



Royal Insurance Corporation of Bhutan Limited  
ANNUAL REPORT  
2014



of Service to the Nation  
Insure with RICB to be sure

[www.ricb.com.bt](http://www.ricb.com.bt)



VISION

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





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



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



**R I C B**

# RICB

## HEALTH INSURANCE

Toll Free No.:  
**151 & 181**

Customer Care:  
**+975 5 255555**



Insure to be sure







# General Information

## HEAD OFFICE THIMPHU

**Post Box: 315**

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

**Fax No.:** 02-323677, 336086, 336085, 325725

**Toll Free No: 181**

**E-mail:** [contactus@ricb.com.bt](mailto:contactus@ricb.com.bt)

**Website:** [www.ricb.com.bt](http://www.ricb.com.bt)

## 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
SAMDRUP 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

## BANKS

### 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

### T. R. CHADHA & CO.

CHARTERED ACCOUNTANTS  
359. Ground Floor, Udyog Vihar,  
Phase-II, Gurgaon- 122016 (Hr)

### AXIS Bank

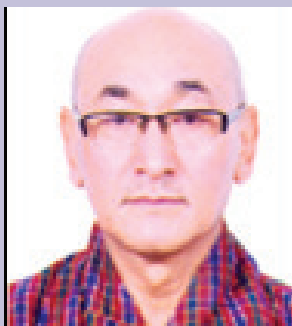
INDIA

# BOARD OF DIRECTORS



**(CHAIRMAN)**

Dasho Topgyal Dorji  
Managing Director  
Bhutan Ferro Alloys Ltd.



**(DIRECTOR)**

Dasho Thinley Dorji  
Royal Privy Council Member  
Thimphu



**(DIRECTOR)**

Mr. Tshenchok Thinley  
Managing Director  
Tashi Tours & Treks



**(DIRECTOR)**

Mr. Phub Dorji  
Proprietor  
Utpal Academy, Paro



**(DIRECTOR)**

Mr. Chencho T. Namgay  
Associate Director  
Druk Holding & Investments



**(DIRECTOR)**

Ms. Tshering Lham  
Assistant Manager  
Investment Department  
National Pension & Provident Fund



**(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

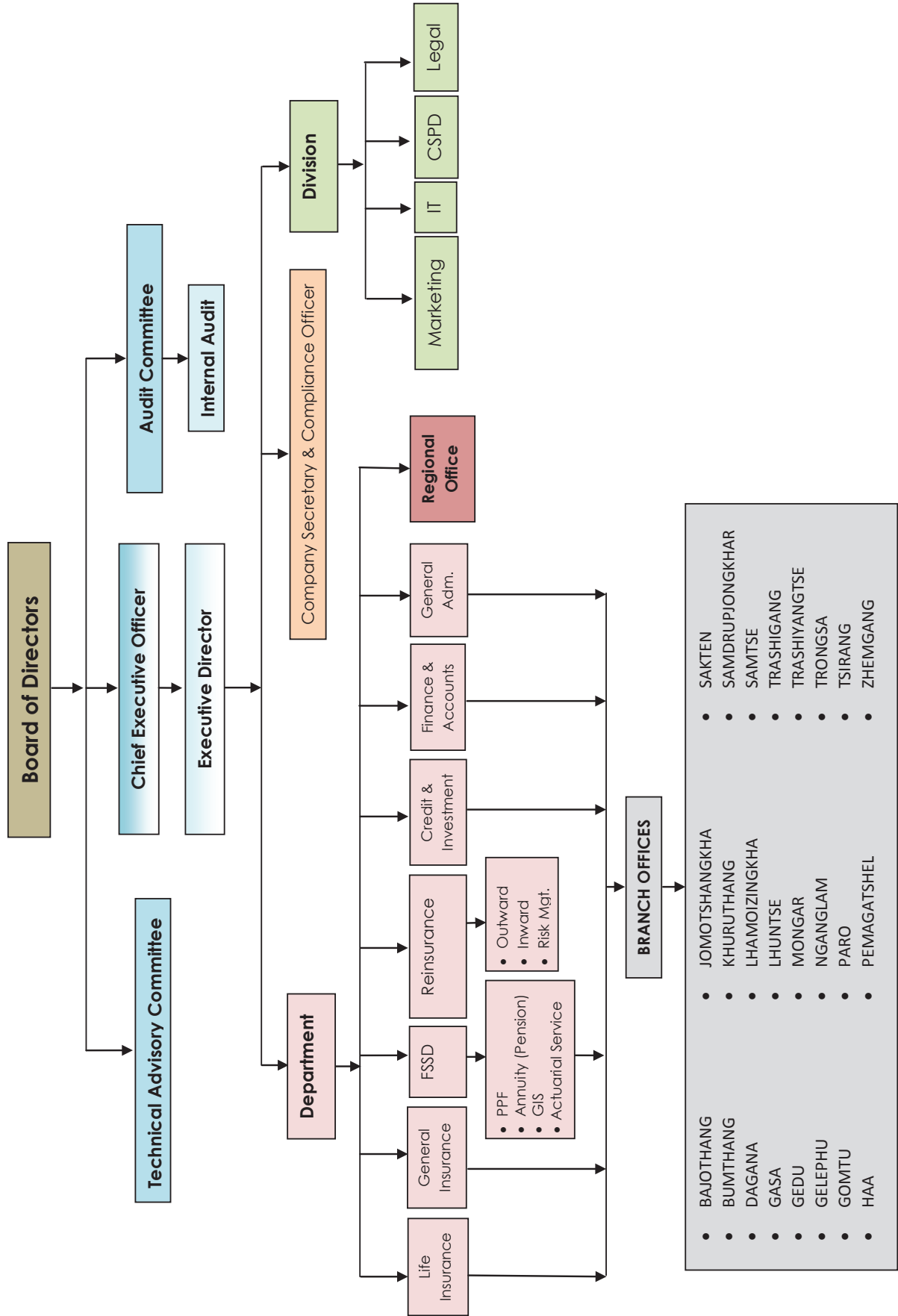


**GENERAL MANAGER**  
FSSD  
Mr. Ugyen Tshewang



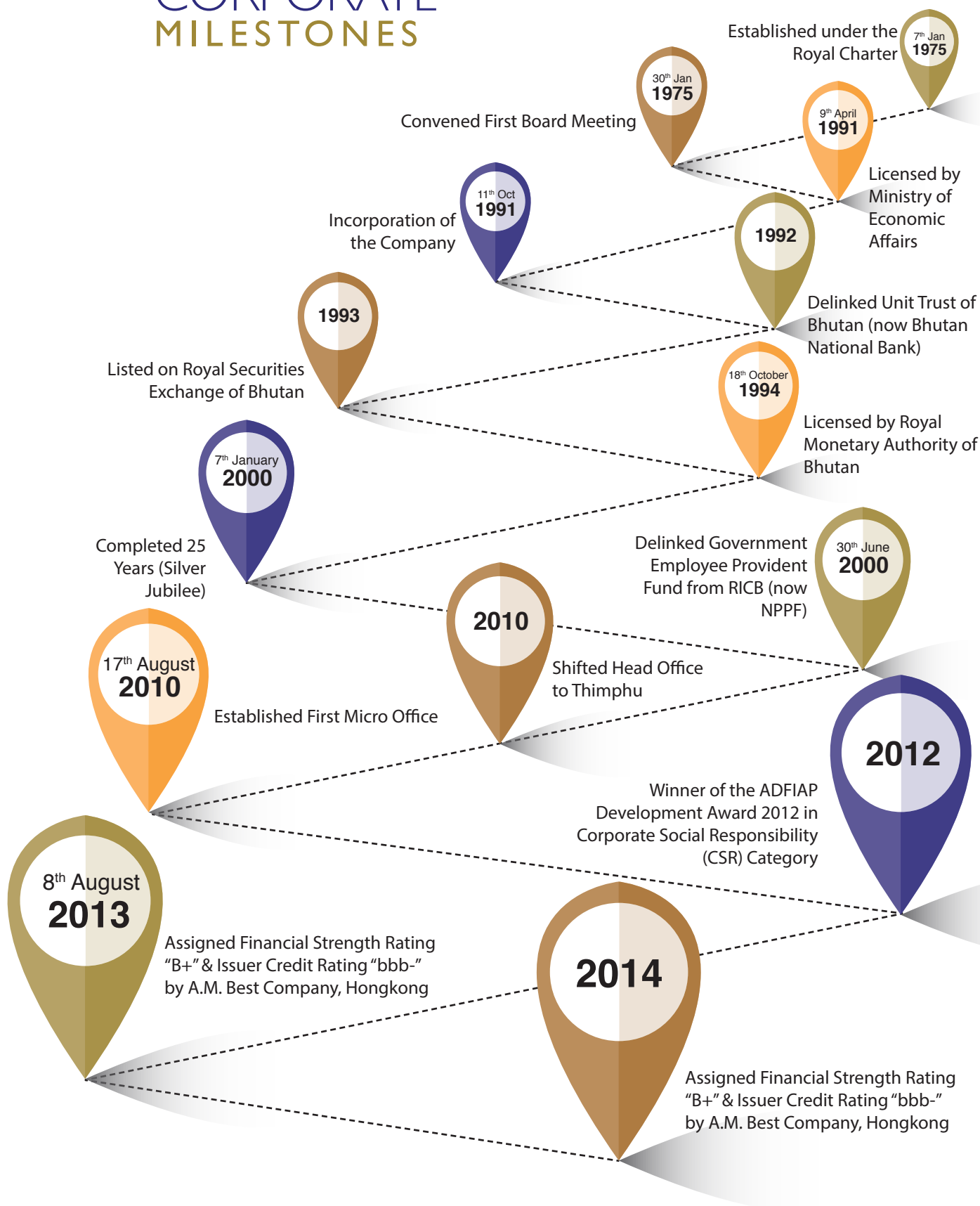
**GENERAL MANAGER**  
REGIONAL OFFICE  
Mr. Kinga Thinley

# Organogram for Royal Insurance Corporation of Bhutan Limited





# CORPORATE MILESTONES







## Content

Vision, Mission and Core Value .....	2
General Information .....	7
Board of Directors .....	8
Management Team .....	9
Organogram .....	10
Corporate Milestone .....	11
Company Profile .....	13
Products .....	14
Shareholding Pattern .....	15
RICBL-Global Network and Partnership .....	16
Company Performance .....	17
Directors' Report .....	19
Auditors' Report .....	26
Income Statement .....	39
Statement of Comprehensive Income .....	40
Statement of Financial Position .....	41
Statement of Change in Equity .....	42
Cash flow & Reconciliation Statement .....	43
Notes to the Financial Statements .....	44





RICBL Head Office, Thimphu

## Company Profile

The Royal Insurance Corporation of Bhutan Limited (RICB) is the second oldest financial institution established on 7<sup>th</sup> January, 1975 under the Royal Charter of His Majesty the Fourth King Jigme Singye Wangchuck. 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 11<sup>th</sup> October 1991. The company was listed on the securities exchange in the year 1993 subsequent upon the founding of the Royal Securities Exchange of Bhutan in the same year.

With the growth and expansion of the company, both authorized capital and paid up capital of the company were enhanced to BTN. 1000 million and BTN. 240 million respectively on December 31, 2012. The Government disinvested part of its equity to the public towards promoting private sector growth. Today 61% of the company is owned by public and private organizations, 18% by Druk Holding and Investments (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. Credit and Investment
4. Group Insurance cum Savings Scheme
5. Reinsurance
6. Private Provident Fund
7. Annuity (Pension)
8. RICB Securities Limited (Fully owned Subsidiary)

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

# Products

Today the RICB has more than 20 non-life policies; 16 life policies and more than 11 types of loans besides managing the Annuity & Private Provident Fund for private companies and agencies, and Group Insurance Scheme of the entire government employees and armed forces along with other private agencies.

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

## Life Insurance

1. Limited Payment Life Policy (I,II,III)
2. Endowment (major age)
3. Endowment (minor) (YEAPP)
4. Money Back Plan
5. Double Cover Endowment
6. Money Back Plan (New Version)
7. Ashi Nangsey Living Plan (AN- LIV)
8. Ashi Nangsey Living Plan (AN- NV)
9. Millennium Education Scheme (I, II & III)
10. Children's Money Back Policy
11. Silver Jubilee Term Insurance
12. Silver Jubilee Term Insurance
13. Joint Life Policy (PHO-MO)
14. Gaki Pelzom Life Policy
15. Quendue Ngensung Life Policy
16. Ten-Tsai Mangyul Ngenchoel
17. Drongseb Kuendrul Tshe-sog Ngensung
18. Group Term Insurance
19. Ten-Tsai Mangyul Ngenchoel II
20. ONLP II

## General Insurance

1. Fire Insurance
2. Storage cum Erection All Risk Insurance
3. Contractor's All Risk Insurance
4. Contractor's Plant and Machinery Insurance
5. Marine/Transit Insurance
6. Motor Insurance
7. Group /Personal Accident Insurance
8. Cash In-transit Insurance
9. Cash In-safe Insurance
10. Burglary Insurance
11. Fidelity Guarantee Insurance
12. Aviation Insurance
13. Cattle Insurance
14. Rural House Insurance Scheme
15. House Holder's Insurance
16. Trekking Insurance (for foreigners and Bhutanese tour guides)
17. Overseas Travel Insurance
18. Shopkeeper's Insurance
19. Industrial Insurance Policy

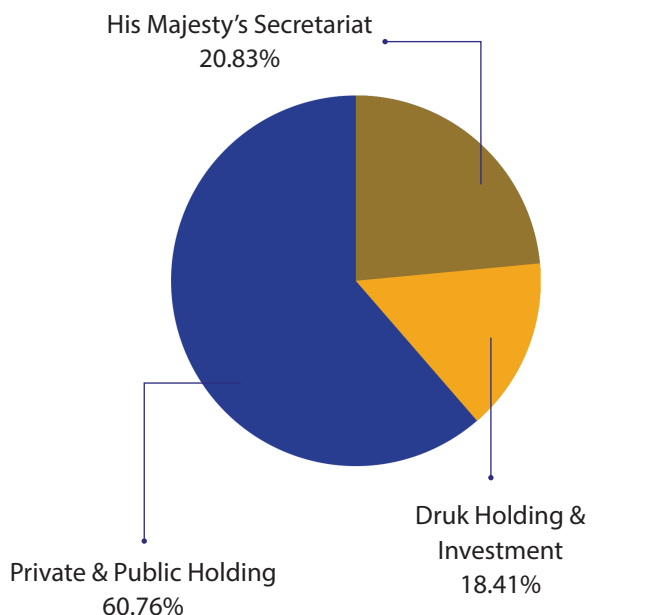
20. Health Insurance Scheme
21. Hydropower Insurance Policy
22. Dratsang Sowai Ngenchoel Thuenken
23. Travel Insurance (Internal)
24. Flight coupon insurance (in flight)
25. Professional Indemnity Policy
26. Directors and Officers Insurance
27. Dhe-yob Ngen-sung Lay-char
28. Hoteliers and Restaurants insurance policy

## 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

## SHAREHOLDING PATTERN

His Majesty's Secretariat	20.83%
Druk Holding & Investment	18.41%
Private & Public Holding	60.76%



The RICB has been achieving consistent growth over the years delivering both underwriting and investment profits. Over the years, the RICB has established its track record as a premier financial service provider, consistently meeting its commitments in terms of financial services and insurance needs of each and every individual. The RICB has been awarded Financial Strength Rating of "B+" and Issuer Credit Rating "bbb -" by the A.M. Best Company. These ratings reflect the RICB'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 the RICB besides maximizing its Shareholders' value. The company has played a vital role in maintaining its 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 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, the RICB covers length and breadth of the nation. In order to reach the remote areas of the country and provide value added services to the customers, the RICB has embraced cutting edge technology and deployed a State-of-the-Art technology such as connecting all the business centers throughout the country; an On-line Interactive Website with Database Connectivity, SMS Push and Pull technology and a 24 x 7 Toll free service.

The quality of a Corporation's resources is the single most important factor determining a company's competitiveness. It is attributed by the employees' innovation, entrepreneurship, teamwork and their work ethics that gives the company its sharp cutting edge competitiveness. The RICB intends to transform itself into a knowledge based company and strives to nurture talents at present. Towards this end the RICB has implemented Performance Management System which monitors performance of each and every employee at the company.

