u>	
Risk Premium	84,922
Interest on Fund	242,252
	<u>327,174</u>
Less:	
Surplus on Annuity Valuation	-
Claims	-
Interest on Annuity Contribution	138,029
Management Expenses	4,573,130
	<u>4,711,159</u>
Net Revenue	<u>(4,383,985)</u>
Increase/Decrease in Annuity Fund	<u>(4,383,985)</u>
Annuity Fund Brought Forward from Previous year	-
Annuity Fund Carried Forward	<u>(4,383,985)</u>
Significant Accounting Policies	23
Notes on Accounts	24

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

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:

14-03-2014



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2013

	<u>2013</u> <u>Nu.</u>	<u>2012</u> <u>Nu.</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX- As per Profit and Loss Account	521,657,330	501,069,379
ADD:- Depreciation (Net of adjustment)	16,275,261	13,330,802
	537,932,592	514,400,182
Less:- Profit on sale of Assets	-	-
	537,932,592	514,400,182
Add/(Less):Increase/(Decrease) in Other Liabilities	304,819,826	231,935,430
Add/(Less):Increase/(Decrease) in Other Assets	(172,069,544)	(167,169,960)
Add/(Less):Increase/(Decrease) in Loans and Investments	(1,052,286,138)	(272,493,849)
Add/(Less):Increase/(Decrease) in Provisions	16,172,809	31,179,327
NET CASH FLOW FROM OPERATING ACTIVITIES -	(A) (365,430,455)	337,851,131
Taxation	(B) (166,497,194)	(152,608,699)
NET CASH FLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		
Dividend paid	(C) (84,000,000)	(72,000,000)
NET CASH FLOW FROM CAPITAL EXPENDITURE		
Sale of Fixed assets	11,261,896	12,843,818
Purchase of Fixed Assets	(32,344,039)	(51,908,818)
NET CASH FLOW FROM INVESTMENT ACTIVITIES-	(D) (21,082,143)	(39,065,000)
FINANCING ACTIVITIES:		
BORROWINGS ACCEPTED (NET)/(REPAYMENTS-NET)	374,079,060	252,271,221
INVESTMENT FUNDS MANAGEMENT	570,739,702	268,087,757
INSURANCE FUNDS MANAGEMENT	(176,406,590)	(89,484,893)
NET CASH FLOW FROM FINANCING ACTIVITIES-	(E) 768,412,172	430,874,085
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ((A) + (B) + (C) + (D) + (E))	131,402,380	505,051,514
OPENING BALANCE OF CASH AND CASH EQUIVALENTS- CASH AND BANK BALANCES	1,489,202,671	984,151,157
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS-CASH AND BANK BALANCES	1,608,605,052	1,489,202,671
	119,402,381	505,051,514

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.

For S. N. Mukherji & Co.
Chartered Accountants

(Sudip K. Mukherji)
Partner
Membership Number: 13321
Place: Thimphu
Date: 14.03.2014

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director

On behalf of Board of Directors



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST
DECEMBER, 2013

	2013 Nu.	2012 Nu.
1 PREMIUM LESS REINSURANCE		
LIFE POLICES		
FIRST YEAR PREMIUM (A)	123,871,896	111,580,333
RENEWAL PREMIUM (B)	272,233,555	193,361,101
(A+B)	<u>396,105,451</u>	<u>304,941,434</u>
Less: Reinsurance	16,560	13,960
	<u><u>396,088,891</u></u>	<u><u>304,927,474</u></u>
2 CLAIMS PAID AND OUTSTANDING		
(A) Group Saving Linked Insurance-GSLI (by Death)		
Paid during the year	1,300,000	1,500,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>1,300,000</u>	<u>1,500,000</u>
Less: outstanding at the end of the previous year	-	-
TOTAL CLAIMS PAID	<u><u>1,300,000</u></u>	<u><u>1,500,000</u></u>
(B) Group Saving Scheme Insurance (By Death)		
Paid during the year	15,700,000	16,360,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>15,700,000</u>	<u>16,360,000</u>
Less:- Outstanding at the end of the previous year	-	-
TOTAL CLAIMS PAID/PAYABLE	<u><u>17,000,000</u></u>	<u><u>17,860,000</u></u>
CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
Life Insurance		
(C) Other Policies (By Death/Maturity/Survival Benefits/Surrender)		
Paid during the year	60,133,394	40,108,030
Add: Total estimated liability in respect of outstanding claims at the end of the year.	1,000,000	-
	<u>61,133,394</u>	<u>40,108,030</u>
Less: Outstanding at the end of the previous year.	-	-
	<u><u>61,133,394</u></u>	<u><u>40,108,030</u></u>
Less: Re-Insurance	-	-
Net Claims	<u><u>61,133,394</u></u>	<u><u>40,108,030</u></u>
3 PREMIUM LESS REINSURANCE		
1) <u>Fire Insurance Policies</u>		
Rural Insurance Policies	32,469,965	7,882,110
Other Insurance Policies	314,203,919	205,425,152
	<u>346,673,884</u>	<u>213,307,262</u>
LESS: Reinsurance	273,292,447	117,890,908
NET PREMIUM	<u><u>73,381,437</u></u>	<u><u>95,416,354</u></u>
2) <u>Miscellaneous Insurance Policies</u>		
Motor Insurance Policies	207,680,724	238,114,443
Other Insurance Policies	115,857,413	160,071,132
Aviation Insurance Policies	17,643,387	38,323,503
	<u>341,181,524</u>	<u>436,509,078</u>
LESS: Reinsurance	164,346,974	255,309,022
NET PREMIUM	<u><u>176,834,550</u></u>	<u><u>181,200,056</u></u>
3) <u>Marine Insurance Policies</u>		
Premium	8,965,615	12,835,792
LESS: Reinsurance	4,732,710	5,217,763
NET PREMIUM	<u><u>4,232,905</u></u>	<u><u>7,618,029</u></u>