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

# RICB- Global Network and Partnership

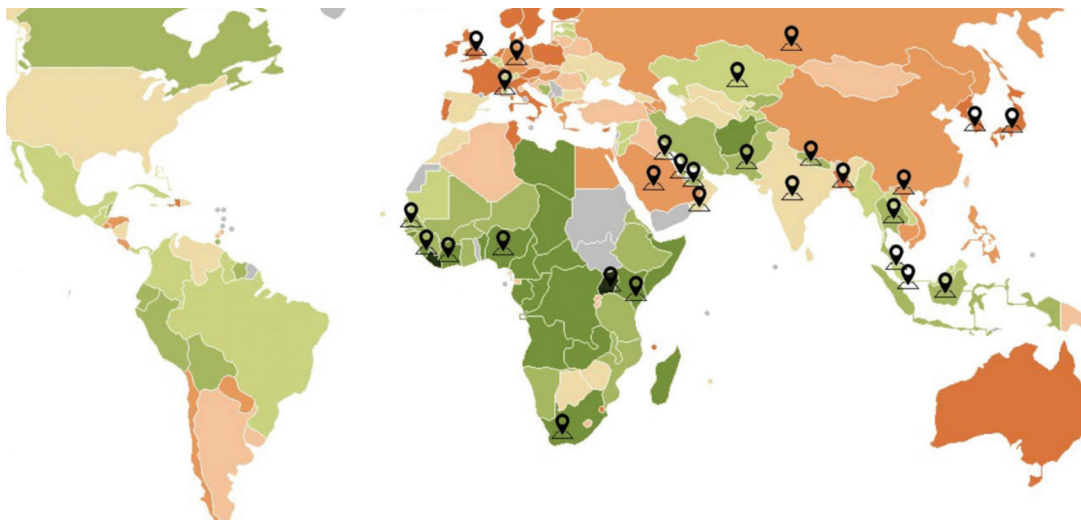
RICB has a Reinsurance arrangement with the following Partners and Brokers;

## 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:

- ACE Insurance Brokers Private Limited, India
- Alliance Insurance Brokers Private Limited, India
- "Alsford Page & Gems Limited, International Insurance and Reinsurance Brokers, London
- Aon Global Insurance Brokers Private Limited, India
- Aspire Insurance Brokers Pvt. Ltd, India
- Bharat Re-Insurance Brokers Private Limited, India
- Challenge Group Brokers Limited, Malaysia
- India Insure Risk Management & Insurance Broking Services Private Limited, India
- Interlink Insurance and Reinsurance Brokers Private Limited, India
- J.B. Boda Reinsurance Brokers Private Limited, India
- K.M.Dastur Reinsurance Brokers Private Limited, India
- Kubera Insurance Brokers Private Limited, Bhutan
- Marsh India Insurance Brokers Private Limited, India
- Pioneer Insurance & Reinsurance Brokers Pvt. Ltd., India
- Protection Insurance Services W.L.L., Bahrain
- Prudent Insurance Brokers Pvt. Ltd, India
- Risk Care Insurance Broking services Private Limited, India
- TransAsia Composite Insurance Broking Limited, India
- Trinity Reinsurance Brokers Limited, India
- UIB Insurance Brokers (India) Private Limited, India
- Unison Insurance Broking Services Private Limited, India
- Worldwide Insurance Brokers Ltd, India
- Xperitus Insurance Brokers Private Limited, India
- Zeal Direct & Reinsurance Broking Services Private Limited, India



# Company Performance

## 5 years at glance

Figures in Million (BTN)

	2013	2012	2011	2010	2009
<b>SHARE CAPITAL &amp; RESERVES</b>					
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
<b>ASSETS</b>					
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
<b>PROFITABILITY</b>					
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
<b>RATIOS</b>					
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%
<b>LIFE INSURANCE</b>					
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%
<b>GROUP INSURANCE</b>					
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%
<b>GENERAL INSURANCE</b>					
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
<b>CREDIT &amp; INVESTMENT</b>					
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



RICB

## DHE-YOB NGEN-SUNG LAY-CHAR

An Insurance Policy for Professional Drivers

[www.ricb.com.bt](http://www.ricb.com.bt)

A new insurance policy for drivers covering Death, Personal Accident with an optional coverage for Health Insurance.

The Policy has 2 OPTIONS;

- Standard Dhe-yob Ngensung Lay-char – Covering Death, Total Permanent Disablement & Temporary Partial Disablement - (Option I)
- Premium Dhe-yob Ngen-sung Lay-char – Covering Standard + Personal Accident & Health Insurance coverage - (Option II)

### Standard Dhe-yob (Option I):

Age /S.A	100,000	200,000	300,000	400,000	500,000
18-20	588	1,176	1,764	2,352	2,940
21-30	603	1,206	1,809	2,412	3,015
31-40	642	1,284	1,926	2,568	3,210
41-50	833	1,666	2,499	3,332	4,165
51-60	1,365	2,730	4,095	5,460	6,825

### Premium Dhe-yob (Option II)

(Inclusive of health Cover of S.A- Nu. 100,000/-)

Age /S.A	100,000	200,000	300,000	400,000	500,000
18-20	4,363	4,951	5,539	6,127	6,715
21-30	4,378	4,981	5,584	6,187	6,790
31-40	4,417	5,059	5,701	6,343	6,985
41-50	4,608	5,441	6,274	7,107	7,940
51-60	5,140	6,505	7,870	9,235	10,600

### Who can buy this policy?

- ✓ Taxi Drivers
- ✓ Machine operators (Earth Moving Equipments)
- ✓ Bus, Truck (heavy & medium) Drivers
- ✓ Government Vehicle Drivers
- ✓ Drivers employed by Foreign Diplomats, Corporate Bodies and Private Entities
- ✓ Other drivers whose source of income/livelihood is only through driving

Toll Free #: - 181 or 151, email: - [contactus@ricb.com.bt](mailto:contactus@ricb.com.bt)

“Insure with RICB to be SURE”



## ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

### Directors' Report for the Year 2014

#### To the Members:

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 40<sup>th</sup> Annual Report together with the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> December 2014.

#### **Operational & Performance Highlights<sup>1</sup>**

Financial Year 2014 was yet another difficult year for all financial institutions in the country because of the limited availability of funds in the market. The government injected over Nu.2 Billion in the form of Economic Stimulus Plan Fund to boost the economy. The RICB received Nu.250 Million from the government under the ESP Fund as subordinated debts. The RICB has made a Profit before Tax of Nu.565.12 million (Nu.570.38 Million) compared to Nu.521.66 million (Nu. 537.90 million) in the previous year. The total gross business posted to Nu.2,687.49 Million (Previous year Nu.2,130.36 Million) with the growth of 26.15%. Investment business as always, continues to contribute substantially to the overall performance of the company. The gross interest earned for the year including the interest from fixed deposits posted at Nu.1,111.06 Million and the net interest earned after suspending the interest in line with the RMA prudential regulation 2002 posted to Nu.982.87 Million. In addition to the contribution of Investment business, another major chunk of the contribution of Nu.760.17 Million was from the General Insurance business, and the remaining contribution of Nu.816.26 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 a 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 funds in the market and fiscal measures taken up by the government, which impacted the Motor and Property Insurance business. However, the net premium after affecting the re-insurance premiums is posted at Nu.277.05 Million.

<sup>1</sup> The figures outside the brackets are those of audited financial statements based on GAAP, and the figures within the brackets are those of audited financial statements based on IFRS.

Correspondingly, the net claims after considering reinsurance recoveries are posted at Nu.158.56 Million. The overall net claim ratio during the Financial Year 2014 stands at 57.23% compared to 65.66% in the previous year.

The net revenue from the General Insurance underwriting is posted at Nu.240.04 Million compared to Nu.222.08 Million during the last Financial Year, which is transferred to the Profit and Loss Account of the Corporation.

**Business Income for the Period ending at 31.12.2014**

	<b><u>Figures in</u></b> <b><u>(Nu. Million)</u></b>	<b><u>Premium</u></b>			<b><u>Claims</u></b>		
	<b>Particulars</b>	<b><u>Gross</u></b> <b><u>Premium</u></b>	<b>Reins.</b>	<b>Net Premium</b>	<b>Gross</b> <b>Claim</b>	<b>Reins.</b>	<b>Net</b> <b>Claim</b>
	Fire	348.94	266.60	82.34	39.23	23.86	15.34
	Miscellaneous	400.13	210.26	189.87	420.27	154.39	143.49
	Marine	11.10	6.26	4.84	6.08	0.54	0.28
<b>A</b>	<b>General Insurance</b>	<b>760.17</b>	<b>483.12</b>	<b>277.05</b>	<b>337.41</b>	<b>178.85</b>	<b>158.56</b>
<b>B</b>	<b>Life Insurance</b>	579.63	0.019	579.61	93.02	-	93.02
<b>C</b>	<b>GIS &amp; GISL</b>	53.75	-	53.75	28.10	-	28.10
<b>D</b>	<b>Reinsurance</b>	136.79	43.71	93.08	25.56	-	25.56
<b>E</b>	<b>Annuity</b>	0.21		0.21	-	-	-
	<b>Total =</b> <b>(A+B+C+D+E)</b>	<b>1,530.43</b>	<b>526.85</b>	<b>1,003.72</b>	<b>484.09</b>	<b>178.85</b>	<b>305.24</b>
<b>F</b>	<b>Investment</b>	<b>Gross</b> <b>Interest</b> <b>Earned</b>	<b>Interest</b> <b>Suspense</b>	<b>Net -Interest</b> <b>Earned</b>	<b>Interest</b> <b>Expense</b>	<b>Interest</b> <b>Diff.</b>	<b>Provs.</b>
		1111.06	35.43	1110.28	675.56	434.72	61.79
<b>G</b>	<b>Others</b>	46.00					
	<b><u>(A+B+C+D+E+F+G)</u></b>	<b><u>Total Business</u></b>		<b>2,687.49</b>			

**Financial Performance for the year 2014**

Particulars	2014 (Nu. Million)	2013 (Nu. Million)	Variance '14 & '13 %
<b><u>Income</u></b>			
General Insurance	240.04	222.08	8.09
Investment (Net)	374.28	324.08	15.49
Life (Surplus)	-	4.91	-
Reinsurance	19.29	4.37	341.42
Private Provident Fund	(6.66)	(1.87)	(111.60)
Other	8.94	8.60	3.95
<b>Total: ( I )</b>	<b>635.89</b>	<b>562.17</b>	<b>14.09</b>
<b><u>Expenses</u></b>			
Depreciation	17.34	16.27	6.58
Contribution to Gratuity Fund	3.5	3.50	-
Other Expenses	49.93	20.74	140.74
<b>Total: ( II )</b>	<b>70.77</b>	<b>40.51</b>	<b>74.70</b>
<b>Profit Before Tax ( I ) – ( II )</b>	<b>565.12</b>	<b>521.66</b>	<b>9.38</b>
<b>Profit After Tax</b>	<b>395.58</b>	<b>365.16</b>	<b>9.38</b>
<b>Earnings Per Share</b>	<b>8.24</b>	<b>152.15</b>	<b>9.10</b>
<b>Book Value Per Share</b>	<b>42.48</b>	<b>740.23</b>	<b>14.99</b>
<b>Net-worth of the Company</b>	<b>2,039.01</b>	<b>1,764.56</b>	<b>15.77</b>
<b>Return on Core Equity (%)</b>	<b>82.41</b>	<b>152.15</b>	<b>9.38</b>

Despite limited availability of funds in the market, it is significant to note that the Investment Department continues to contribute substantially to the net revenue of the corporation with Nu.374.28 Million followed by the General Insurance Department with Nu. 240.04 Million, the remaining contribution is from other miscellaneous sources.

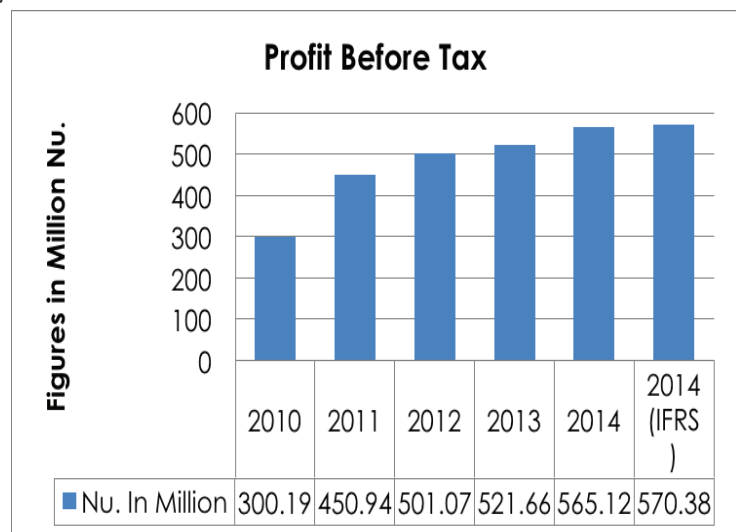
The earnings per share of the Company during the year have posted to Nu.8.24 vis-à-vis Nu.152.15 in the last Financial Year. The reduction in the EPS is due to increase in the paid up capital of the company through the issue of bonus shares at 1:1 and mainly due to splitting of the face value of shares from Nu.100 per share to Nu.10 per share by the Royal Securities Exchange of Bhutan. The net worth of the company as on 31.12.2014 is posted at Nu.2,039.01 Million compared to Nu.1,776.56 Million in the

last Financial Year and the book value per share translate to Nu.42.48 considering the bonus issue and the splitting of face value to Nu.10 per share compared to Nu.627.94 during the last Financial Year. The return to core equity posted to 82.41% (due to bonus issue of shares) compared to 152.15% during the last Financial Year.

Based on the profitability and considering the fund position, the Board has recommended a dividend to the Shareholders at 35% of the face value of share (Nu.3.5 per share at a face value of Nu.10 per share) vis-à-vis 45% (Nu.45 per share at a face value of Nu.100 per share) in the previous year.

Performance Highlights (Gross Profit) from 2010 - 2014

Year	Nu. in Million	%
2010	300.19	14.90%
2011	450.94	50.22%
2012	501.07	11.12%
2013	521.66	4.11%
2014	565.12	8.33%
2014 (IFRS)	570.38	6.04%



The company continues to perform consistently y-o-y with the average growth of profit (before tax) at 17.74 % in the last five years.

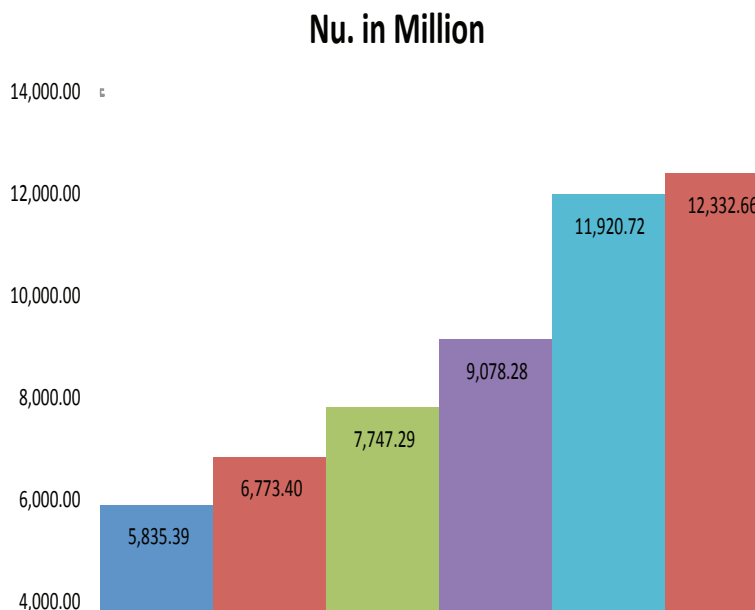
### **Financial Position of the Company**

The total asset of the company has increased by 31.50% (28.70%) to Nu.11.94 Billion (Nu.12.33 Billion) during the year compared to Nu.9.08 Billion in the previous Financial Year. The RICB's net worth is posted to Nu.2.04 Billion (Nu.9.58 Billion), an increase by about 20% from the previous year of Nu.1.76 Billion (Nu.2.78 Billion).

The net fund balance has increased to Nu.6.83 Billion (Nu.4.24 Billion) from Nu.5.76 Billion (Nu.3.71 Billion) in the previous year. The Corporation is expected to contribute about Nu.169.54 Million, to the national exchequer in the form of Corporate Income Tax during Financial Year 2014.