	2013 Nu.	2012 Nu.
4 CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
1) Fire Insurance Policies		
<u>Paid during the year</u>		
Rural Insurance Policies	17,351,771	7,882,110
Other Insurance Policies	54,382,261	(9,362,121)
	71,734,032	(1,480,011)
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated	84,392,632	1,638,892
	156,126,664	158,881
LESS: Reinsurance	137,083,462	(13,341,337)
NET CLAIMS	19,043,202	13,500,218
2) Miscellaneous Insurance Policies		
<u>Paid during the year</u>		
Motor Insurance Policies	228,135,140	125,843,132
Other Insurance Policies	18,850,477	(56,901,404)
Aviation Insurance Policies	-	-
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.		
Motor Insurance Policies	14,413,494	46,423,398
Other Insurance Policies	158,871,890	73,279,988
	420,271,001	188,645,114
LESS: Reinsurance	83,180,839	40,421,031
Motor Insurance Policies	196,507,019	(4,232,447)
Other Insurance Policies	-	-
Aviation Insurance Policies	279,687,858	36,188,584
NET CLAIMS	140,583,143	152,456,530
3) Marine Insurance Policies		
Claims Paid during the year	5,097,340	2,229,436
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.	987,200	5,000,000
	6,084,540	7,229,436
LESS: Reinsurance	(1,369,372)	12,193,042
NET CLAIMS	7,453,912	(4,963,606)
5 REINSURANCE PREMIUM, COMMISSION & CLAIMS		
1) Reinsurance Premium		
International Inward Premium	46,613,858	-
Domestic Inward Premium	442,372,130	-
	488,985,988	-
Less: Retrocession	11,829,000	-
Reinsurance (Domestic)	395,805,021	-
	407,634,021	-
NET PREMIUM	81,351,967	-
2) Reinsurance Commission		
Retrocession Commission	-	-
Domestic Commission	112,517,143	-
	112,517,143	-
Less: On reinsurance accepted	8,210,611	-
On Domestic Insurance	121,480,038	-
	129,690,649	-
NET COMMISSION	(17,173,506)	-
3) Reinsurance Claims Paid & Outstanding		
Retrocession Claims	12,971,584	-
Domestic Claims	427,361,429	-
	440,333,013	-
Less: On retrocession	-	-
On Domestic Reinsurance	414,550,048	-
	414,550,048	-
NET CLAIMS	25,782,965	-



	2013 Nu.	2012 Nu.
6 CASH (including cheques) AND BANK BALANCE		
Cash in Hand		
General Insurance Department	-	-
BANK BALANCES		
In Current Accounts in Bhutan		
A Life Insurance Department (LID)	18,117,894	11,884,248
B Group Insurance Schemes Department (GIS)	16,691,723	10,970,824
C General Insurance Department (GID)	22,995,541	46,164,864
D General Administration Department GAD)	2,072,957	1,358,951
E Financial Security & Services Department (PPF)	2,973,410	2,288,582
F Reinsurance Department	79,600	-
(A)	<u>62,931,125</u>	<u>72,667,469</u>
CREDIT & INVESTMENT DEPARTMENT		
Cash in Hand - As Certified by Management	6,929,216	8,674,844
BANK BALANCES		
In Current Accounts in Bhutan	162,449,653	225,515,187
In Current Accounts outside Bhutan	44,629	44,629
Fixed Deposit	1,350,000,000	1,180,000,000
(B)	<u>1,519,423,498</u>	<u>1,414,234,660</u>
TOTAL (A + B)	<u><u>1,582,354,624</u></u>	<u><u>1,486,902,130</u></u>
7 EQUITY INVESTMENT AT COST - LONG TERM		
Credit & Investment Department		
In Quoted Equity Shares*		
Bhutan Carbide & Chemicals Ltd.	24,311,650	24,311,650
(181370 Nos Share, Face Value Nu. 100/-)	-	-
Bhutan Ferro Alloys Ltd.	8,100,000	8,100,000
(80000 Nos Share, Face Value Nu. 100/-)	-	-
Penden Cement Authority Ltd.	3,169,400	3,169,400
(18315 Nos Shares, Face Value Nu. 100/-)	-	-
Bhutan National Bank	43,125,000	43,125,000
(450000 Nos Shares, Face Value Nu. 100/-)	-	-
State Trading Corporation of Bhutan Ltd.	980,000	980,000
(88200 Nos Shares, Face Value Nu. 100/-)	-	-
Bhutan Board Products Ltd.	1,229,250	1,229,250
(11830 Nos shares, Face value Nu. 100/-)	-	-
TOTAL QUOTED EQUITY INVESTMENTS (A)	<u>80,915,300</u>	<u>80,915,300</u>
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/-)		
Zimdra Foods Private Limited	20,000,000	-
(200,000 Nos Shares, Face Value Nu. 100/-)		
Financial Institution Training Institute	12,000,000	-
(Contribution based on Capital)		
TOTAL UNQUOTED EQUITY INVESTMENTS (B)	<u>35,500,000</u>	<u>3,500,000</u>
TOTAL INVESTMENTS [(A)+(B)]	<u><u>116,415,300</u></u>	<u><u>84,415,300</u></u>

*Note: Aggregate Marked values of Quoted shares as on 31st December 2013 Nu. 405,548,400/-
(2012 Nu. 376,801,150/)