**Growth in Balance sheet size**

Year	Nu. in Million	%
2010	5,835.39	63.57%
2011	6,773.40	16.07%
2012	7,747.29	14.38%
2013	9,078.28	17.18%
2014	11,920.72	31.31%
2014 (IFRS)	12,332.66	28.70%

**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
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%
2014	91.30%	25.07%	3.37%

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to Financial Year 2011.

Statutory Auditors

T.R. Chadha & Co. Chartered Accountants was appointed as the Statutory Auditors of the RICB for the Financial Year 2014.

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

The Management continues to explore opportunities in the market both within and outside the country. This includes developing and redesigning insurance products based on customer need analysis and launched two insurance products in 2014, namely *Professional Drivers' risk policy* and *Money Back Policy for children*.

The Management continues to strengthen the network and outreach in the country through up-gradation of branch offices or extension of existing offices in prospective places. Gelephu and Samdrup Jongkhar are two branch offices already identified to be upgraded to Regional Offices. The RICB has also recruited 450 more sales executives in the year 2014, which takes the total sales executives in 2014 up to a number of 1020.

The Management has accorded unwavering support in strengthening the Human Resource Development through professional and other relevant trainings. Till now, a sum of Nu.35 Million was spent during the year on the development of Human Resource of the corporation.

In order to realize the vision of the RICB to take their services beyond domestic market, the RICB has initiated inward businesses in a form of Re-insurance. Since then the Reinsurance Department has expanded its network globally. As of 2014, the RICB has business dealings with over sixty companies across twenty countries as compared to forty companies in 2013 with the gross business over Nu.135 Million. One of the important initiatives taken by the Management was getting the company rated in the Financial Year 2013 by one of the renowned rating agencies, **A.M Best** that assigned the RICB's Credit Rating as **BBB-** and a financial strength rating as **B+**. The rating had tremendous impact on the reinsurance business to RICB and in 2014, the RICB retained the same ratings which assisted the reinsurance department to explore and procure good business.

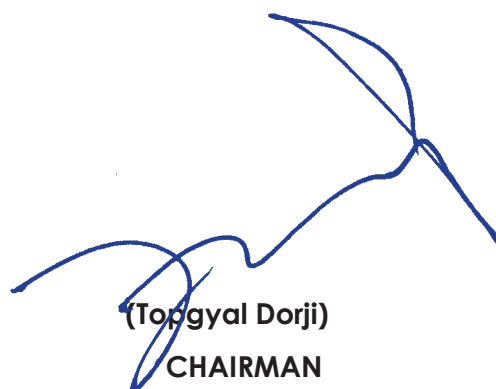
## Acknowledgement

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 results 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 the 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**



(Toggyal Dorji)  
CHAIRMAN



**T.R. Chadha & Co.**  
**Chartered Accountants**

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED, THIMPHU,  
BHUTAN

### Report on the Financial Statements

We have audited the accompanying Consolidated and Standalone financial statements of **Royal Insurance Corporation of Bhutan Limited** ('Corporation'), which comprise of the Statement of Financial Position as at 31<sup>st</sup> December, 2014, the Income Statement and the Cash Flow & Reconciliation Statement for the year ended on that date and a summary of the Significant Accounting Policies and other explanatory information which we have signed under reference to this report. The accounts/returns of un-audited twenty five Branches not visited by us have also been incorporated in the Financial Statements.

### Management's Responsibility for the Financial Statements

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 International Financial Reporting Standards (IFRS) 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.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Financial Reporting Standards (IFRS). 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.

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 judgment, 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

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## **T.R. Chadha & Co. Chartered Accountants**

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. 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.

### **Unqualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the International Financial Reporting Standards (IFRS) and provisions of the Companies Act of the Kingdom of Bhutan, 2000:

- i) In the case of Consolidated and Standalone Statement of Financial Position, of the state of affairs of the Corporation as at 31<sup>st</sup> December 2014;
- ii) In case of Consolidated and Standalone Income Statement, of the Profit of the Corporation for the year ended on that date and;
- iii) In the case of Consolidated and Standalone Cash Flow and Reconciliation Statement, of the movement of cash flows of the Corporation for the year ended on that date.
- iv) The financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS).

### **Report on Other Legal and Regulatory Requirements**

1. 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.
2. 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 Consolidated and Standalone Statement of Financial Position, Income Statement and Cash Flow & Reconciliation Statement dealt with in this report have been prepared in accordance with International Financial Reporting Standards and are in agreement with the books of account.



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(d) In our opinion the Consolidated and Standalone Statement of Financial Position, Income Statement and Cash Flow & Reconciliation Statement comply with the International Financial Reporting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

For T. R. Chadha & Co.  
Firm Registration Number: 006711N  
Chartered Accountants



(Aashish Gupta)  
Partner  
Membership No. 97343

Place: Delhi  
Date: 20/5/15



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**Annexure to Auditors' Report**

**[(Referred to in Paragraph 1 under the Heading of "Report on Other Legal and Regulatory Requirements" of our Report of even date to the Members of Royal Insurance Corporation of Bhutan Limited on the financial statements for the year ended 31<sup>st</sup> December' 2014)]**

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets except the identification numbers and locational details are in the process of updation.  
(b) Physical verification of Fixed Assets have been partially carried out during the year.  
(c) Pending reconciliation between the book records and physical verification, discrepancies, if any, which may arise are not ascertainable at this stage, hence, the impact of the same on financial statement cannot be ascertained.
2. Fixed assets are carried at revalued amounts.
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.





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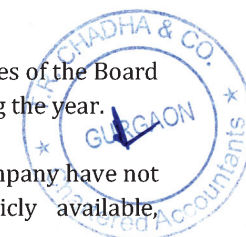
6. The Corporation has in general, an established system of internal control to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Corporation as well as to ensure adherence to the rules/regulations and system and procedures. However, 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.
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 in insurance business and financial services, 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) 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 are not maintained.
10. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authorities.
11. According to the information and explanations provided to us, as on the last day of the financial year, there were no disputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions.
12. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss account other than those payable under contractual obligations/service rules and/or in accordance with generally accepted business practice.
13. As per the information and explanation provided to us, In our opinion, the credit sales policy of the Company is reasonable and proper credit rating is carried out for its customers.

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14. 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.
15. 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.
16. On the basis of examination of the books of account and according to the information and explanations provided to us, the management of liquid resources particularly cash / bank and short term deposits, etc., are prima-facie appears to be 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.
17. 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.
18. 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, the activities / investments are made, subject to prior approval of the Board and investments in new projects are generally made only after ascertaining the technical and economic feasibility of such new ventures.
19. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.
20. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Company, directly or indirectly, are disclosed. The details of remuneration of the directors of the Corporation are disclosed in the Note 24.3.5.
21. In our opinion and on the basis of examination of books and records, the directives of the Board have generally been complied with, by the management of the Corporation during the year.
22. According to the information and explanations given to us, the officials of the company have not transmitted any price sensitive information, which are not made publicly available.





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- unauthorizedly to their relatives / friends / associates or close persons which directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
23. In our opinion and on the basis of examination of books and records, adequate documents and records are generally maintained in respect of loans and advances and those agreements have been drawn up and timely entries have been made therein.
  24. In our opinion and on the basis of examination of books and records, proper records of the transactions have been maintained by the Corporation which have been timely updated for investments made in equity shares of the companies, both quoted and unquoted.
  25. In our opinion and on the basis of examination of books and records, reasonable records are generally maintained for funds collected from depositors and for interest payment.
  26. In our opinion and on the basis of examination of books and records, the Corporation follows the accounting policy of making provisions for diminution, other than temporary, if any, in the value of investment in shares.
  27. In our opinion and on the basis of examination of books and records, 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 none of the members of the Audit Committee and the Risk Management Committee is an independent director.
  28. On the basis of examination of books and records, Recognition of interest income in respect of non-performing assets has been deferred as per the provision of IFRS and not in accordance with the Royal Monetary Authority of Bhutan's Prudential Regulations, 2002.
  29. According to information and explanation provided to us, 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.
  30. According to the information and explanations given to us, 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.
  31. According to the information and explanations given to us, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.



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32. 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 management to us, rephasing has generally not been permitted in respect of non-performing loans.
33. On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, 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.
34. According to the information and explanations given to us, the Corporation maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.
35. In our opinion and based on the examination of books and records, proper records are kept for inter unit transactions/ services and arrangement for services made with other agencies engaged in similar activities.
36. According to explanation and information provided to us, the corporation has not acquired any machinery/equipment on lease or leased out to others.
37. Other matters specified in the Minimum Audit and Reporting Requirements are for Manufacturing, Mining, or Processing Companies, are not applicable, as the Corporation is engaged in business of insurance and also operating as 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.

**Reporting requirements on computerized accounting environment**

38. 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.
39. According to information and explanations provided to us, back-up is taken at local stand-by servers and other copy is being taken by database administrator to his home. The back-up, restoration process and other safeguard measures are not appears to be adequate. The management should review the backup facilities and disaster recovery measures and ensures that files are kept in different and remote locations immediately.
40. 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.



**T.R. Chadha & Co.**  
**Chartered Accountants**

41. 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.

We suggest that an independent audit/review of IT environment/compliances of the company to be carried out.

**General:**

**1. Going concern problems**

On the basis of the attached Financial Statements as at 31st December, 2014 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

**2. Ratio Analysis**

Financial and Operational Results of the Company has been given in Exhibits-A to this report.

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

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of the Companies Act of the Kingdom of Bhutan, 2000. Details are given in Exhibit- B to this report.

**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. 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 2014.

For T. R. Chadha & Co.

Firm Registration Number: 006711N

Chartered Accountants



*(Signature)*

(Aashish Gupta)

Partner

Membership No. 97343

Place: *Delhi*  
Date: *20/11/15*

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REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000) FOR THE YEAR ENDED 31ST DECEMBER, 2014 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

#### STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		2014	2013
<b>A</b>	<b>STABILITY RATIOS:</b>			
1	Capital Adequacy Ratio	(%)	18.99	16.87
2	Solvency Ratio (General Insurance)	(%)	7.48	5.76
3	Net Worth to Total Liabilities	(%)	22.57	24.86
4	Equity Investments to (Net Worth + Insurance Fund)	(%)	5.40	5.86
<b>B</b>	<b>PROFITABILITY RATIOS:</b>			
1	Operating Income to Net worth -Net	(%)	20.49	22.58
2	Operating Income to Total Assets	(%)	4.62	5.61
3	Net Profit (After Tax) to Net Worth	(%)	14.42	16.10
4	Net Profit (After Tax) to Total Assets	(%)	3.25	4.00
5	Return on Core Equity (Profit After Tax)	(%)	83.60	159.83
<b>C</b>	<b>STRUCTURAL RATIOS :</b>			
1	Debt/Core Equity Ratio		8.85	15.44
2	Long Term Debt to Net Worth		1.53	1.56
3	Net Fixed Assets to Long Term Debt		0.20	0.23
4	Net Fixed Assets to Net Worth		0.30	0.36

Financial Data		2014	2013
Face Value of share	(Nu.)	10.00	100.00
Earning per Share	(Nu.)	8.36	159.83
Book Value per Share	(Nu.)	57.99	992.58
Market price per Share	(Nu.)	57.00	700.00
Dividend per share	(Nu.)	2.50	45.00
No. of Shareholders		1,530	1,530
Shareholding pattern: No of shares		48,000,000	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



T.R.Chadha & Co.

Chartered Accountants

Compliance Checklist : (Extracts from the Companies Act of the Kingdom of Bhutan 2000) Exhibit- B

SL	SECTIONS	Yes	No.	N.A	Remarks
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**P-II: INCORPORATION OF COMPANY & MATTERS INCIDENTAL THERETO**

1	7 Alteration of Articles			N.A	
2	8 Changes of name			N.A	
3	9 Increase or consolidation of Share capital			N.A	
4	10 Reduction of Share Capital			N.A	

**P-VII: MANAGEMENT & ADMINISTRATION**

5	54 Registered Office of Company	Yes			
6	55 Publication of name by Company		No		The company does not have common seal
7	56 Financial year of Companies	Yes			
8	57 Annual return	Yes			
9	58 Annual General Meeting	Yes			
10	59 Extraordinary General Meeting			N.A	
11	60 Notice for calling General Meeting		No		Notice was not sent to all Shareholders and Auditors, however the same was published in the national newspaper.
12	61 Chairman of meeting		No		The Chairman is not being appointed in every Board Meeting
13	63 Representation of corporation of meeting		No		The Company doesnot buy resolution of shareholder's (body corporate) Board of directors of authorizing a person to act as representative at its meetings.
14	64 Ordinary and special resolutions	Yes			
15	65 Minutes of general meetings and of Board		No		The signed copy of Minutes of the meeting of Annual General Meeting held during 2014 is not available. Further , name pf directors dissenting from or not concurring in resolution is not recorded in Minutes of Board Meeting. it was informed that all resolutions were unanimously passed but the fact was not recorded in Minutes of the meeting.



*T.R.Chadha & Co.*  
Chartered Accountants

Compliance Checklist : (Extracts from the Companies Act of the Kingdom of Bhutan 2000) Exhibit- B

SL	SECTIONS	Yes	No.	N.A	Remarks
16	66 Declaration & payment of dividend	Yes			
17	67 Books of account to be kept by company	Yes			
18	68 Inspection of Books of account	Yes			
19	69 Annual Accounts & Balance Sheets	Yes			
20	70 Filing of Balance Sheets etc. with the Registrar	Yes			
21	71 Board's Report	Yes			The explanation or information on every reservation / qualification contained in the auditor's report is not given in Board's report.
22	72 Appointment and Removal of Auditors	Yes			
23	73 Resignation of Auditors from office	Yes			
24	75 Auditing Standards	Yes			
25	76 Number of Directors		No		2 out of 7 Directors were retired instead of 1/3rd of the Directors
26	77 Additional Directors			N.A	
27	78 Consent to act as Directors	Yes			
28	79 Certain persons not to be appointed as directors	Yes			
29	80 Resignation by Directors	Yes			
30	81 Removal of Directors			N.A	
31	82 Board of Meetings	Yes			
32	83 General powers of Board	Yes			
33	84 Restrictions of powers of Board		No		The company has borrowed money in excess of aggregate of the paid up capital and free reserves of the company without consent of the Shareholders
34	85 Appointment of Chief Executive Officer	Yes			
35	86 Appointment of selling or buying agents	Yes			



T.R.Chadha & Co.  
Chartered Accountants

Compliance Checklist : (Extracts from the Companies Act of the Kingdom of Bhutan 2000) Exhibit- B

SL	SECTIONS	Yes	No.	N.A	Remarks
36	87 No loans to directors	Yes			
37	88 Inter-corporate loans and Investment	Yes			
38	89 Contracts in which directors are interested	Yes			
39	90 Companies to have Secretaries	Yes			
40	91 Standards of care required by Directors	Yes			

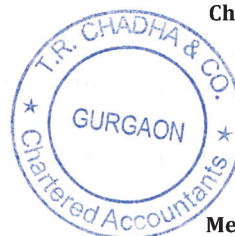
P IX: STATUTORY RECORD AND INSPECTION

41	97 Statutory record and inspection	Yes			
	a. Register of buy-back of Shares			N.A	
	b. Register of transfer of Shares	Yes			
	c. Register of Charges	Yes			
	d. Register of Inter- corporate loans	Yes			
	e. Register of Inter- Corporate investments	Yes			
	f. Register of contracts in which directors are interested		No		Register not updated for all transactions.
	g. Register of directors	Yes			
	h. Register of Share directors's shareholding	Yes			

OTHERS

42	98 Inspection of Statutory Registers	Yes			
	32 Register of Shareholders/Members	Yes			

For T.R Chadha & Co.  
Firm Registration Number : 006711N  
Chartered Accountants



*Aashish Gupta*

(Aashish Gupta)  
Partner

Membership No. 97343

Place : *Delhi*  
Date : *20/5/15*

## Royal Insurance Corporation of Bhutan Limited

## INCOME STATEMENT

For the year ended 31 December 2014

	Notes	Group		Company	
		2014 Nu	2013 Nu	2014 Nu	2013 Nu
Gross written premiums	4	1,478,174,313	1,183,458,690	1,478,174,313	1,183,458,690
Premiums ceded to reinsurers	4.1	(466,613,555)	(407,650,581)	(466,613,555)	(407,650,581)
Net written premiums		1,011,560,758	775,808,109	1,011,560,758	775,808,109
Change in unearned premium provision		(66,864,834)	40,208,155	(66,864,834)	40,208,155
<b>Net earned premium</b>		<b>944,695,924</b>	<b>816,016,264</b>	<b>944,695,924</b>	<b>816,016,264</b>
Finance income	5	17,668,450	116,882,479	17,668,450	120,880,730
Fee and commission income	6	141,426,719	137,539,126	140,446,669	136,450,865
Fee and commission expense	7	(69,701,512)	(58,913,035)	(69,701,512)	(58,913,035)
<b>Net fee &amp; commission income</b>		<b>89,393,657</b>	<b>195,508,570</b>	<b>88,413,606</b>	<b>198,418,559</b>
Interest income on financial services	8	990,745,445	789,294,517	990,745,445	789,294,517
Less : Interest expense on financial services	9	(417,480,368)	(356,290,280)	(417,480,368)	(356,290,280)
<b>Net interest income</b>		<b>573,265,078</b>	<b>433,004,237</b>	<b>573,265,078</b>	<b>433,004,237</b>
<b>Total revenue</b>		<b>1,607,354,659</b>	<b>1,444,529,071</b>	<b>1,606,374,608</b>	<b>1,447,439,060</b>
Other operating income	10	14,469,646	14,976,349	14,386,953	14,976,178
<b>Total operating income</b>		<b>1,621,824,305</b>	<b>1,459,505,420</b>	<b>1,620,761,561</b>	<b>1,462,415,239</b>
Gross benefits and claims paid	11(a)	(592,367,785)	(725,998,977)	(592,367,785)	(725,998,977)
Claims ceded to reinsurers	11(b)	185,911,613	423,623,713	185,911,613	423,623,713
Change in contract liabilities	11(c)	(422,687,124)	(316,418,232)	(422,687,124)	(316,418,232)
<b>Net benefits and claims</b>		<b>(829,143,296)</b>	<b>(618,793,496)</b>	<b>(829,143,296)</b>	<b>(618,793,496)</b>
Expenses relating to private provident fund		(48,022,641)	(37,536,422)	(48,022,641)	(37,536,422)
Other operating and administrative expenses	13	(239,616,378)	(233,071,682)	(239,051,818)	(232,060,641)
Impairment gain / ( loss)	12	34,447,320	(36,120,328)	34,447,320	(36,120,328)
Share of profit of an associate	22		8,389,968		
10% Share of Life Fund Surplus		31,392,455		31,392,455	
<b>Profit before tax</b>		<b>570,881,765</b>	<b>542,373,460</b>	<b>570,383,581</b>	<b>537,904,351</b>
Income tax expense	14	(169,242,626)	(154,361,438)	(169,093,171)	(154,313,448)
<b>Profit for the year</b>		<b>401,639,139</b>	<b>388,012,022</b>	<b>401,290,410</b>	<b>383,590,903</b>
Profit Attributable to Equity Holders of the parent		<b>401,639,139</b>	<b>388,012,022</b>	<b>401,290,410</b>	<b>383,590,903</b>

## Earnings per share

Basic profit for the year attributable to ordinary equity holders of the parent	15	8.37	161.67	8.36	159.83
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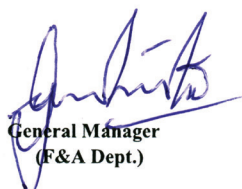
The accounting policies and notes on pages 19 through 77 form an integral part of the Financial Statements.

  
(Aashish Gupta)  
Partner

Membership Number: 097343

Place: Thimphu/Gurgaon (India)

Date: 29/11/15

  
General Manager  
(F&A Dept.)

  
Chief Executive  
Officer

  
Chairman

  
Director



# Royal Insurance Corporation of Bhutan Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

Note	Group		Company	
	2014 Nu	2013 Nu	2014 Nu	2013 Nu
<b>Profit for the year</b>	401,639,139	388,012,022	401,290,410	383,590,903
<b>Other comprehensive income / (expenses)</b>				
Net gain /loss on available for sale assets	-	(27,153,147)	-	(27,153,147)
Income tax effect	(0)	8,145,944	(0)	8,145,944
Gains (losses) on defined benefit plans	2,661,607	(2,520,252)	2,661,607	(2,520,252)
Income tax effect	(2,808,218)	1,177,580	(2,808,218)	1,177,580
<b>Total other comprehensive income</b>	<b>(146,612)</b>	<b>(20,349,875)</b>	<b>(146,612)</b>	<b>(20,349,875)</b>
<b>Total comprehensive income for the year net of tax</b>	<b>401,492,527</b>	<b>367,662,147</b>	<b>401,143,799</b>	<b>363,241,028</b>

The accounting policies and notes on pages 19 through 77 form an integral part of the Financial Statements.

  
(Aashish Gupta)  
Partner  
Membership Number: 097343

Place: Thimphu/Gurgaon (India)

Date: 29/11/15

  
General Manager  
(F&A Dept.)

  
Chief Executive  
Officer

  
Chairman

  
Director



Royal Insurance Corporation of Bhutan Limited  
STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

Notes	Group		Company	
	2014 Nu	2013 Nu	2014 Nu	As at 1 January 2013 Nu
<b>Assets</b>				
Property, plant and equipment	448,768,261	453,639,260	448,762,826	453,615,485
Investment properties	357,774,705	362,630,531	357,774,705	362,630,531
Intangible assets	28,553,357	32,763,948	28,553,357	32,763,948
Loans and receivables	9,812,555,771	7,860,622,971	9,812,555,771	7,859,590,794
Long term investment classified as Loans and receivables	100,000,000	100,000,000	100,000,000	100,000,000
Investment in subsidiary	-	-	500,000	500,000
Investment in associate	32,353,760	32,353,760	24,311,650	24,311,650
Available-for-sale financial assets	279,238,884	246,413,884	278,538,884	245,713,884
Insurance Receivables	225,257,147	140,974,652	225,257,147	140,974,652
Net defined benefit assets	16,839,461	11,814,508	16,839,461	11,814,508
Other Assets	122,867,258	93,259,485	122,602,563	92,829,374
Cash and Cash Equivalents	923,102,064	264,577,128	916,964,390	258,618,598
<b>Total Assets</b>	<b>12,347,310,669</b>	<b>9,598,050,042</b>	<b>12,332,660,755</b>	<b>9,582,373,340</b>
<b>Equity &amp; Liabilities</b>				
<b>Capital &amp; Reserves</b>				
Share Capital	480,000,000	240,000,000	480,000,000	240,000,000
Retained earnings	1,920,793,420	1,884,305,063	1,910,208,913	1,874,065,115
Other reserves	176,933,729	159,933,729	176,933,729	159,933,729
Available for Sale reserve	108,181,299	108,181,299	108,181,299	127,188,502
<b>Total equity</b>	<b>2,685,908,449</b>	<b>2,392,420,092</b>	<b>2,675,323,942</b>	<b>2,382,180,143</b>
<b>Liabilities</b>				
Insurance contract liabilities	1,956,936,708	1,522,283,914	1,956,936,708	1,522,283,914
Reinsurance contract liabilities	60,537,145	39,493,284	60,537,145	39,493,284
Investment contract liabilities	927,068,158	673,063,653	927,068,158	673,063,653
Insurance Payable	26,918,207	79,294,340	26,918,207	79,294,340
Contribution received by private provident fund	719,873,497	597,629,576	719,873,497	597,629,576
Debt issued and other borrowed funds	4,248,042,311	3,706,105,743	4,248,042,311	3,706,105,743
Employee benefit obligation	8,887,426	4,038,892	8,887,426	4,038,892
Deferred tax liability	175,151,615	174,429,832	175,151,615	174,429,832
Tax payable	171,179,607	159,257,153	171,179,607	159,257,153
Trade and other payables	1,284,822,964	302,409,697	1,280,757,558	297,020,934
<b>Total Liabilities</b>	<b>9,661,402,220</b>	<b>7,205,629,950</b>	<b>9,657,336,814</b>	<b>7,200,193,197</b>
<b>Shareholders' Equity &amp; Liabilities</b>	<b>12,347,310,669</b>	<b>9,598,050,042</b>	<b>12,332,660,755</b>	<b>9,582,373,340</b>

The accounting policies and notes on pages 19 through 77 form an integral part of the Financial Statements.

  
(Ashish Gupta)  
Partner  
Membership Number: 097343  
Place: Thimphu/Gurgaon (India)  
Date: 2015

  
Chief Executive  
Officer

  
Chairman

  
Director



# AUDITORS' REPORT

## Royal Insurance Corporation of Bhutan Limited

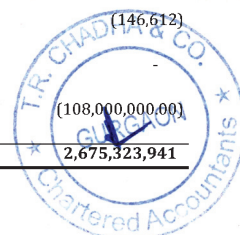
### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Group						In Nus
	Note	Share Capital	Retained Earnings	AFS reserve	Other Reserves	Total Shareholders' Funds
Balance as at January 1, 2013	26	240,000,000	1,596,702,596	127,188,502	140,933,729	2,104,824,827
Net profit for the year			388,012,022			388,012,022
Catastrophe fund			(5,000,000)		5,000,000	-
Technical reserve			(12,000,000)		12,000,000	-
Technical reserve - Health					2,000,000	2,000,000
Other comprehensive income			590,445	(19,007,203)		(18,416,758)
Dividend paid			(84,000,000)			(84,000,000)
<b>Balance as at 31st December 2013</b>		<b>240,000,000</b>	<b>1,884,305,063</b>	<b>108,181,299</b>	<b>159,933,729</b>	<b>2,392,420,091</b>
Net profit for the year			401,639,139			401,639,139
Catastrophe fund			(5,000,000)		5,000,000	-
Technical reserve			(12,000,000)		12,000,000	-
Bonus Share Issue Adj		240,000,000	(240,000,000)			
Other comprehensive income			(150,782)	(0)		(150,782)
Dividend paid			(108,000,000)			(108,000,000.00)
<b>Balance as at 31st December 2014</b>		<b>480,000,000</b>	<b>1,920,793,420</b>	<b>108,181,299</b>	<b>176,933,729</b>	<b>2,685,908,448</b>

Company						In Nus
	Note	Share Capital	Retained Earnings	AFS Reserve	Other Reserves	Total Shareholders' Funds
Balance as at January 1, 2013	26	240,000,000	1,590,887,937	127,188,502	140,933,729	2,099,010,168
Net profit for the year			383,590,903			383,590,903
Catastrophe fund			(5,000,000)		5,000,000	-
Technical reserve			(12,000,000)		12,000,000	-
Technical reserve - Health					2,000,000	2,000,000
Other comprehensive income			586,275	(19,007,203)		(18,420,928)
Dividend paid			(84,000,000)			(84,000,000)
<b>Balance as at 31st December 2013</b>		<b>240,000,000</b>	<b>1,874,065,115</b>	<b>108,181,299</b>	<b>159,933,729</b>	<b>2,382,180,142</b>
Net profit for the year			401,290,410			401,290,410
Catastrophe fund			(5,000,000)		5,000,000	-
Technical reserve			(10,000,000)		10,000,000	-
Technical reserve - Health			(2,000,000)		2,000,000	-
Other comprehensive income			(146,612)			(146,612)
Bonus Share Issue Adjustment		240,000,000	(240,000,000)			-
Dividend paid			(108,000,000)			(108,000,000.00)
<b>Balance as at 31st December 2014</b>		<b>480,000,000</b>	<b>1,910,208,913</b>	<b>108,181,299</b>	<b>176,933,729</b>	<b>2,675,323,941</b>

The accounting policies and notes on pages 19 through 77 form an integral part of the Financial Statements.





## Royal Insurance Corporation of Bhutan Limited

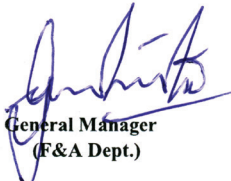
## CASH FLOW &amp; RECONCILIATION STATEMENT

For the year ended 31 December 2014

For the year ended 31st December	Note	Group		Company	
		2014 Nu	2013 Nu	2014 Nu	2013 Nu
<b>Cash flows from operating activities</b>					
Profit before tax		570,881,765	542,373,460	570,383,581	537,904,351
Adjustment for:					
Depreciation of Property plant & equipment	17.	24,063,060	16,500,645	24,057,625	16,496,475
Depreciation of investment property	19.	3,865,743	1,045,452	3,865,743	1,045,452
Amortization of intangible assets	18.	4,210,591	616,551	4,210,591	616,551
Gratuity	32.	8,524,953	2,728,382	8,524,953	2,728,382
Leave encashment provision	32.	10,619,068	-	10,619,068	-
Share of profit of an associate	22	-	(8,389,968)	-	-
Impairment of Loans & Advances	13	51,464,577	36,120,328	51,464,577	36,120,328
Life fund surplus		(31,392,455)	-	(31,392,455)	-
<b>Operating profit before changes in operating assets &amp; liabilities</b>		<b>642,237,302</b>	<b>590,994,849</b>	<b>641,733,683</b>	<b>594,911,539</b>
<b>(Increase)/Decrease in operating assets</b>	20.				
Loans and advance to customers	24.	(1,897,065,207)	(1,213,352,840)	(1,897,065,207)	(1,213,352,840)
Insurance receivables	25.	(83,637,905)	26,975,251	(83,637,905)	26,975,251
Other assets		2,627,419	(133,015,007)	2,360,404	(133,255,536)
<b>Increase/(Decrease) in operating liabilities</b>	28.				
Insurance contracts liabilities		326,652,794	281,597,449	326,652,794	281,597,449
Reinsurance Contract Liabilities	29	21,043,861	36,853,033	21,043,861	36,853,033
Investment contract liabilities	30	254,004,505	72,363,580	254,004,505	72,363,580
Insurance payable		81,984,582	(52,376,133)	81,981,223	(52,376,133)
Contribution received by private provident fund	33.	122,420,094	117,147,556	122,238,343	117,147,556
Trade and other payables		996,179,969	111,980,506	983,736,624	111,980,506
Other Liabilities	32.	-	(8,531,726)	-	(7,661,855)
<b>Net cash flow from operating activities before income tax</b>		<b>(175,789,889)</b>	<b>(760,358,332)</b>	<b>(188,685,359)</b>	<b>(759,728,990)</b>
Gratuity paid	15	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
Leave encashment paid		(5,770,534)	-	(5,770,534)	-
Income tax paid		(165,424,948)	(138,934,894)	(152,205,004)	(144,218,306)
<b>Net cash flow from operating activities</b>		<b>(174,695,482)</b>	<b>(142,434,894)</b>	<b>(161,475,538)</b>	<b>(147,718,306)</b>
Available for sale investments	23.	(32,825,000)	(4,846,853)	(32,825,000)	(4,846,853)
Long term investments		-	-	-	-
Investment in fixed deposits		(32,133,594)	-	(32,133,594)	-
Technical reserve		17,000,000	-	17,000,000	-
Purchase of property & equipment	17	(19,204,969)	(10,000,738)	(19,204,969)	(10,000,738)
Purchase of intangible assets	18.	-	(13,224,488)	-	(13,224,488)
Disposal of investment property	19.	0	(55,367)	0	(55,367)
Purchase of investment property		-	-	-	-
<b>Net cash flow from investing activities</b>		<b>(67,163,563)</b>	<b>(28,127,446)</b>	<b>(67,163,563)</b>	<b>(28,127,446)</b>
<b>Cash flow from financing activities</b>					
Borrowings during the year	31	541,936,568	374,079,129	541,936,568	374,079,129
Dividends paid		(108,000,000)	(84,000,000)	(108,000,000)	(84,000,000)
Issue of Shares		-	-	-	-
<b>Net cash flow from financing activities</b>		<b>433,936,568</b>	<b>290,079,129</b>	<b>433,936,568</b>	<b>290,079,129</b>
Net increase/(decrease) in cash and cash equivalents		658,524,936	(49,846,694)	658,345,792	(50,584,074)
Cash and cash equivalents at the beginning of the year	26	264,577,128	314,423,821	258,618,598	309,202,671
Cash and cash equivalents at the end of the year		<b>923,102,064</b>	<b>264,577,128</b>	<b>916,964,390</b>	<b>258,618,598</b>

The accounting policies and notes on pages 19 through 77 form an integral part of the Financial Statements.

  
 (Aashish Gupta)  
 Partner  
 Membership Number: 097343  
 Place: Thimphu/Gurgaon (India)  
 Date: 24/11/15

  
 General Manager  
 (F&A Dept.)