	2013 Nu.	2012 Nu.
8 LOANS AND ADVANCES		
A Life Insurance Department Against Life Policies	I 732,179	417,690
B CREDIT & INVESTMENT DEPARTMENT		
Against Mortatgage/Hypothecation of Properties/Fixed Assets in Bhutan		
(A) Secured		
Housing Loans	2,000,384,634	1,935,071,123
Transport Loans	457,742,060	614,973,745
Industrial Loans	909,149,131	736,155,502
Staff Loans	15,955,764	21,251,337
Business Loans	784,939,850	644,772,322
Shares Loans	41,129,708	28,647,160
Personal Loans	1,136,936,852	583,488,160
RICB Card Loans	684,142,876	618,659,076
Preferential Loans	117,723,749	158,591,882
Contractor Loans(CRC Scheme)	381,557,439	282,775,276
Private Provident Fund Loan	22,246,627	15,132,374
	II 6,551,908,688	5,639,517,958
(B) Unsecured		
Housing Loans	1,130,277	709,589
Transport Loans	-	-
Industrial Loans	-	-
Business Loans	4,590,732	5,828,719
Shares Loans	-	-
Personal Loans	-	1,655,933
RICB Card Loans	-	-
Preferential Loans	-	1,242,870
Contractor Loans(CRC Scheme)	-	-
Private Provident Fund Loan	-	-
	III 5,721,008	9,437,112
	(II+III) 6,557,629,697	5,648,955,071
(C) Less: Credit Balance	-	-
Total Loans & Advances	6,558,361,876	5,649,372,761



Schedule 9

Statement of Fixed Assets as on 31st December 2013

Particulars	GROSS BLOCK - AT COST				DEPRECIATION					NET BLOCK	
	As at 1st January 2013	Additions during the year	Sales Adjustmt.	As at 31st December 2013	As at 1st January 2013	For the Year	Adj of dep'n during the Year	Adj. of Dep. For previous years	As at 31st December 2013	As at 31st December 2013	As at 31st December 2011
Land [Note 17(c) on Schedule 23]	48,522,346	588,000	935,000	48,175,346	-	-	-	-	-	48,175,346	48,522,346
Buildings [Notes 17(d) on Schedule. 23]	70,325,799	822,801	-	71,148,599	21,593,793	1,776,269	-	-	23,370,062	47,778,537	48,732,006
Furniture and Fixtures	13,694,642	3,571,020	-	17,265,662	9,228,150	1,374,016	-	-	10,602,167	6,663,495	4,466,492
Electric Installations [Note 17 (e) on Schedule. 23]	1	-	-	1	-	-	-	-	-	1	1
Office Equipment	12,123,549	2,101,200	-	14,224,749	7,103,439	1,177,756	-	-	8,281,195	5,943,554	5,020,110
Vehicles	3,769,650	-	-	3,769,650	3,103,791	292,210	-	-	3,396,001	373,649	665,859
Computer Equipments	84,452,326	21,061,519	-	105,513,845	44,727,311	11,655,010	-	-	56,382,321	49,131,523	39,725,015
Total	232,888,313	28,144,539	935,000	260,997,852	85,756,485	16,275,261	-	-	102,031,746	158,066,105	147,131,828
Capital Work in Progress	10,075,459	4,199,500	10,326,896	3,948,063	-	-	-	-	-	3,948,063	10,075,459
Total	242,963,771	32,344,039	11,261,896	264,045,914	85,756,485	16,275,261	-	-	102,031,746	162,014,168	157,207,286
Previous Year	203,898,771	51,908,818	12,843,818	242,963,771	99,784,365	13,330,802	-	-	85,756,485	157,207,286	



	2013 Nu.	2012 Nu.
10 INTEREST, RENT AND OTHER RECEIVABLES		
A Life Insurance Department	76,445,615	54,655,491
Internal Department adjustment	-	-
	76,445,615	54,655,491
B Group Insurance Department	52,035,016	44,832,975
C General Insurance Department	84,796,924	85,123,526
Internal Department adjustment	-	-
	84,796,924	85,123,526
D Credit & Investment Department	156,995,582	68,753,630
Internal Department adjustment	-	-
	156,995,582	68,753,630
E General Administration Department	-	-
Interest Receivable from CID	680,348	877,813
Stock in hand	484,330	723,782
Others	1,164,678	1,601,594
Internal Department adjustment	-	-
	1,164,678	1,601,594
F Financial Security & Services Department (PPF)	37,134,036	29,238,803
G Financial Security & Services Department (Annuity Fund)	254,321	-
H Reinsurance Department	813,076	-
	409,639,248	284,206,019
11 DUE FROM OTHER REINSURANCE AND INSURANCE BUSINESS		
A General Insurance Department	172,202,517	162,832,944
B Life Insurance Department	-	780,750
C Reinsurance Department	24,007,057	-
	196,209,574	163,613,694
12 ADVANCES, DEPOSITS AND PRE-PAID EXPENSES.		
A Group Insurance Department	3,824,601	3,824,601
Internal Department adjustment	-	-
	3,824,601	3,824,601
B Life Insurance Department	-	-
C General Insurance Department	1,472,000	3,889,573
D Credit & Investment Department	3,175,415	1,509,336
Internal Department adjustment	-	-
	3,175,415	1,509,336
E General Administration Department	68,971,812	56,738,128
Advance Corporate Tax	1,770,212	317,795
Advance to staff	2,095,511	989,683
Others	72,837,535	58,045,606
	81,309,551	67,269,115