  
 Chief Executive  
 Officer

  
 Chairman

  
 Director



Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate information

### 1.1 General

Royal Insurance Corporation of Bhutan Limited (the Company) is a public limited company incorporated and domiciled in the Kingdom of Bhutan, and listed on the Royal Securities Exchange of Bhutan. The registered office of the Company is P.O. Box 315, Thimphu, Bhutan.

### Consolidated Financial Statements

The Consolidated Financial Statements of the company for the year ended 31st December 2014 comprise Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity, Notes to the Financial Statements and Significant Accounting Policies of the Group.

### 1.2 Principal Activities and nature of operations

The principle activities of the Company continued to be carrying on insurance business (both life and non-life insurance).

## 2. Accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance With International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

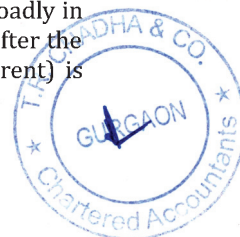
For all periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2014 are the first the Group has prepared in accordance with IFRS. Refer to Note 2.5 for information on how the Group adopted IFRS.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on an historical cost basis except for those financial assets and financial liabilities that have been measured at fair value. As permitted by IFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts and investment contracts with a discretionary participation feature (DPF).

### 2.3 Functional and Presentation currency

The consolidated financial statements values are presented in Bhutan Ngultrum rounded (Nu.) unless otherwise indicated. The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

**2.4 Materiality and Aggregation**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously.

**2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2014. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-Company balances, transactions, income and expenses and profits and losses resulting from intra-Company transactions and dividends, are eliminated in full.

The consolidated financial statements of Royal Insurance Corporation of Bhutan for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 2 April 2015.

**2.6 Significant accounting judgements, estimates and assumptions**

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

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

**Estimates and assumptions**

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



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

**Going concern**

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

**Impairment losses on Loans and advances**

The Group review their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar product characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios etc.) and judgement on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates, sovereign rating etc.).

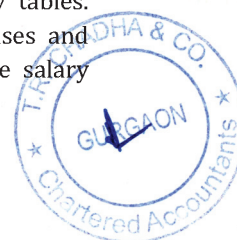
**Impairment of Available for sale assets**

The Group review their debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied on the individual assessment of loans and advances. The Group also record impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgement the Group evaluates, among other factors, historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

**Defined benefit plans**

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the actual returns earned from the gratuity fund. The mortality rate is based on publicly available mortality tables. Mortality - Indian Assured Lives Mortality (IALM-2006-2008). Future salary increases and pension increases are based on expected future inflation rates and expected future salary increase rate of the Group.





Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS

### Useful life time of the Property, Plant and Equipment

The Group review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

## 2.7 Summary of significant accounting policies

### (a) Product classification

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract
  - Realised and or unrealised investment returns on a specified pool of assets held by the issuer
- The profit or loss of the company, fund or other entity that issues the contract

### (b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives of Intangible Assets are as follows:

Computer Software - 10 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

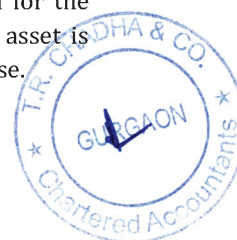
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**(c) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group should estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

**(d) Deferred expenses****Deferred Acquisition Costs (DAC)**

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for life insurance and investment contracts with DPF are amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

**Deferred expenses-Reinsurance commissions**

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

**(e) Property and equipment**

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	50 years
Furniture & Fitting	6-7 years
Office Equipment	7 years
Computer Equipment	5 years
Motor Vehicle	7 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

**(f) Investment properties**

Investment properties are stated at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

**(g) Investment in associate**

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

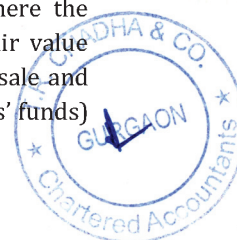
Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

**(h) Financial assets****Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis
- Or
- The assets and liabilities are part of a Group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the effective interest rate (EIR). Dividend income is recorded in 'Other operating income' when the right to the payment has been established.

**Available-for-sale financial assets**

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve (equity).

Where the insurer holds more than one investment in the same security that they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the income statement as 'Investment income' when the right of the payment has been established. When the asset is derecognised the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

### Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'finance income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

### Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'investment income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. Currently no financial assets have been classified as held to maturity.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

**(i) Financial assets**

**De-recognition of financial assets**

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Group has transferred substantially all the risks and rewards of the asset
  - Or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**(j) Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense' in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the characteristics of Group's loan products.

Future cash flows on a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

**Available-for-sale financial investments**

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

**(j) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

**(k) Fair value of financial instruments**

The financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Notes 23 & 25.



Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS

**(l) Reinsurance**

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business non-life insurance contracts. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

**(m) Insurance receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in Note 2.3 (k), have been met.

**(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(o) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(p) Foreign currency translation**

The Group's consolidated financial statements are presented in Ngultrum which is parent company's functional currency.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(q) Insurance contract liabilities**

**Life insurance contract liabilities**

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Gross change in contract liabilities'. Profits originated from margins of adverse deviations on run-off contracts are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF and DAC, by using an existing liability adequacy test in accordance with IFRS. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied. Aggregation levels and the level of prudence applied in the test are consistent with IFRS requirements. Any inadequacy is recorded in the income statement, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under IFRS.

### Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

**(r) Investment contract liabilities (Annuity Contracts)**

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the consolidated income statement. Fair value adjustments are performed at each reporting date and are recognised in the income statement in “gross change in contract liabilities”. Fair value is determined through the use of prospective discounted cash flow techniques.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

**(s) Discretionary participation features (DPF)**

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.





Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS

**(t) Financial liabilities – initial recognition and subsequent measurement**

**Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The Group's financial liabilities include investment contracts without DPF, trade and other payables, borrowings, insurance payables (see section aa).

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification, as follows:

**Interest bearing loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

**De-recognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**(u) Insurance payables**

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

**De-recognition insurance payables**

Insurance payables are de-recognised when the obligation under the liability is settled, cancelled or expired.



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

**(v) Classification of financial instruments between debt and equity**

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity
- Or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**(aa) Deferred revenue**

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, are deferred and recognised as revenue when the related services are rendered.

**(ab) Provisions**

**General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(ac) Equity movements**

**Ordinary share capital**

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

**Dividends on ordinary share capital**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

**(ad) Revenue recognition****Gross premiums**

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**Reinsurance premiums**

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

**Fees and commission income**

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

services provided in future periods, then they are deferred and recognised over those future periods

**Investment income**

Interest income is recognised in the income statement as investment income. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

**Realised gains and losses**

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

**(ae) Benefits, claims and expenses recognition**

**Gross benefits and claims**

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

**Reinsurance claims**

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

**Finance cost**

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

**2.8 First-time adoption of IFRS**

These financial statements, for the year ended 31 December 2014, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2013, the Company prepared its financial statements in accordance with generally accepted accounting principles in Bhutan (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2013, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2013 and the financial statements as at and for the year ended 31 December 2013.

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 9 Financial Instruments**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15, as issued, reflects the first phase of IASB's initiative to replace IAS 18, the objective of which is to establish the principles that the company shall apply in reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application by the company is permitted. Contracts with customers will be presented in the company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.



## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 2.8 FIRST- TIME ADOPTION OF IFRSs (Contd.)

##### (A.2) Non-life insurance

Current revenue recognition of 40:60 method where unearned premium being 60% has been changed to pro-rate basis (1/24th method) under IFRS 4 requirement.

Liability adequacy test has been performed under IFRS to allocate insurance provision for each year for Incurred But Not Report (IBNR) and for impairment of insurance receivables which is outstanding more than 365 days.

IFRS 4 requires to eliminate the self insurance policies of the group. Under IFRS conversion, the group eliminate the self insurance of Nu. 1,857,564 in 2013 (Nu.1,810,106 in 2012)

##### (A.3) Group Insurance

Current revenue recognition of 40:60 method where unearned premium being 60% has been changed to pro-rate basis (1/24th method) under IFRS 4 requirement.

##### (A.4) Reinsurance Business

Current revenue recognition of 40:60 method where unearned premium being 60% has been changed to pro-rate basis (1/24th method) under IFRS 4 requirement.

Liability adequacy test has been performed under IFRS 4, to allocate insurance provision for each year for Incurred But Not Report (IBNR)

##### (A.5) Life Annuity Insurance

Current revenue recognition method of cash basis has been changed to accrual basis under IFRS 4 for Life annuity insurance

#### (B) Property, plant and equipment

Property, plant and equipment has been reclassified to Investment property and Intangible assets for the better presentation of the assets.

According to IAS 16 depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Currently Group uses rate established by the tax authorities to calculate depreciation of each assets.

Therefore revised the useful life of the assets to match with the requirement of IAS 16 and recalculated the depreciation.

IAS 16 requires significant component parts of an item of property, plant and equipment to be depreciated separately. As explained in note 2.4(f), the cost of major inspections is capitalized and depreciated separately over the period of the useful life.

#### (B) Intangible assets

IAS 38 recognizes assets as intangible assets if it is identifiable non-monetary asset without physical substance. Further depreciable amount of an intangible assets should amortize over its use full life time. Currently, the Group recognized intangible assets as property, plants & equipment. Therefore to comply with IAS 38 all the assets which meets the recognition criteria in IAS 38 recognized as intangible assets and amortized the depreciable amount over the use full life time.

The cost incurred for web developing has capitalized by the group currently, and under IFRS conversion it has been removed from the assets identified as an expense.

#### (B) Investment Property

The properties held to earn rentals or for capital appreciation or both, rather than for use in production or supply of goods or services or for administrative purposes or sale in the ordinary course of business has identified as investment property.



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**2.8 FIRST- TIME ADOPTION OF IFRSs (Contd.)****(c ) Loans and receivables**

The provisions made by the group ( Specific and General) is different from the IAS 39 requirement which requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Therefore Collective impairment has been done in respect of loans and receivables in compliance with IAS 39.

**( D) Staff loan fair-valuation**

Group has provided concessionary rate loans to employees and as per IAS 39 the benefit that the employees are getting from the reduced interest rate has to be quantifies and presented in financial statement for this purpose fair valued the staff loan using the market interest rate.

**(E) Available-for-sale financial assets**

Currently, the Group measured investments in unquoted and quoted equity shares at cost. Under IFRS, investments in quoted and unquoted shares has designated as available-for-sale investments. IAS 39 requires available-for-sale investments to be measured at fair value. Fair valuation of the investment in quoted shares has been done using the Level 3 technique as per IFRS 13 fair valuation.

**(F ) Defined benefit obligation**

Under Local GAAP, the Group recognised the contributions made to the fund as an expense. Gratuity liability has been recognised based on projected unit credit method in IFRS conversion.

Currently group has not recognized a provision for leave encashment obligation, Under IFRS a provision has been made in respect of the obligation arising from the leave encashment.

**(G) Deferred tax**

The various transitional adjustments lead to different temporary differences. According to the accounting policies the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2.8 FIRST- TIME ADOPTION OF IFRSs (Contd.)

## 2.8.2 Reconciliation of total comprehensive income for the year ended 31 December 2013

	Note	Reclassified Local GAAP Nu.	Company Re - measurements Nu.	IFRS Nu.
Gross written premiums	A	1,623,107,139	(439,648,449)	1,183,458,690
Premiums ceded to reinsurers	A	(850,022,711)	442,372,130	(407,650,581)
Net written premiums		<b>773,084,428</b>		<b>775,808,109</b>
Net change in Reserve for unearned premium		(11,751,553)	51,959,708	40,208,155
<b>Net Earned premium</b>		<b>761,332,875</b>		<b>816,016,264</b>
Finance Income		120,880,730		120,880,730
Fee and commission income		248,968,007	(112,517,142)	136,450,865
Fee and commission expense		(181,232,468)	122,319,433	(58,913,035)
<b>Net fee &amp; commission income</b>		<b>188,616,269</b>		<b>198,418,559</b>
Interest Income	C	781,854,148	7,440,369	789,294,517
Less : Interest expense		(356,290,280)		(356,290,280)
<b>Net interest income</b>		<b>425,563,868</b>		<b>433,004,237</b>
<b>Total revenue</b>		<b>1,375,513,012</b>		<b>1,447,439,060</b>
Other operating income	C,D	13,381,014	1,595,165	14,976,178
<b>Total operating income</b>		<b>1,388,894,026</b>		<b>1,462,415,239</b>
Gross benefits and claims paid	A	(1,127,349,276)	401,350,299	(725,998,977)
Claims ceded to reinsurers		838,173,761	(414,550,048)	423,623,713
Gross change in contract liabilities		(312,913,801)	(3,504,431)	(316,418,232)
<b>Net benefits and claims</b>		<b>(602,089,317)</b>		<b>(618,793,497)</b>
Expenses relating to private provident fund		(37,536,422)		(37,536,422)
Other operating and administrative expenses	B,F	(230,175,537)	(1,885,104)	(232,060,641)
Impairment gain / ( loss)	C	2,564,583	(38,684,911)	(36,120,328)
Share of profit of an associate		-	-	-
<b>Profit before tax</b>		<b>521,657,332</b>		<b>537,904,351</b>
Income tax expense	G	(156,497,199)	2,183,751	(154,313,448)
<b>Profit for the year</b>		<b>365,160,133</b>		<b>383,590,903</b>
<b>Other comprehensive income / (expenses)</b>				
Net gain /loss on available for sale assets	E		(27,153,147)	(27,153,147)
Income tax effect			8,145,944	8,145,944
Re-measurement gains (losses) on defined benefir plans	F		(2,520,252)	(2,520,252)
Income tax effect			1,177,580	1,177,580
<b>Total other comprehensive income</b>			<b>(20,349,875)</b>	<b>(20,349,875)</b>
<b>Other comprehensive income net of tax</b>			<b>(1,919,106)</b>	<b>363,241,028</b>
<b>Total comprehensive income for the year net of tax</b>		<b>365,160,133</b>	<b>(1,919,106)</b>	<b>363,241,028</b>





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2.8. FIRST- TIME ADOPTION OF IFRSs (Contd.)

## 2.8.3 Reconciliation of equity as at 31 December 2013

	Note	Company		
		Reclassified	Re - measurements	IFRS
		Local GAAP Nu.	Nu.	Nu.
<b>Assets</b>				
Property and equipment	B	76,430,554	377,184,931	453,615,485
Investment properties	B	49,945,283	311,695,164	361,640,447
Intangible assets	B	31,690,266	1,073,681	32,763,948
Loans and receivables	C	7,894,140,487	(34,549,693)	7,859,590,794
Long term investment classified as Loans and receivables		100,000,000		100,000,000
Investment in subsidiary companies		500,000		500,000
Investment in associate		24,311,650		24,311,650
Available-for-sale financial assets	E	91,169,172	154,544,712	245,713,884
Insurance Receivables	A	200,122,059	(59,147,407)	140,974,652
Net defined benefit assets	F		11,814,508	11,814,508
Other Assets	D	92,154,991	674,383	92,829,374
Cash and Cash Equivalents		258,618,598		258,618,598
<b>Total Assets</b>		<b>8,819,083,061</b>	<b>763,290,279</b>	<b>9,582,373,340</b>
<b>Equity</b>				
Share capital		240,000,000		240,000,000
Retained earnings		1,472,626,939	401,438,176	1,874,065,115
Other reserves		159,933,729		159,933,729
Available For Sale reserve			108,181,299	108,181,299
<b>Total Equity</b>		<b>1,872,560,668</b>	<b>509,619,475</b>	<b>2,382,180,143</b>
<b>Liabilities</b>				
Insurance contract liabilities	A	1,449,793,799	72,490,116	1,522,283,914
Reinsurance contract liabilities		39,493,284		39,493,284
Investment contract liabilities		673,063,653		673,063,653
Insurance payables		26,918,207		26,918,207
Contribution received by private provident fund		597,629,576		597,629,576
Debt issued and other borrowed funds		3,706,105,743		3,706,105,743
Employee benefit obligation	F		4,038,892	4,038,892
Deferred tax liability		-	174,429,832	174,429,832
Tax Payable		156,497,199	2,711,963	159,209,162
Trade and other payables		297,020,934		297,020,934
<b>Total Liabilities</b>		<b>6,946,522,394</b>	<b>253,670,803</b>	<b>7,200,193,197</b>
<b>Total Liabilities and Equity</b>		<b>8,819,083,062</b>	<b>763,290,278</b>	<b>9,582,373,340</b>



# Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2.8 FIRST- TIME ADOPTION OF IFRSs (Contd.)