	2013 Nu.	2012 Nu.
13 SHAREHOLDERS' CAPITAL		
Authorised Capital 10,000,000 Equity Shares of Nu. 100/- each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid up:-		
2,400,000 Equity Shares of Nu. 100/-each fully paid up.	240,000,000	240,000,000
	<u>240,000,000</u>	<u>240,000,000</u>
14 RESERVES AND SURPLUS		
A General Administration		
As per last Account	(524,149,647)	(419,782,168)
Less: provision for dividend	(108,000,000)	(84,000,000)
Less: Prior period Tax (Note 9(b) on Schedule 21)	-	-
Less: Adjustment of previous year depreciation	-	-
Less: Adjustment of Revenue during the year for General Administration	(18,903,243)	(20,367,479)
Add: Prior Period Adjustment on Land Transaction	-	-
TOTAL RESERVES AND SURPLUS FOR GENERAL ADMINISTRATION	<u>(651,052,889)</u>	<u>(524,149,647)</u>
B General Insurance		
Catastrophe Fund		
As per Last Account	85,000,000	80,000,000
Add: Transfer from Profit and Loss Account during the year	5,000,000	5,000,000
	<u>90,000,000</u>	<u>85,000,000</u>
General Reserve		
As per Last Account	749,046,996	579,842,355
Add: Transfer from Revenue Account	140,457,359	169,204,638
	<u>889,504,355</u>	<u>749,046,993</u>
Technical Reserve		
As per Last Account	55,933,729	45,933,729
Addition during the year	12,000,000	10,000,000
	<u>67,933,729</u>	<u>55,933,729</u>
TOTAL RESERVES AND SURPLUS FOR GENERAL INSURANCE	<u>1,047,438,084</u>	<u>889,980,722</u>
C Credit & Investment Department		
As per last Account	817,364,607	620,453,201
Add:- Transfer from Revenue Account	226,856,575	196,911,406
	<u>1,044,221,182</u>	<u>817,364,607</u>
General Provision	81,944,559	83,605,184
TOTAL RESERVES AND SURPLUS FOR CID	<u>1,126,165,741</u>	<u>900,969,791</u>
D Financial Security & Services Department (PPF)		
General Reserve	260,290	260,290
Less: Adjustment of Revenue during the year	1,308,532	-
	<u>(1,048,242)</u>	<u>260,290</u>
E Reinsurance Department		
General Reserve	-	-
Less: Adjustment of Revenue during the year	3,057,972	-
	<u>3,057,972</u>	<u>-</u>
TOTAL OF RESERVES AND SURPLUS	<u>1,524,560,666</u>	<u>1,267,061,156</u>



	2013 Nu.	2012 Nu.
15 INSURANCE FUNDS		
A Life Insurance Business Account	1,216,596,049	906,223,029
B Group Insurance Business Account	55,289,517	48,831,627
Group Savings Insurance Business Account	668,377,920	598,243,285
	723,667,437	647,074,912
C Fire Insurance Business Account	44,028,862	57,249,812
Miscellaneous Insurance Business Account	106,100,730	108,720,034
Marine Insurance Business Account	2,539,743	4,570,818
	152,669,335	170,540,664
D Annuity Fund Business Account	(4,383,985)	-
E Reinsurance Department	29,622,882	-
	2,118,171,718	1,723,838,605
16A INVESTMENT AND BORROWING FUNDS		
INVESTMENT FUNDS		
A Life Insurance Fund	1,237,473,919	892,789,693
B Group saving Insurance Fund	667,958,430	588,906,139
C General Insurance Fund	1,033,979,937	925,174,202
D General Administration Fund	(529,855,749)	(410,953,904)
E Private Provident Fund	670,600,645	537,836,744
F Reinsurance Fund	24,280,258	-
G Annuity Fund	55,135	-
	3,104,492,575	2,533,752,873
16B BORROWING FUNDS		
A National Pension & Provident Fund	418,628,909	415,000,000
B Bank of Bhutan Limited	590,680,057	500,000,000
C Bhutan Development Bank Limited	479,770,194	200,000,000
D Druk PNB Bank Limited	149,999,900	150,000,000
E Bond Series I & II	1,999,970,000	1,999,970,000
TOTAL (16A+16B)	3,639,049,060	3,264,970,000
	6,743,541,635	5,798,722,873



	2013 Nu.	2012 Nu.
17 SUNDRY CREDITORS		
A Life Insurance Department		
Bonus Payable	44,033,614	30,460,487
Provision on policy Loans	-	-
Agent Liability	28,546,484	9,474,771
Others	6,189,289	5,375,213
Deposit	31,048,411	4,798,411
	109,817,798	50,108,882
Internal Department Adjustment	-	-
	109,817,798	50,108,882
B Group Insurance Department		
Deposit	15,116,661	937,517
Internal Department Adjustment	-	-
	15,116,661	937,517
C General Insurance Department		
Rural claim payable	-	-
Agent Liability	1,006,035	443,072
Others	16,566,005	11,424,246
Deposit	3,725,966	1,221,293
	21,298,006	13,088,611
Internal Department Adjustment	-	-
	21,298,006	13,088,611
D Credit & Investment Department		
Interest on Investment Fund payable	236,858,094	191,021,999
Interest payable on Bond Series-I & II	67,056,683	67,056,614
Others	28,259,520	27,708,955
	332,174,297	285,787,568
Internal Department Adjustment	-	-
	332,174,297	285,787,568
E General Administration Department		
Tax Payable	-	-
Others	19,387,869	16,138,100
Internal Department Adjustment	-	-
	19,387,869	16,138,100
F Financial Security & Services Department (PPF)		
Excess Contribution Refundable	19,391	19,391
Others	161,663	84,510
	181,054	103,901
G Financial Security & Services Department (Annuity Fund)		
Excess Contribution Refundable	7,708	-
	7,708	-
	497,983,393	366,164,579
18 DUE ON REINSURANCE AND INSURANCE BUSINESS.		
A Life Insurance Department (Note 23(b) (i) on Schedule 24)	-	-
B General Insurance Department	14,781,529	55,968,095
	14,781,529	55,968,095
19 OUTSTANDING CLAIMS LESS REINSURANCE		
A Life Insurance Department	6,355,759	4,195,960
B Group Insurance Department	1,725,672	522,110
C General Insurance Department	12,621,620	18,608,175
D Reinsurance Department	1,959,482	-
	22,662,533	23,326,245



	2013 Nu.	2012 Nu.
20 PPF CONTRIBUTION & INTEREST		
A Employers' Contribution		
As per last account	240,560,713	184,923,619
Add: Contribution during the year	95,683,130	82,334,143
Less: Refund during the year	37,441,552	26,697,049
	298,802,291	240,560,713
Employees' Contribution		
As per last account	239,921,307	186,127,650
Add: Contribution during the year	95,683,130	80,442,913
Less: Refund during the year	36,777,152	26,649,256
	298,827,285	239,921,307
Total Employers' & Employees' Contribution	597,629,576	480,482,020
B Interest on Employers' Contribution		
As per last account	44,157,883	33,936,510
Add: Interest during the year	18,768,405	14,585,313
Less: Refund during the year	5,783,266	4,363,940
	57,143,022	44,157,883
Interest on Employees' Contribution		
As per last account	44,360,035	34,074,726
Add: Interest during the year	18,768,017	14,653,490
Less: Refund during the year	5,764,572	4,368,181
	57,363,480	44,360,035
Total Interest on Employers' & Employees' Contribution	114,506,502	88,517,918
Total PPF Contributions & Interest	712,136,078	568,999,938
21 ANNUITY CONTRIBUTION & INTEREST		
A Annuity & Employee Contribution		
As per last account	-	-
Add: Contribution during the year	4,549,181	-
Less: Refund during the year	-	-
	4,549,181	-
B Interest on Annuity & Employees' Contribution		
As per last account	-	-
Add: Interest during the year	136,552	-
Less: Refund during the year	-	-
	136,552	-
Total PPF Contributions & Interest	4,685,733	-
22 MANAGEMENT EXPENSES		
Staff Cost	113,537,827	103,689,736
Occupancy Cost	3,221,719	4,987,628
Travelling & Transfer Cost	8,034,783	7,109,013
Communication Cost	6,452,486	8,256,167
Operating Cost	11,383,618	8,376,427
Advertising & Public Relation Cost	16,188,328	11,651,978
Statutory & Consultant Cost	7,765,460	4,456,016
Management Expenses allocated to the respective Department (A)	166,584,219	148,526,965
Life Insurance Department	29,895,217	27,286,056
Group Insurance & Saving Schemes	14,929,654	18,603,147
General Insurance Department	65,969,765	59,518,767
Credit & Investment Department	44,984,263	43,118,995
Reinsurance Department	4,760,033	
Private Provident Fund	1,472,157	
Annuity Fund	4,573,130	
Total	166,584,219	148,526,965



		2013	2012
		Nu.	Nu.
Human Resource Development Expenses		19,546,338	21,238,089
Deprecation		16,275,262	13,330,802
Contribution to the Employee Gratuity		3,500,000	3,000,000
Repair & Maintenance		1,187,982	3,447,306
Total	(B)	40,509,582	41,016,197
Total Management Expenses	(A+B)	207,093,801	189,543,161



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2013

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 31st 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.
- (vi) 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 1st 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 an 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 31st December 2013, 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.

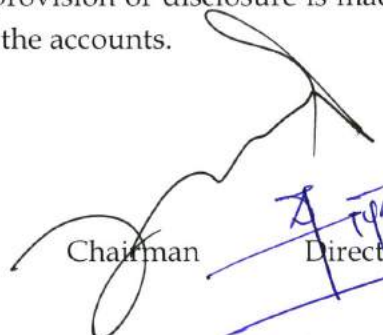
Provision for income tax is accounted for on book profit of the company at the prevailing rate as per Income Tax Act of the Kingdom Bhutan, 2001.


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: 14.03.2014.



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE - 24

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2013

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, Reinsurance, Annuity 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. 35.70 million (Previous Year Nu. 28.26 million) on account of advances amounting to Nu. 229.62 million (Previous Year Nu. 200.35 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. 200.33 million (Previous Year Nu. 202.90 million) has been retained in these accounts in



accordance with the Prudential Regulations of the Royal Monetary Authority of Bhutan, 2002 on the basis of such considerations which management considered to be prudent and appropriate. The said provisions, both Specific and General, are net of adjustments on account of additional provision of Nu. 17.93 million (Previous year Nu. Nil) being the dynamic provision made during the year as considered prudent by the management and as approved 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 31st December, 2013 is 14.46% (Previous Year 17.05%) and the Core Capital adequacy Ratio as on that date comes to 13.79% (Previous Year 16.10%) 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 31st December, 2013 amounted to 14.06% (Previous Year 11.79%) 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 31st December, 2013 aggregated to 20.66% (Previous Year 18.86%) 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 31st December 2013 is 22.03% (Previous Year 23.86%) 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 30th September 1996 is treated as opening principal balance as at 1st October 1996 for calculation of interest on



simple daily product method. Interest is charged on the principal balance outstanding.

7. The Corporation centrally manages through its Credit & Investment Department, the investible/borrowed funds comprising of Banking and Non-Banking borrowings, Annuity Fund, 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. Nil million (Previous Year Nu. 8.55 million)
 - (b) Outstanding Guarantees given on behalf of various parties - Nu. 2,750.43 million (Previous Year Nu 1,059.95 million)
 - (c) Commitments :
The estimated amount of contracts remaining to be executed on Capital accounts (net of advances) is Nu. 43.60 million (Previous Year Nu. 42.60 million).
9. Provision @ 30% on book profit is made in these accounts towards Corporate Income Tax for the year 2013 amounting to Nu. 156.49 million (Previous Year Nu. 150.32 million). Advance Income Tax paid during the year is Nu. 53.50 million (Previous year Nu 46 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.152.66 million (Previous Year Nu. 170.54 million) created in the Revenue Accounts in respect of General Insurance business at 60% (Previous Year 60%) of the net premium income



during the year which have been duly reflected as General Insurance Funds in the Balance sheet.

11. During the year, Nu. 5.00 million (Previous Year Nu. 5.00 million) and Nu. 12.00 million (Previous Year Nu. 10 million) has been appropriated from the Profit and Loss Account towards Catastrophe Fund and Technical Reserves respectively.
12. (a) 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.
- (b) 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.
- (c) 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.
13. Certain Assets are acquired in satisfaction of loans including interest due thereon amounting to Nu. 74.09 million (Previous Year Nu. 62.80 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 31st December, 2013 ascertained as per internal actuarial valuation is Nu. 26.05 million, which has been fully funded to RICBL Employees Gratuity Trust Fund.