#### 2.8.4 Reconciliation of equity as at 1 January 2013 (Beginning of the day balances)

		Reclassified Local GAAP Nu.	Company Re-measurements Nu.	IFRS Nu.
<b>Assets</b>	<b>Note</b>			
Property and equipment	B	78,689,146	377,493,130	456,182,275
Investment properties	B	50,002,918	312,627,613	362,630,531
Intangible assets	B	18,439,762	1,716,249	20,156,010
Loans and receivables	C	6,732,770,830	(50,412,548)	6,682,358,282
Investment in subsidiary companies		500,000		500,000
Investment in associate		24,311,650	-	24,311,650
Available-for-sale financial assets	E	59,169,172	181,697,859	240,867,031
Insurance Receivables	A	186,442,490	(18,492,587)	167,949,903
Net defined benefit assets	F		11,404,000	11,404,000
Other Assets	D	85,175,590	1,961,905	87,137,495
Cash and Cash Equivalents		309,202,671		309,202,671
<b>Total Assets</b>		<b>7,544,704,228</b>	<b>817,995,621</b>	<b>8,362,699,850</b>
<b>Equity</b>				
Stated Capital		240,000,000		240,000,000
Retained earnings		1,210,127,427	380,760,509	1,590,887,937
Other reserves		140,933,729		140,933,729
Available For Sale reserve			127,188,502	127,188,502
<b>Total Equity</b>		<b>1,591,061,156</b>	<b>507,949,011</b>	<b>2,099,010,168</b>
<b>Liabilities</b>				
Insurance contract liabilities	A	1,125,595,320	115,091,146	1,240,686,466
Reinsurance reserves		2,640,251		2,640,251
Investment contract liabilities		598,243,285	2,456,788	600,700,073
Insurance Payable		79,294,340		79,294,340
Contribution received by private provident fund		480,482,020		480,482,020
Debt issued and other borrowed funds		3,332,026,614		3,332,026,614
Employee benefit obligation	F		3,849,605	3,849,605
Deferred tax liability	G		184,054,529	184,054,529
Tax Payable		150,320,815	4,594,542	154,915,357
Trade and other payables		185,040,428		185,040,428
<b>Total Liabilities</b>		<b>5,953,643,072</b>	<b>310,046,610</b>	<b>6,263,689,682</b>
<b>Total Liabilities and Equity</b>		<b>7,544,704,228</b>	<b>817,995,621</b>	<b>8,362,699,850</b>



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## (3) Operating segment information

## Operating segment Income statement for the year ended 31 December 2013

	insurance	Life Insurance	insurance	insurance	re insurance	PF	investment	GAD	adjustments	company	associate	group
Gross written premiums	696,821,023	399,285,965	40,651,871	85,973	488,985,988	-	-	-	(442,372,130)	1,183,458,690	-	1,183,458,690
Premiums ceded to reinsurers	(442,372,130)	(16,560)	-	-	(407,634,021)	-	-	-	442,372,130	(407,650,581)	-	(407,650,581)
Net written premiums	254,448,893	399,269,405	40,651,871	85,973	81,351,967	-	-	-	-	775,808,109	-	775,808,109
Net change in Reserve for unearned premium	66,662,817	-	-	-	(26,454,662)	-	-	-	-	40,208,155	-	40,208,155
<b>Net Earned premium</b>	<b>321,111,710</b>	<b>399,269,405</b>	<b>40,651,871</b>	<b>85,973</b>	<b>54,897,305</b>	-	-	-	-	<b>816,016,264</b>	-	<b>816,016,264</b>
Finance Income	-	-	-	-	-	-	120,880,730	-	-	120,880,730	-	120,880,730
Fee and commission income- External	-	-	78,206	-	112,517,143	-	23,855,516	-	-	136,450,865	82,574	116,882,479
Fee and commission income- Inter division	106,122,773	-	-	-	-	-	-	-	(106,122,773)	0	-	0
Fee and commission expense- External	(3,962,973)	(47,578,846)	-	-	(119,888,360)	-	-	-	112,517,143	(58,913,035)	-	(58,913,035)
Fee and commission expense- Inter division	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net fee &amp; commission income</b>	<b>102,159,800</b>	<b>(47,578,846)</b>	<b>78,206</b>	-	<b>(7,371,217)</b>	-	<b>144,736,246</b>	-	<b>6,394,370</b>	<b>198,418,559</b>	<b>1,170,835</b>	<b>195,508,570</b>
Interest Income - External	-	-	-	-	-	-	789,294,517	-	-	789,294,517	-	789,294,517
Interest Income - Inter division	70,366,378	76,445,615	52,035,016	242,252	634,798	37,134,036	(236,858,094)	-	(236,858,094)	-	-	-
Less: Interest expense - External	-	-	(54,853,134)	(138,029)	-	-	(301,299,118)	-	236,858,094	(356,290,280)	-	(356,290,280)
Less: Interest expense - Inter division	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net interest income</b>	<b>70,366,378</b>	<b>76,445,615</b>	<b>(2,818,118)</b>	<b>104,223</b>	<b>634,798</b>	<b>37,134,036</b>	<b>251,137,304</b>	-	-	<b>433,004,237</b>	-	<b>433,004,237</b>
<b>Total revenue</b>	<b>493,637,888</b>	<b>428,136,174</b>	<b>37,911,958</b>	<b>190,196</b>	<b>48,160,887</b>	<b>37,134,036</b>	<b>395,873,550</b>	-	<b>6,394,370</b>	<b>1,447,439,061</b>	<b>1,170,835</b>	<b>1,444,529,071</b>
Other operating income	4,255,420	20,414	17,701	-	112,497	5,212	1,047,972	-	9,516,963	14,976,178	171	14,976,349
Total operating income	<b>497,893,308</b>	<b>428,156,588</b>	<b>37,929,660</b>	<b>190,196</b>	<b>48,273,384</b>	<b>37,139,248</b>	<b>396,921,522</b>	-	<b>15,911,333</b>	<b>1,462,415,239</b>	<b>1,171,006</b>	<b>1,459,505,420</b>
Gross benefits and claims paid	(594,269,726)	(79,312,294)	(17,000,000)	-	(449,967,005)	-	-	-	414,550,048	(725,998,977)	-	(725,998,977)
Claims ceded to reinsurers	423,623,713	-	-	-	414,550,048	-	-	-	(414,550,048)	423,623,713	-	423,623,713
Gross change in contract liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Change in contract liabilities ceded to reinsurers	-	(314,801,160)	(6,000,006)	4,382,934	-	-	-	-	-	(316,418,232)	-	(316,418,232)
<b>Net benefits and claims</b>	<b>(170,646,013)</b>	<b>(394,113,453)</b>	<b>(23,000,006)</b>	<b>4,382,934</b>	<b>(35,416,958)</b>	-	-	-	-	<b>(618,793,497)</b>	-	<b>(618,793,497)</b>
Expenses relating to private provident fund	-	-	-	-	-	(37,536,422)	-	-	-	(37,536,422)	-	(37,536,422)
Other operating and administrative expenses	(66,333,990)	(29,134,366)	(14,929,654)	(4,573,130)	(5,151,376)	(1,472,157)	(67,964,916)	-	(42,501,052)	(232,060,640)	(1,011,041)	(233,071,682)
Impairment gain / (loss) on loans and advances	(44,159,251)	-	-	-	-	-	8,038,923	-	-	(36,120,328)	-	(36,120,328)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	8,389,968	8,389,968
<b>Profit before tax</b>	<b>216,754,054</b>	<b>4,908,768</b>	<b>(0)</b>	-	<b>7,705,050</b>	<b>(1,869,331)</b>	<b>336,995,529</b>	-	<b>(26,589,719)</b>	<b>537,904,351</b>	<b>159,965</b>	<b>542,373,460</b>
Income tax expense	-	-	-	-	-	-	-	-	(154,313,448)	(154,361,438)	(47,990)	(154,361,438)
<b>Profit for the year</b>	<b>216,754,054</b>	<b>4,908,768</b>	<b>(0)</b>	-	<b>7,705,050</b>	<b>(1,869,331)</b>	<b>336,995,529</b>	-	<b>(180,903,167)</b>	<b>383,590,903</b>	<b>111,976</b>	<b>388,012,022</b>
<b>Other comprehensive income / (expenses)</b>							(27,153,147)			(27,153,147)		(27,153,147)
Net gain / loss on available for sale assets	-	-	-	-	-	-	-	-	8,145,944	8,145,944	-	8,145,944
Income tax effect	-	-	-	-	-	-	-	-	-	-	-	-
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	(2,520,252)	(2,520,252)	-	(2,520,252)
Income tax effect	-	-	-	-	-	-	-	-	1,177,580	1,177,580	-	1,177,580
<b>Total other comprehensive income</b>	<b>216,754,054</b>	<b>4,908,768</b>	<b>(0)</b>	-	<b>7,705,050</b>	<b>(1,869,331)</b>	<b>(27,153,147)</b>	-	<b>(174,099,895)</b>	<b>(20,349,875)</b>	-	<b>(20,349,875)</b>
<b>Income tax (charge) / credit relating to components of other comprehensive income</b>												
<b>Other comprehensive income net of tax</b>	<b>216,754,054</b>	<b>4,908,768</b>	<b>(0)</b>	-	<b>7,705,050</b>	<b>(1,869,331)</b>	<b>(27,153,147)</b>	-	<b>(174,099,895)</b>	<b>(20,349,875)</b>	-	<b>(20,349,875)</b>
<b>Total comprehensive income for the year</b>	<b>216,754,054</b>	<b>4,908,768</b>	<b>(0)</b>	-	<b>7,705,050</b>	<b>(1,869,331)</b>	<b>309,842,382</b>	-	<b>(355,003,063)</b>	<b>363,241,028</b>	-	<b>367,662,147</b>
net of tax												

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2014

	Non Life Insurance	Life Insurance	Group Life Insurance	Amnuty Insurance	Re Insurance	PPF	Credit & Investment	GAAP	Adjustments	Company	Subsidiary/ Associate	Group
Gross written premiums	760,170,708	570,313,575	54,394,053	208,875	-	-	-	-	93,087,101	1,478,174,313	-	1,478,174,313
Premiums ceded to reinsurers	(483,120,727)	(19,560)	-	-	-	-	-	-	16,526,732	(466,613,555)	-	(466,613,555)
Net written premiums	277,049,981	570,294,015	54,394,053	208,875	-	-	-	-	109,613,833	1,011,560,757	-	1,011,560,757
Net change in Reserve for unearned premium	(2,539,308)	(32,793,382)	-	-	(33,250,211)	-	-	-	(50,712,332)	(66,864,834)	-	(66,864,834)
<b>Net Earned premium</b>	<b>260,897,679</b>	<b>570,294,015</b>	<b>54,394,053</b>	<b>208,875</b>	<b>93,087,102</b>	-	-	-	<b>58,901,301</b>	<b>944,695,923</b>	-	<b>944,695,923</b>
Finance Income	76,672,707	125,674,268	58,797,822	615,310	2,695,573	-	-	-	(264,455,680)	17,668,450	-	17,668,450
Fee and commission income - External	111,798,709	-	-	-	129,022,605	-	-	-	(131,694,230)	140,446,669	980,081	141,426,749
Fee and commission expense - External	(2,539,308)	(32,793,382)	-	-	(33,250,211)	-	-	-	(1,118,611)	(69,701,512)	-	(69,701,512)
<b>Net fee &amp; commission income</b>	<b>185,932,108</b>	<b>92,880,886</b>	<b>58,804,701</b>	<b>615,310</b>	<b>98,467,967</b>	-	<b>47,862,544</b>	-	<b>(396,149,909)</b>	<b>88,413,606</b>	<b>980,081</b>	<b>89,393,687</b>
Interest Income - External	-	-	-	-	-	-	-	-	-	990,745,445	-	990,745,445
Less: Interest expense - External	-	-	(54,828,198)	(875,326)	-	-	(361,776,844)	-	-	(417,480,368)	-	(417,480,368)
<b>Net interest income</b>	<b>-</b>	<b>-</b>	<b>(54,828,198)</b>	<b>(875,326)</b>	<b>-</b>	<b>-</b>	<b>628,968,602</b>	<b>-</b>	<b>-</b>	<b>573,265,078</b>	<b>-</b>	<b>573,265,078</b>
<b>Total revenue</b>	<b>446,829,787</b>	<b>663,174,901</b>	<b>58,370,556</b>	<b>(51,141)</b>	<b>191,555,069</b>	<b>-</b>	<b>676,831,145</b>	<b>-</b>	<b>(337,248,608)</b>	<b>1,606,374,607</b>	<b>980,081</b>	<b>1,607,354,688</b>
Other operating income	441,820	96,056	16,642	-	3,298,488	4,014	891,951	8,688,467	949,516	14,386,953	82,693	14,469,646
<b>Total operating income</b>	<b>447,271,607</b>	<b>663,270,957</b>	<b>58,387,198</b>	<b>(51,141)</b>	<b>194,853,557</b>	<b>4,014</b>	<b>677,723,096</b>	<b>8,688,467</b>	<b>(336,299,092)</b>	<b>1,620,761,560</b>	<b>1,062,774</b>	<b>1,621,824,334</b>
Gross benefits and claims paid	(336,804,929)	(205,025,713)	(28,100,000)	-	(22,437,143)	-	-	-	-	(592,367,785)	-	(592,367,785)
Claims ceded to reinsurers	185,911,613	-	-	-	-	-	-	-	-	185,911,613	-	185,911,613
Gross change in contract liabilities	-	(413,911,383)	(9,563,438)	787,696	-	-	-	-	-	(422,687,124)	-	(422,687,124)
<b>Net benefits and claims</b>	<b>(150,893,316)</b>	<b>(618,937,096)</b>	<b>(37,663,438)</b>	<b>787,696</b>	<b>(22,437,143)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(829,143,296)</b>	<b>-</b>	<b>(829,143,296)</b>
Expenses relating to private provident fund	-	-	-	-	-	(48,022,641)	-	-	-	(48,022,641)	-	(48,022,641)
Other operating and administrative expenses	(67,686,963)	(40,573,741)	(20,723,760)	(736,555)	(9,174,752)	(55,991,017)	(6,874,747)	(8,688,467)	(28,601,815)	(239,051,818)	(564,560)	(239,616,379)
Impairment gain / (loss) on loans and advances	-	-	-	-	(35,085,439)	-	69,532,759	-	-	34,447,320	-	34,447,320
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before tax</b>	<b>228,691,328</b>	<b>35,152,575</b>	<b>(0)</b>	<b>0</b>	<b>128,156,222</b>	<b>(104,009,644)</b>	<b>740,381,107</b>	<b>-</b>	<b>(364,900,907)</b>	<b>570,383,579</b>	<b>498,213</b>	<b>570,881,765</b>
Income tax expense	-	-	-	-	-	-	-	-	(169,093,171)	(169,093,171)	(149,455)	(169,242,626)
<b>Profit for the year</b>	<b>228,691,328</b>	<b>35,152,575</b>	<b>(0)</b>	<b>0</b>	<b>128,156,222</b>	<b>(104,009,644)</b>	<b>740,381,107</b>	<b>-</b>	<b>(533,994,078)</b>	<b>401,290,410</b>	<b>348,758</b>	<b>401,639,139</b>
<b>Other comprehensive income / (expenses)</b>												
Net gain / loss on available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-	-	-	-	-	-
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-	-	2,661,607	2,661,607	-	2,661,607
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,808,218)</b>	<b>(2,808,218)</b>	<b>-</b>	<b>(2,808,218)</b>
<b>Income tax (charge) / credit relating to components of other comprehensive income</b>									<b>(146,611)</b>	<b>(146,611)</b>	<b>-</b>	<b>(146,611)</b>
<b>Other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(146,611)</b>	<b>(146,611)</b>	<b>-</b>	<b>(146,611)</b>
<b>Total comprehensive income for the year net of tax</b>	<b>228,691,328</b>	<b>35,152,575</b>	<b>(0)</b>	<b>0</b>	<b>128,156,222</b>	<b>(104,009,644)</b>	<b>740,381,107</b>	<b>-</b>	<b>(534,140,690)</b>	<b>401,143,799</b>	<b>348,758</b>	<b>401,492,527</b>





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## (3) Operating Segment Information