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. 21.55 million has been paid for the year 2012 (For the Year 2011 Nu. 20.20 million).
16. Sundry Creditors include -
 - (a) Provision for bonus payable to Life policyholders has been ascertained as per Actuarial Valuation amounting to Nu.44.03 million (Previous Year Nu. 10.99 million).
 - (b) Unadjusted deposits in respect of General and Life/Group Insurance policies aggregating to Nu. Nil (Previous Year Nu. Nil) and Nu.9.60 million (Previous Year Nu. 1.88 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 is being 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 of the Kingdom of Bhutan, 2001.
18. Capital Work-in-Progress includes expenses incurred in connection with the software development amounting to Nu. 3.34 million (Previous Year Nu. 10.08 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 2012. 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. 44.03 million (Previous Year Nu. 10.99 million) has been accounted for. An amount of Nu.5.13 million (Previous year Nu. 3.02 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.
 - (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. 172.20 million (Previous Year Nu. 162.83 million) and Nu 14.78 million (Previous Year Nu. 55.97 million) respectively are pending final reconciliation process/confirmation and acceptance of the re-insurers. Any further adjustments thereof are not ascertainable at this stage.
 - (ii) The balances due to and from the reinsurers have been netted off in the 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 principal 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
Annuity Fund	:	11.75% p.a
Private Provident Fund	:	9.00% p.a
Reinsurance Fund	:	7.00% p.a

b) External funds / borrowings:-

Bank of Bhutan Limited	:	8.75% p.a
Bank of Bhutan Limited	:	8.50% p.a
National Pension & Provident Fund	:	9.20% p.a
National Pension & Provident Fund	:	6.50% p.a
National Pension & Provident Fund	:	13.19% p.a
Druk PNB Bank Limited	:	9.00% p.a
Bhutan Development Bank Limited	:	9.50% p.a
Bhutan Development Bank Limited	:	11.00% p.a
Bond Series I	:	7.00% p.a
Bond Series II	:	6.70% p.a

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	:	10%



General Insurance Revenue	:	35%
Investment Revenue	:	30%
Reinsurance Revenue	:	2%
Annuity Revenue	:	3%

25. Management expenses include -

(a) Managerial Remuneration paid/payable to the Managing Director (Chief Executive Officer) :

- Remuneration: Nu. 1.73 million (Previous Year Nu. 1.77 million)
- Other Benefits: Nu. 0.62 million (Previous Year Nu. 0.53 million)

(b) Directors' Sitting fees: Nu. 0.60 million (Previous Year Nu. 0.51 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, pledge of equity investments and book debts.

(b) Bank of Bhutan Limited: Secured by fixed deposits.

(c) Druk PNB Limited: Secured by Fixed Assets.

(d) Bhutan Development Bank Limited: Secured by fixed deposit and book debts.

(e) Bond Series I & II: Secured by Book Debts.

27. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 0.71 million (Previous Year Nu. 0.31 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



Reserve for Unexpired Risks. Further, during the year Nu.12.00 million (Previous year Nu. 10.00 million) has been appropriated from the Profit & Loss Account to Technical Reserves to meet any unforeseen events.

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.2.23 million (Previous Year Nu. 1.94) is in the process of reconciliation. Any effect in these accounts can be ascertained only upon completion of reconciliation.
32. The Corporation has started Reinsurance and Annuity business during the year.
33. Consequent upon delinking of Government Employees Provident Fund with effect from 30th June, 2000, Provident Fund Management for Private Companies and Non Government Organizations remained with Royal Insurance Corporation of Bhutan Limited (RICBL) as per the Government Directives, vide Letter No. MOF/Pension/4841 dated 30th March 2000 and the letter dated 23rd June 2000 from the Ministry of Finance, Royal Government of Bhutan.
34. Interest on Employees' Contribution and the Employers' contribution of Private Provident Fund for the year ended 31st December, 2013 have been accounted for @ 6% till June and @ 7% thereafter (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.



General Insurance Revenue	:	35%
Investment Revenue	:	30%
Reinsurance Revenue	:	2%
Annuity Revenue	:	3%

25. Management expenses include -

(a) Managerial Remuneration paid/payable to the Managing Director (Chief Executive Officer) :

- Remuneration: Nu. 1.73 million (Previous Year Nu. 1.77 million)
- Other Benefits: Nu. 0.62 million (Previous Year Nu. 0.53 million)

(b) Directors' Sitting fees: Nu. 0.60 million (Previous Year Nu. 0.51 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, pledge of equity investments and book debts.

(b) Bank of Bhutan Limited: Secured by fixed deposits.

(c) Druk PNB Limited: Secured by Fixed Assets.

(d) Bhutan Development Bank Limited: Secured by fixed deposit and book debts.

(e) Bond Series I & II: Secured by Book Debts.

27. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 0.71 million (Previous Year Nu. 0.31 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

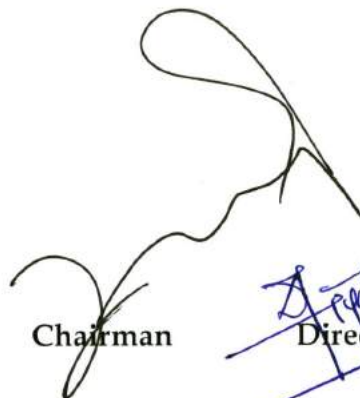



36. Accounting & Auditing Standard Board of Bhutan has issued Accounting Standards to be implemented in a phased manner. The relevant standards applicable for the period 2013 to 2015 is yet to be implemented and the management has taken adequate steps to implement the same in 2014.
37. Figures of financial statements of previous year have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 37


General Manager
(F&A)


Chief Executive Officer


Chairman


Director

Place: Thimphu
Date: 14.03.2014



RICB SECURITIES LIMITED
(A wholly owned subsidiary Company of RICBL)
 Directors' Report of the year 2013

On behalf of the Board of Directors of Royal Securities Ltd, I have the pleasure in presenting the 21st Annual report together with Audited Accounts for the year ended 31st December, 2013.

Business Information

RICB Securities Ltd. (a wholly owned subsidiary Company of RICBL) was established and registered on 1st 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:

	2013	2012	2011	2010	2009
Profit before tax	159,965	186,993	590,780	966,462	1,407,124

Performance Highlights

This year, in the secondary market, 14 listed companies securities were traded with the largest being BNB followed by BIL, DPNB, and BBPL. There were no transactions on the primary market during the year.

The details of the secondary market transactions are presented below:

Secondary Market Transaction					
Sl. No	Company	Buy (Qty)	Sell (Qty)	Buy (Nu.)	Sell (Nu.)
1	BNB	267,391	267,391	78,443,330	78,443,330
2	BIL	97,460	96,560	18,918,080	18,743,379
3	DPNB	30,061	30,011	10,484,089	10,466,650
4	BBPL	10,100	10,100	1,010,000	1,010,000
5	TBL	5,416	6,034	1,479,471	1,648,288
6	DPL	5,534	5,534	1754186	1,754,186
7	PCAL	3,240	3,045	1,477,831	1,388,888
8	RICB	1,400	1,550	828,135	916,864
9	DWAL	1,050	1,050	472,500	472,500
10	JMCL	300	300	210,000	210,000
11	KCL	216	216	25,920	25,920
12	STCBL	45	45	9,000	9,000
13	BTCL	40	40	16,000	16,000
14	BCCL	20	20	15,400	15,400
	TOTAL	422,273	421,896	115,143,942	115,120,405

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 422,273 stocks being bought and 421,896 stocks sold.

In terms of the volume of the transaction in the securities market, RICB Securities Limited has carried out about 60% of the weekly stock trading in the secondary market. The Commission earned during the year posted at Nu. 888, 261.00 as compared to Nu, 519,660.00 in the previous year.

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.


(Kinzang Dorji)
Chief Executive Officer


(Namgyal Lhendup)
Chairman

S. N. Mukherji & Co.
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF RICB SECURITIES LIMITED
THIMPHU, BHUTAN**

Report on the Financial Statements

1. We have audited the accompanying financial statements of **RICB Securities Limited** ('the Company'), which comprise of the Balance Sheet as at 31st December, 2013, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of the Significant Accounting Policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act'). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In



S. N. Mukherji & Co.
Chartered Accountants

the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and subject to our observations in Para 6 give a true and fair view in conformity with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act'):
 - I) In the case of Balance sheet, of the state of affairs of the company as at 31st December 2013;
 - II) In 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 movement of cash flows of the Company for the year ended on that date.
6. We draw attention to the following:
 - (a) *Trading Fees on have been accounted on Cash basis instead of Accrual basis.*
(Refer Note 2 of Schedule 9)
 - (b) *Difference in Current Account with RICBL is Nu. 2,236,383, the effect of which may only be ascertained after reconciliation.*
(Refer Note 3 of Schedule 9)
 - (c) *Regarding non computation of actual tax liability as per Income Tax Act, 2001.*
(Refer Note 4 of Schedule 9)



S. N. Mukherji & Co.
Chartered Accountants

Report on Other Legal and Regulatory Requirements

7. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Part II of Schedule XIV there to (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
8. As required by Section 74(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit.
 - (b) 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.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
 - (d) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement comply with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

Place : *Thimphu*
Date : *14.03.2014*

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

[Signature]
Sudip K Mukherji
Partner
M. No. 13321



S. N. Mukherji & Co.
Chartered Accountants

ANNEXURE TO THE AUDITOR'S REPORT

STATEMENT ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(REFERRED IN THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 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 31st December 2013 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	2013	2012	Remarks
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.36	1.39	Liquidity position requires improvement.
$\frac{\text{Profit on Net profit after Tax}}{\text{Capital Employed}}$	0.22	0.26	Profitability requires improvement through cost curtailment.
$\frac{\text{Profit on Net profit/(loss) after Tax}}{\text{Total Turnover}}$	0.09	0.11	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

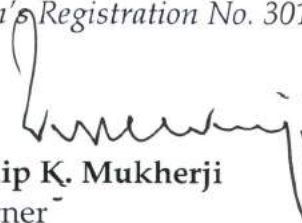
of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation.

Place: Thimphu

Date: 14.03.2014

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 2013

	Schedule	2013 Nu.	2012 Nu.
SOURCES OF FUND			
Share Capital	1	500,000	500,000
Profit & Loss Account		2,193,669	2,081,693
		<u>2,693,669</u>	<u>2,581,693</u>
APPLICATIONS OF FUND			
Fixed Assets (Net Block)	2	9,605	13,775
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	200,000
Current Assets	3	7,420,817	6,442,908
Less: Current Liabilities and Provisions	4	5,436,753	4,574,990
Net Current Assets/(Liabilities)		1,984,064	1,867,918
TOTAL		<u>2,693,669</u>	<u>2,581,693</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)
Partner

General Manager
(F&A)

Chief Executive
Officer

Chairman

Directors

Membership No. 13321

Place : Thimphu

Date : 14.03.2014



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 2013.

	Schedule	2013 Nu.	2012 Nu.
<u>INCOME</u>			
Commission		888,261	519,660
Fees		200,000	645,000
Interest Income		82,574	63,756
Miscellaneous Income		171	50
TOTAL	A	1,171,006	1,228,466
<u>EXPENSES</u>			
Operating Expenses	5	780,196	228,797
Management Expenses	6	85,986	808,507
Depreciation	7	4,170	4,170
Prior Period Expenses		140,689	-
TOTAL	B	1,011,041	1,041,473
Profit/(Loss) before Tax	(A-B)	159,965	186,993
Provision for Tax for Current Year		47,990	56,098
Excess Provision of Prior Period Written Back		-	-
Profit/(Loss) after Tax		111,976	130,895
Balance brought forward		2,081,693	1,950,798
Balance Carried over to Balance Sheet		2,193,669	2,081,693
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.

Chartered Accountants

Firm's registration no. 301079E

(Sudip K. Mukherji)
Partner

General Manager
(F&A)

Chief Executive
Officer

Chairman

Directors

Membership No. 13321

Place : Thimphu

Date : 14.03.2014



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

Cash Flow Statement for the year ended 31st December 2013

	2013 Nu.	2012 Nu.
Net Cash flow from Operating Activities		
Balanced transferred to Reserves & Surplus	2,193,669	2,081,693
Balance Brought Forward	(2,081,693)	(1,950,798)
Depreciation charges	4,170	4,170
(Increase)/Decrease in Other Assets	(240,529)	(91,604)
Increase/(Decrease) in Other Liabilities	861,763	107,185
Increase/(Decrease) in Investment	-	(200,000)
Increase/(Decrease) in cash and cash equivalent	<u>737,380</u>	<u>(49,355)</u>
 Opening Cash and Cash Equivalents - Bank balances	 <u>6,253,327</u>	 <u>6,302,682</u>
Closing Cash and Cash Equivalents - Bank balances	<u>6,990,707</u>	<u>6,253,327</u>
 Increase/(Decrease) in Cash/Bank	 737,380	 (49,355)

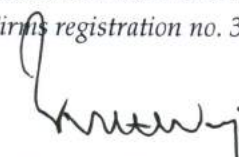
The Schedules referred to above form an integral part of the cash Cash Flow Statement

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

For S.N. Mukherji & Co.

Chartered Accountants



Firm's registration no. 301079E


(Sudip K. Mukherji)
Partner


General Manager
(F&A)


Chief Executive
Officer

On behalf of the Board of Directors

 
Chairman Directors

Membership No. 13321

Place : Thimphu

Date :



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

	2013 Nu.	2012 Nu.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised -		
50,000 Equity Shares on Nu. 1,000/-each	<u>50,000,000</u>	<u>50,000,000</u>
Issued ,Subscribed and paid up		
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)		
SCHEDULE - 2		
FIXED ASSETS - At cost		
Electrical Installation & Computers		
Gross Block - As per last Account	212,042	212,042
Add: For the year	<u>-</u>	<u>-</u>
	212,042	212,042
Less: Depreciation		
As per Last Account	198,267	194,097
Add: For the year	<u>4,170</u>	<u>4,170</u>
	202,437	198,267
Net Block	<u>9,605</u>	<u>13,775</u>
SCHEDULE - 3		
CURRENT ASSETS		
Cash at Bank		
In Current Accounts	5,958,530	5,221,150
Fixed Deposit	<u>1,032,177</u>	<u>1,032,177</u>
	6,990,707	6,253,327
Tax Deducted at Source	-	1,627
GAD Control	-	138,996
Interest Receivable	131,532	48,958
Advance Tax Paid	98,578	-
Brokerage Fee Receivables	<u>200,000</u>	<u>-</u>
	430,110	189,581
Total	<u>7,420,817</u>	<u>6,442,908</u>



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

	2013 Nu.	2012 Nu.
SCHEDULE - 4		
CURRENT LIABILITIES AND PROVISIONS		
A.Current Liabilities		
Client Account	119,440	-
PNB Dividend Payable Account	1,817,412	-
Payable to RICBL	3,318,038	4,286,538
Stale Cheque	133,873	133,873
Management Expenses Outstanding	-	98,481
B.Provision for Income Tax	47,990	56,098
	<u><u>5,436,753</u></u>	<u><u>4,574,990</u></u>

SCHEDULE- 5
OPERATING EXPENSES

Advertisement Expenses	-	27,072
Annual Maintenance Fees	10,063	25,000
Licence Fees/Rates & Taxes	4,080	4,220
Listing Fees	70,000	45,000
Membership Fees	75,000	75,000
Trading Fees	609,053	52,505
Fines & Penalty	12,000	-
	<u><u>780,196</u></u>	<u><u>228,797</u></u>

SCHEDULE- 6
MANAGEMENT EXPENSES

Bank Charges	4,748	250
Bonus	-	45,000
Canteen Expenses	-	2,954
Training Expenses	15,000	702,303
Miscellaneous Expenses	-	12,000
Travelling & Conveyance	10,238	-
Board Sitting Fees	56,000	46,000
	<u><u>85,986</u></u>	<u><u>808,507</u></u>



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

SCHEDULE-7

STATEMENT OF DEPRECIATION FOR THE YEAR ENDED 31ST DECEMBER 2013

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2013 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2013 (Nu.)	Rate of Depreciation	Depreciation during the period (Nu.)	Total Depreciation as on 31.12.2013 (Nu.)	Net Block as on 31.12.2013 (Nu.)	Net Block as on 31.12.2012 (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	18,199.00	9,601.00	13,771.00
				212,042.00	-	212,042.00		4,170.00	202,437.00	9,605.00	13,775.00
		Previous Years		212,042.00	-	212,042.00		4,170.00	198,267.00	13,775.00	



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

STATEMENT OF ASSET AS ON 31ST DECEMBER 2013

Sl. No.	Qty	Particulars	Date of Purchase	Original Cost as on 1.1.2012 (Nu.)	Addition during the year (Nu.)	Original cost as on 31.12.2013 (Nu.)	Rate of Deprecia - tion
1	1	PCAT COMPUTER WITH					
		PRINTER & UPS	01.10.1997	93,852.00	-	93,852.00	15%
2	1	ACER POWER COMPUTER	23.12.1999	76,890.00	-	76,890.00	15%
3	1	ACP UPS	23.12.1999	10,500.00	-	10,500.00	15%
4	1	STABILISER	03.09.2002	3,000.00	-	3,000.00	15%
5	1	DELL COMPUTER	20.08.2009	27,800.00	-	27,800.00	15%
				212,042.00	-	212,042.00	



RICB SECURITIES LIMITED

(A Wholly Owned Subsidiary of RICBL)

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2013

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. 715,953/- (previous year Nu. 311,534/-) 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. 2,236,383/- (Previous year Nu. 1,942,883/-) 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 2013 amounting to Nu. 0.04 million (Previous Year Nu. 0.05 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 Figures of the previous year have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 9


General Manager
(F&A)
Place: Thimphu
Date: 14.03.2014


Chief Executive Officer


Chairman


Directors



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

-Albert Einstein



**INSURE WITH RICB
TO BE SURE**

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Toll Free No: 181(Thimphu)/ 151(P/ling)

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Website: www.ricb.com.bt