Operating segment statement of financial position as at 31 December 2013

Assets	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re Insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary	Adjustments	Group
Property and equipment	-	-	-	-	-	-	-	-	453,615,485	453,615,485	13,775	-	453,629,260
Investment properties	-	-	-	-	-	-	-	-	361,640,447	361,640,447	-	-	361,640,447
Intangible assets	-	-	-	-	-	-	-	-	32,763,948	32,763,948	-	-	32,763,948
Loans and receivables	-	732,179	-	-	-	-	7,858,858,614	-	-	7,859,590,794	1,032,177	-	7,860,622,971
Long term investment classified as Loans and receivables	1,104,346,314	1,313,919,534	719,993,446	295,910	24,915,056	707,734,681	100,000,000	-	(3,871,204,941)	100,000,000	-	(500,000)	100,000,000
Investment in subsidiary companies	-	-	-	-	-	-	500,000	-	-	500,000	-	-	-
Investment in associate	-	-	-	-	-	-	24,311,650	-	-	24,311,650	-	-	24,311,650
Available-for-sale financial assets	-	-	-	-	-	-	245,713,884	-	-	245,713,884	700,000	-	246,413,884
Insurance Receivables	121,012,430	4,473,271	1,998,904	8,845	24,007,057	-	-	-	(10,525,855)	140,974,652	-	-	140,974,652
Net defined benefit assets	-	-	-	-	-	-	9,404,221	-	11,814,508	11,814,508	189,581	-	11,814,508
Other Assets	1,472,000	-	3,824,601	-	178,278	-	169,423,496	-	77,950,273	92,829,376	5,221,130	-	93,018,957
Cash and Cash Equivalents	25,622,031	18,117,894	16,691,723	13,546	23,703,538	2,973,410	-	-	2,072,957	258,618,598	-	-	263,335,748
<b>Total Assets</b>	<b>1,252,452,776</b>	<b>1,337,242,878</b>	<b>742,508,673</b>	<b>318,301</b>	<b>72,803,929</b>	<b>710,708,091</b>	<b>8,408,211,867</b>	<b>-</b>	<b>(2,941,873,178)</b>	<b>9,582,373,341</b>	<b>7,156,683</b>	<b>7,542,110</b>	<b>9,597,072,134</b>
<b>Equity &amp; Liabilities</b>													
<b>Capital &amp; Reserves</b>													
Share Capital	-	-	-	-	-	-	-	-	240,000,000	240,000,000	500,000	(500,000)	240,000,000
Retained earnings	812,760,529	0	(0)	-	7,705,050	(1,609,041)	1,235,878,090	-	(709,076,820)	1,874,065,115	2,193,669	8,042,110	1,884,305,063
Other reserves	159,933,729	-	-	-	-	-	-	-	159,933,729	159,933,729	-	-	159,933,729
Available For Sale reserve	-	-	-	-	-	-	-	-	-	108,181,299	-	-	108,181,299
<b>Total equity</b>	<b>972,694,258</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>7,705,050</b>	<b>(1,609,041)</b>	<b>1,344,059,390</b>	<b>-</b>	<b>(469,076,820)</b>	<b>2,382,180,143</b>	<b>2,693,669</b>	<b>12,542,110</b>	<b>2,392,420,092</b>
<b>Liabilities</b>													
Insurance contract liabilities	228,417,112	1,221,069,320	57,288,421	(4,382,934)	26,286,364	-	-	-	(6,394,369)	1,522,283,914	-	-	1,522,283,914
Reinsurance contract liabilities	2,640,251	-	-	-	36,853,033	-	-	-	-	39,493,284	-	-	39,493,284
Investment contract liabilities	-	-	-	-	-	-	-	-	-	673,063,653	-	-	673,063,653
Insurance Payable	-	-	668,377,920	4,685,733	-	-	-	-	(10,525,855)	26,918,207	-	-	26,918,207
Contribution received by private provident fund	27,403,149	6,355,759	1,725,672	-	1,959,482	597,629,576	-	-	(3,104,491,098)	597,629,576	-	-	597,629,576
Debt issued and other borrowed funds	-	-	-	-	-	-	6,810,596,842	-	-	3,706,105,743	-	-	3,706,105,743
Employee benefit obligation	-	-	-	-	-	-	-	-	4,038,892	4,038,892	-	-	4,038,892
Deferred tax liability	-	-	-	-	-	-	-	-	174,429,832	174,429,832	-	-	174,429,832
Tax payable	-	-	-	-	-	-	-	-	159,209,163	159,209,163	47,990	-	159,257,153
Trade and other payables	21,298,006	109,817,798	15,116,661	15,502	-	114,687,556	253,555,636	-	(217,470,225)	297,020,934	5,388,763	-	302,409,697
<b>Total Liabilities</b>	<b>279,758,518</b>	<b>1,337,242,877</b>	<b>742,508,673</b>	<b>318,301</b>	<b>65,098,879</b>	<b>712,317,132</b>	<b>7,064,152,478</b>	<b>-</b>	<b>(3,001,203,660)</b>	<b>7,200,193,198</b>	<b>5,436,752</b>	<b>-</b>	<b>7,205,629,951</b>
<b>Shareholders' Equity &amp; Liabilities</b>	<b>1,252,452,776</b>	<b>1,337,242,877</b>	<b>742,508,673</b>	<b>318,301</b>	<b>72,803,929</b>	<b>710,708,091</b>	<b>8,408,211,867</b>	<b>-</b>	<b>(3,470,280,480)</b>	<b>9,582,373,341</b>	<b>8,130,421</b>	<b>12,542,110</b>	<b>9,596,050,042</b>



Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December

(3) Operating Segment Information

Operating segment statement of financial position as at 31 December 2014

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary	Adjustments	Group
<b>Assets</b>													
Property, plant and equipment	-	-	-	-	-	-	-	-	-	448,762,826	5,435	-	448,768,261
Investment properties	-	-	-	-	-	-	-	-	-	357,774,705	-	-	357,774,705
Intangible assets	-	-	-	-	-	-	-	-	-	28,553,357	-	-	28,553,357
Loans and receivables	-	394,495	-	-	-	-	9,812,161,276	-	-	9,812,555,771	-	-	9,812,555,771
Long term investment, classified as Loans and receivables	-	-	-	-	-	-	100,000,000	-	-	100,000,000	-	-	100,000,000
Investment in subsidiary companies	-	-	-	-	-	-	500,000	-	-	500,000	-	(500,000)	-
Investment in associate	-	-	-	-	-	-	24,311,650	-	-	24,311,650	-	8,042,110	32,353,760
Available-for-sale financial assets	-	-	-	-	-	-	278,538,884	-	-	278,538,884	700,000	-	279,238,884
Insurance Receivables	162,634,057	(115,305)	1,993,142	(5,388)	60,735,054	-	-	-	15,588	225,257,147	-	-	225,257,147
Net defined benefit assets	2,460,525	(125,674,268)	-	(603,546)	(3,483,326)	(49,889,996)	9,087,279	111,042,995	179,662,900	122,602,564	264,694	-	16,839,461
Other Assets	78,850,700	50,584,734	27,558,507	8,278,278	87,549,578	2,913,242	657,231,588	3,997,764	-	916,964,390	6,137,674	-	122,867,258
Cash and Cash Equivalents	243,945,282	(74,810,344)	29,551,649	7,669,344	144,801,305	(46,976,754)	10,881,830,677	115,040,759	179,678,488	12,332,660,755	7,107,803	7,542,110	923,102,064
<b>Total Assets</b>													12,347,310,669
<b>Equity &amp; Liabilities</b>													
<b>Capital &amp; Reserves</b>													
Share Capital	-	-	-	-	-	-	-	-	-	480,000,000	500,000	(500,000)	480,000,000
Retained earnings	-	-	-	-	-	-	-	-	-	1,910,208,913	2,542,397	8,042,110	1,920,793,421
Other reserves	171,933,729	-	-	-	-	-	-	-	-	176,933,729	-	-	176,933,729
Available For Sale reserve	-	-	-	-	-	-	108,181,298	-	-	108,181,299	-	-	108,181,299
<b>Total equity</b>	171,933,729	-	-	-	-	-	108,181,298	-	-	2,675,323,942	3,042,397	7,542,110	2,685,908,449
<b>Liabilities</b>													
Insurance contract liabilities	244,126,771	1,585,317,522	64,852,955	(5,174,087)	67,813,547	-	-	-	-	1,956,936,708	-	-	1,956,936,708
Reinsurance contract liabilities	-	-	-	-	60,537,145	-	-	-	-	60,537,145	-	-	60,537,145
Investment contract liabilities	-	110,700,000	790,738,039	25,630,118	-	-	-	-	-	927,068,158	-	-	927,068,158
Insurance Payable	55,260,827	4,351,059	1,050,142	-	48,240,761	-	-	-	-	108,902,789	-	-	108,902,789
Contribution received by private provident fund	-	-	-	-	-	719,873,497	-	-	-	719,873,497	-	-	719,873,497
Debt issued and other borrowed funds	-	-	-	-	-	-	4,248,042,311	-	-	4,248,042,311	-	-	4,248,042,311
Employee benefit obligation	-	-	-	-	-	-	-	-	-	8,887,426	-	-	8,887,426
Deferred tax liability	-	-	-	-	-	-	-	-	-	175,151,615	-	-	175,151,615
Tax payable	-	-	-	-	-	-	-	-	-	171,179,607	-	-	171,179,607
Trade and other payables	(6,158,463)	1,072,899,584	11,794,170	31,229	-	144,999,840	22,874,380	34,316,819	-	1,280,757,558	4,065,406	-	1,284,822,964
<b>Total Liabilities</b>	293,229,135	2,773,268,165	868,435,306	20,487,261	176,591,453	864,873,337	4,270,916,691	34,316,819	-	9,657,336,814	4,065,406	-	9,661,402,220
<b>Shareholders' Equity &amp; Liabilities</b>	465,162,864	2,773,268,165	868,435,306	20,487,261	176,591,453	864,873,337	4,379,097,990	34,316,819	-	12,332,660,756	7,107,803	7,542,110	12,347,310,669



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## (3) Operating Segment Information

Operating segment statement of financial position as at 1 January 2013

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re Insurance	PPF	Credit & Investment	Adjustments	Company	Subsidiary	Adjustments	Group
<b>Assets</b>												
Property and equipment	-	-	-	-	-	-	-	456,182,275	456,182,275	13,775	-	456,196,050
Investment properties	-	-	-	-	-	-	-	362,630,531	362,630,531	-	-	362,630,531
Intangible assets	-	-	-	-	-	-	-	20,156,010	20,156,010	-	-	20,156,010
Loans and receivables	-	417,690	-	-	-	-	6,681,940,592	-	6,682,358,282	1,032,177	-	6,683,390,459
Long term investment classified as Loans and receivables	987,468,932	947,445,184	633,739,114	-	-	567,075,547	-	(3,135,728,776)	-	-	(500,000)	-
Investment in subsidiary companies	-	-	-	-	-	-	500,000	-	500,000	-	3,732,967	-
Investment in associate	-	-	-	-	-	-	24,311,650	-	24,311,650	700,000	-	28,044,617
Available-for-sale financial assets	-	-	-	-	-	-	240,867,031	-	240,867,031	-	-	241,567,031
Insurance Receivables	164,200,358	1,292,757	2,456,788	-	-	-	-	-	167,949,903	-	-	167,949,903
Net defined benefit assets	3,889,573	-	3,824,601	-	-	-	9,700,462	11,404,000	11,404,000	189,581	-	11,404,000
Other Assets	48,465,405	11,884,248	10,970,824	-	-	2,280,582	234,234,660	69,722,659	87,137,494	5,221,150	-	87,327,075
Cash and Cash Equivalents	1,204,024,267	961,039,879	650,991,327	-	-	569,364,129	7,191,554,596	1,350,951	309,202,671	-	-	314,423,821
<b>Total Assets</b>	<b>828,599,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260,290</b>	<b>1,118,607,610</b>	<b>(2,214,274,348)</b>	<b>8,362,699,850</b>	<b>7,156,683</b>	<b>3,232,967</b>	<b>8,373,089,496</b>
<b>Equity &amp; Liabilities</b>												
<b>Capital &amp; Reserves</b>												
Share Capital	-	-	-	-	-	-	-	240,000,000	240,000,000	500,000	(500,000)	240,000,000
Retained earnings	687,665,604	-	-	-	-	260,290	991,419,108	40,991,589	1,720,336,592	2,081,693	3,732,967	1,726,151,252
Other reserves	140,933,729	-	-	-	-	-	-	-	140,933,729	-	-	140,933,729
Available For Sale reserve	-	-	-	-	-	-	127,188,502	-	127,188,502	-	-	127,188,502
<b>Total equity</b>	<b>828,599,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260,290</b>	<b>1,118,607,610</b>	<b>280,991,589</b>	<b>2,228,458,823</b>	<b>2,581,693</b>	<b>3,232,967</b>	<b>2,234,273,483</b>
<b>Liabilities</b>												
Insurance contract liabilities	285,119,803	906,735,036	48,831,627	-	-	-	-	-	1,240,686,466	-	-	1,240,686,466
Reinsurance contract liabilities	2,640,251	-	-	-	-	-	-	-	2,640,251	-	-	2,640,251
Investment contract liabilities	-	-	600,700,073	-	-	-	-	-	600,700,073	-	-	600,700,073
Insurance Payable	74,576,270	4,195,960	522,110	-	-	-	-	-	79,294,340	-	-	79,294,340
Contribution received by private provident fund	-	-	-	-	-	480,482,020	5,865,779,487	(2,533,752,873)	480,482,020	-	-	480,482,020
Debt issued and other borrowed funds	-	-	-	-	-	-	-	3,849,605	3,849,605	-	-	3,849,605
Employee benefit obligation	-	-	-	-	-	-	-	54,605,873	54,605,873	-	-	54,605,873
Deferred tax liability	-	-	-	-	-	-	-	154,915,357	154,915,357	56,098	-	154,971,455
Tax payable	-	-	-	-	-	-	-	-	-	-	-	-
Dividend payable	-	-	937,517	-	-	88,621,819	207,167,499	(174,883,899)	185,040,428	4,518,892	-	189,559,320
Trade and other payables	13,088,610	50,108,882	-	-	-	-	6,072,946,985	(2,495,265,937)	6,134,241,026	4,574,990	-	6,138,816,016
<b>Total Liabilities</b>	<b>375,424,934</b>	<b>961,039,878</b>	<b>650,991,327</b>	<b>-</b>	<b>-</b>	<b>569,364,129</b>	<b>7,191,554,595</b>	<b>(2,214,274,348)</b>	<b>8,362,699,850</b>	<b>7,156,683</b>	<b>3,232,967</b>	<b>8,373,089,499</b>
<b>Shareholders' Equity &amp; Liabilities</b>	<b>1,204,024,267</b>	<b>961,039,878</b>	<b>650,991,327</b>	<b>-</b>	<b>-</b>	<b>569,364,129</b>	<b>7,191,554,595</b>	<b>(2,214,274,348)</b>	<b>8,362,699,850</b>	<b>7,156,683</b>	<b>3,232,967</b>	<b>8,373,089,499</b>



# Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group		Company	
		Nu	Nu	Nu	Nu
<b>4. GROSS WRITTEN PREMIUM</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Non life insurance		760,170,708	696,821,023	760,170,708	696,821,023
Life insurance		570,313,575	399,285,965	570,313,575	399,285,965
Group life insurance		54,394,053	40,651,871	54,394,053	40,651,871
Annuity insurance		208,875	85,973	208,875	85,973
Re insurance		93,087,102	46,613,858	93,087,102	46,613,858
<b>Total gross written premium</b>		<b>1,478,174,313</b>	<b>1,183,458,690</b>	<b>1,478,174,313</b>	<b>1,183,458,690</b>
<b>4.1 Premiums ceded to reinsurance</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Insurance		-	-	-	-
Life insurance		(19,560)	(16,560)	(19,560)	(16,560)
Re insurance		(466,593,995)	(407,634,021)	(466,593,995)	(407,634,021)
<b>Total premium ceded to reinsurance</b>		<b>(466,613,555)</b>	<b>(407,650,581)</b>	<b>(466,613,555)</b>	<b>(407,650,581)</b>
<b>Total net premium</b>		<b>1,011,560,758</b>	<b>775,808,109</b>	<b>1,011,560,758</b>	<b>775,808,109</b>
<b>5. FINANCE INCOME</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Income from investment securities		17,668,450	14,572,925	17,668,450	18,653,750
Interest income on fixed deposits		-	102,309,554	-	102,226,980
		<b>17,668,450</b>	<b>116,882,479</b>	<b>17,668,450</b>	<b>120,880,730</b>
<b>6. FEES AND COMMISSION INCOME</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Agent commission		129,029,484	78,206	129,029,484	78,206
Reinsurance commission		(19,895,521)	112,517,143	(19,895,521)	112,517,143
Credit related fees and commissions		1,295,000	995,400	1,295,000	995,400
Guarantee fee		30,017,705	22,860,116	30,017,705	22,860,116
Other		980,051	1,088,261	-	-
<b>Total fees and commission income</b>		<b>141,426,719</b>	<b>137,539,126</b>	<b>140,446,669</b>	<b>136,450,865</b>
<b>7. FEES AND COMMISSION EXPENSE</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Commission expense on Re insurance accepted		(33,250,211)	(7,371,217)	(33,250,211)	(7,371,217)
Agent commission		(35,332,690)	(50,744,572)	(35,332,690)	(50,744,572)
Brokerage Fees		(1,118,611)	(797,247)	(1,118,611)	(797,247)
<b>Total fees and commission expense</b>		<b>(69,701,512)</b>	<b>(58,913,035)</b>	<b>(69,701,512)</b>	<b>(58,913,035)</b>





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group		Company	
		Nu	Nu	Nu	Nu
<b>8. INTEREST INCOME ON FINANCIAL SERVICES</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Loans & receivables from customers		973,020,122	778,549,344	973,020,122	778,549,344
Interest income received from impaired loans		17,725,323	10,745,173	17,725,323	10,745,173
<b>Total interest income</b>		<b>990,745,445</b>	<b>789,294,517</b>	<b>990,745,445</b>	<b>789,294,517</b>
<b>9. INTEREST EXPENSE ON FINANCIAL SERVICES</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Interest on group life insurance		(54,828,198)	(54,853,134)	(54,828,198)	(54,853,134)
Interest on annuity contribution		(875,326)	(138,029)	(875,326)	(138,029)
Interest on bank borrowings		(93,835,908)	(76,399,230)	(93,835,908)	(76,399,230)
Debt issued and borrowed funds		(267,940,935)	(213,243,839)	(267,940,935)	(213,243,839)
Unrecovered interest from impaired loans		-	(11,656,048)	-	(11,656,048)
<b>Total interest expense</b>		<b>(417,480,368)</b>	<b>(356,290,280)</b>	<b>(417,480,368)</b>	<b>(356,290,280)</b>
<b>10. OTHER OPERATING INCOME</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Rental income		7,729,295	7,586,742	7,729,295	7,586,742
Interest income on plan assets		949,516	920,780	949,516	920,780
Other		5,790,835	6,468,827	5,708,142	6,468,656
<b>Total other operating income</b>		<b>14,469,646</b>	<b>14,976,349</b>	<b>14,386,953</b>	<b>14,976,178</b>
<b>11. NET BENEFITS AND CLAIMS</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>11(a) Gross benefits and claims paid</b>					
Non Life Insurance		(336,804,929)	(594,269,726)	(336,804,929)	(594,269,726)
Life Insurance		(205,025,713)	(79,312,294)	(205,025,713)	(79,312,294)
Group Life Insurance		(28,100,000)	(17,000,000)	(28,100,000)	(17,000,000)
Re insurance		(22,437,143)	(35,416,957)	(22,437,143)	(35,416,957)
<b>Total gross benefit and claims paid</b>		<b>(592,367,785)</b>	<b>(725,998,977)</b>	<b>(592,367,785)</b>	<b>(725,998,977)</b>
<b>11 (b) Claims ceded to reinsurers</b>					
Non Life Insurance		185,911,613	423,623,713	185,911,613	423,623,713
<b>Total claims to reinsurers</b>		<b>185,911,613</b>	<b>423,623,713</b>	<b>185,911,613</b>	<b>423,623,713</b>
<b>11 (c) Change in contract liabilities</b>					
Life Insurance		(413,911,383)	(314,801,160)	(413,911,383)	(314,801,160)
Group Life Insurance		(9,563,438)	(6,000,006)	(9,563,438)	(6,000,006)
Annuity Insurance		787,696	4,382,934	787,696	4,382,934
<b>Total change in contract liabilities ceded to reinsurers</b>		<b>(422,687,124)</b>	<b>(316,418,232)</b>	<b>(422,687,124)</b>	<b>(316,418,232)</b>
<b>Net benefit claims and paid</b>		<b>(829,143,296)</b>	<b>(618,793,497)</b>	<b>(829,143,296)</b>	<b>(618,793,497)</b>



# Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group		Company	
		Nu 2014	Nu 2013	Nu 2014	Nu 2013
<b>12. IMPAIREMENT GAIN /(LOSS)</b>					
Impairment loss on reinsurance receivables		(35,085,439)	(44,159,251)	(35,085,439)	(44,159,251)
Impairment loss on loans and receivables		69,532,759	8,038,923	69,532,759	8,038,923
<b>Total impairment gain /loss on loans and advances</b>		<b>34,447,320</b>	<b>(36,120,328)</b>	<b>34,447,320</b>	<b>(36,120,328)</b>
<b>13. OTHER OPERATING AND ADMINISTRATIVE EXPENSES</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Amortization of intangible assets		(4,210,591)	(616,551)	(4,210,591)	(616,551)
Depreciation on property, plant and equipment		(22,196,827)	(16,500,645)	(22,196,827)	(16,496,475)
Depreciation on investment property		(3,865,743)	(1,045,452)	(3,865,743)	(1,045,452)
Professional & legal expenses		(2,770,650)	(1,970,028)	(2,770,650)	(1,970,028)
Bank Charges		(409,594)	(332,878)	(409,594)	(332,878)
Management expenses		(132,405,166)	(95,656,899)	(132,405,166)	(94,650,028)
Employee benefits expense	14.1	(54,234,337)	(116,949,229)	(54,234,337)	(116,949,229)
Other		(19,523,470)	-	(18,958,910)	-
<b>Total other operating and administrative expenses</b>		<b>(239,616,378)</b>	<b>(233,071,682)</b>	<b>(239,051,818)</b>	<b>(232,060,641)</b>
<b>14. INCOME TAX EXPENSES</b>		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
(a) Current tax charge					
Current income tax		(171,329,062)	(154,662,610)	(171,179,607)	(154,614,621)
Adjustment in respect of current income tax of prior year		-	-	-	-
Deferred tax		-	-	-	-
Relating to origination and reversal of temporary difference		2,086,436	301,173	2,086,436	301,173
<b>Total income tax expense</b>		<b>(169,242,626)</b>	<b>(154,361,438)</b>	<b>(169,093,171)</b>	<b>(154,313,448)</b>
(b) <b>Tax recorded in other comprehensive income (see note 18)</b>					
Current tax		-	-	-	-
Deferred tax		(2,808,218)	9,323,524	(2,808,218)	9,323,524
<b>total tax charge to the other comprehensive income</b>		<b>(2,808,218.40)</b>	<b>9,323,524.28</b>	<b>(2,808,218.40)</b>	<b>55,686,938</b>



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14.1	Deferred tax liability	Note	Consolidated statement of financial position				Consolidated income statement					
			2014		2013		2012		2014		2013	
			Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
		-	-	-	-	-	-	-	-	-	-	
	<b>Deferred tax assets</b>											
	Property plant & equipment											
	<b>Deferred tax liability</b>											
	Property Plant & Equipment		29,370,517	31,591,879	32,367,483				2,221,362		775,604	
	Investment Property		92,946,945	93,508,549	93,241,612				561,605		(266,937)	
	Intangible Assets		1,418,901	722,370	514,876				(696,531)		(207,494)	
	Net defined benefit assets		5,051,838	2,243,620	3,421,200						-	
	Available for sale assets		46,363,414	46,363,414	54,509,358							
			175,151,615	174,429,832	184,054,529							
	<b>Deferred income tax charge/(reversal)</b>								2,086,436		301,173	
	<b>Deferred income tax charge/(reversal) - OCI</b>											
	Net defined benefit assets		-	-	-				(2,808,218)		1,177,580	
	Available for sale assets		-	-	-				(0)		8,145,944	
									(2,808,219)		9,323,524	
	<b>Net deferred tax liability or assets</b>		(175,151,615)	(174,429,832)	(184,054,529)							

# Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 16. PROPERTY, PLANT AND EQUIPMENT

Group							In Nus
Cost:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 1 January 2013	267,370,680	157,674,132	8,816,516	7,716,961	3,766,039	38,011,785	483,356,114
Additions	-	-	3,509,030	2,087,980	-	4,382,031	9,979,041
Disposals	-	-	-	-	-	-	-
At 31 December 2013	267,370,680	157,674,132	12,325,546	9,804,942	3,766,039	42,393,816	493,335,155
At 1 January 2014	267,370,680	157,674,132	12,325,546	9,804,942	3,766,039	42,393,816	493,335,155
Additions	2,194,682	3,834,370	1,990,340	5,872,800	-	5,312,776	19,204,969
Disposals	-	-	-	-	-	-	-
At 31 December 2014	269,565,362	161,508,502	14,315,885	15,677,742	3,766,039	47,706,592	512,540,123

#### Depreciation and impairment:

At 1 January 2013	-	-	4,340,476	2,534,144	1,545,377	18,740,069	27,160,066
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	3,126,679	1,365,735	1,225,288	294,987	6,537,312	12,550,001
At 31 December 2013	-	3,126,679	5,706,211	3,759,431	1,840,365	25,277,381	39,710,067
At 1 January 2014	-	3,126,679	5,706,211	3,759,431	1,840,365	25,277,381	39,710,067
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	12,481,878	1,759,103	1,569,417	294,987	7,956,410	24,061,795
At 31 December 2014	-	15,608,557	7,465,314	5,328,848	2,135,352	33,233,791	63,771,862

#### Net book value:

At 1 January 2013	267,370,680	157,674,132	4,476,040	5,182,818	2,220,662	19,271,716	456,196,047
At 31 December 2013	267,370,680	154,547,453	6,619,335	6,045,510	1,925,675	17,116,435	453,625,087
At 31 December 2014	269,565,362	145,899,946	6,850,571	10,348,894	1,630,687	14,472,800	448,768,261

#### Company

Cost:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 1 January 2013	267,370,680	157,674,132	8,816,516	7,716,961	3,766,039	37,983,985	483,328,314
Additions	-	-	3,509,030	2,087,980	-	4,382,031	9,979,041
Disposals	-	-	-	-	-	-	-
At 31 December 2013	267,370,680	157,674,132	12,325,546	9,804,942	3,766,039	42,366,016	493,307,355
At 1 January 2014	267,370,680	157,674,132	12,325,546	9,804,942	3,766,039	42,366,016	493,307,355
Additions	2,194,682	3,834,370	1,990,340	5,872,800	-	5,312,776	19,204,969
Disposals	-	-	-	-	-	-	-
At 31 December 2014	269,565,362.4	161,508,502.3	14,315,885.3	15,677,741.96	3,766,039.49	47,706,592	512,512,323

#### Depreciation and impairment:

At 1 January 2013	-	-	4,340,476	2,534,144	1,545,377	18,726,044	27,146,041
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	3,126,679	1,365,735	1,225,288	294,987	6,533,142	12,545,831
At 31 December 2013	-	3,126,679	5,706,211	3,759,431	1,840,365	25,259,186	39,691,872
At 1 January 2014	-	3,126,679	5,706,211	3,759,431	1,840,365	25,259,186	39,691,872
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	12,481,878	1,759,103	1,569,417	294,987	7,952,240	24,057,625
At 31 December 2014	-	15,608,557	7,465,314	5,328,848	2,135,352	33,211,426	63,749,497

#### Net book value:

At 1 January 2013	267,370,680	157,674,132	4,476,040	5,182,818	2,220,662	19,257,941	456,182,275
At 31 December 2013	267,370,680	154,547,453	6,619,335	6,045,510	1,925,675	17,106,830	453,615,485
At 31 December 2014	269,565,362	145,899,946	6,850,571	10,348,894	1,630,687	14,467,365	448,762,826



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group Nu	Company Nu
<b>17. INTANGIBLE ASSETS</b>			
<b>Cost:</b>			
At 1 January 2013		29,372,827	29,372,827
Additions		16,679,489	16,679,489
Disposals		-	-
At 31 December 2013		46,052,316	46,052,316
At 1 January 2014		46,052,316	46,052,316
Additions		-	-
Disposals		-	-
At 31 December 2014		46,052,316	46,052,315
<b>Depreciation and impairment:</b>			
At 1 January 2013		9,216,817	9,216,817
Disposals		-	-
Amortization		4,071,551	4,071,551
At 31 December 2013		13,288,368	13,288,368
At 1 January 2014		13,288,368	13,288,368
Disposals		-	-
Amortization		4,210,590	4,210,590
At 31 December 2014		17,498,958	17,498,958
<b>Net book value:</b>			
At 1 January 2013		20,156,010	20,156,010
At 31 December 2013		32,763,948	32,763,948
At 31 December 2014		28,553,357	28,553,357





Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group			Company		
		Nu	Nu	Nu	Nu	Nu	Nu
<b>18. INVESTMENT PROPERTY</b>							
Cost		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
At 1 January		363,570,389	362,630,531	183,074,483	363,570,389	362,630,531	183,074,483
Additions		-	939,858	179,556,048	-	939,858	179,556,048
Disposals		(1,929,941)	-	-	(1,929,941)	-	-
		<u>361,640,447</u>	<u>363,570,389</u>	<u>362,630,531</u>	<u>361,640,447</u>	<u>363,570,389</u>	<u>362,630,531</u>
Depreciation							
At 1 January		-	-	-	-	-	-
For the year		3,865,743	1,929,941	-	3,865,743	1,929,941	-
		<u>3,865,743</u>	<u>1,929,941</u>	<u>-</u>	<u>3,865,743</u>	<u>1,929,941</u>	<u>-</u>
<b>At 31 December</b>		<b>357,774,705</b>	<b>361,640,447</b>	<b>362,630,531</b>	<b>357,774,705</b>	<b>361,640,447</b>	<b>362,630,531</b>
Investment property stated at cost.							
<b>19. LOANS AND RECEIVABLES</b>							
Loans and receivable from customers	19.1	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
		8,055,719,264	6,369,713,088	5,451,397,528	8,055,719,264	6,369,713,088	5,451,397,528
Loans and receivables from banks and financial institutions		<u>1,756,836,507</u>	<u>1,490,909,882</u>	<u>1,231,992,930</u>	<u>1,756,836,507</u>	<u>1,489,877,705</u>	<u>1,230,960,753</u>
		<b>9,812,555,771</b>	<b>7,860,622,971</b>	<b>6,683,390,459</b>	<b>9,812,555,771</b>	<b>7,859,590,794</b>	<b>6,682,358,282</b>
<b>19.1 Loans given against life policies</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
		394,495	732,179	417,690	394,495	732,179	417,690
Housing Loans		2,285,158,996	2,001,515,426	1,935,781,330	2,285,158,996	2,001,515,426	1,935,781,330
Transport Loans		401,028,322	575,465,809	773,517,729	401,028,322	575,465,809	773,517,729
Term Loans		2,047,499,327	1,276,922,090	933,283,019	2,047,499,327	1,276,922,090	933,283,019
Over draft		3,542,398,802	2,687,770,872	1,985,121,655	3,542,398,802	2,687,770,872	1,985,121,655
Staff Loan		18,669,631	15,281,379	19,289,431	18,669,631	15,281,379	19,289,431
Less: Provision for impairment losses		(239,430,044)	(187,974,404)	(196,013,326.7)	(239,430,044)	(187,974,404)	(196,013,326.7)
<b>Total loans and receivables from customers at fair value</b>		<b>8,055,719,528</b>	<b>6,369,713,088</b>	<b>5,451,397,528</b>	<b>8,055,719,264</b>	<b>6,369,713,088</b>	<b>5,451,397,528</b>
<b>Impairment Allowance for loans &amp; advances to customers</b>							
A reconciliation of the allowance for impairment losses for loans & advances, by class, is as follows:							
		<b>Housing</b>	<b>Transport</b>	<b>Term</b>	<b>OD</b>	<b>Total</b>	
At 1st January 2012		35,515,809	39,368,940	31,151,239	96,314,170	202,350,158	
Charges for the year		(6,986,150)	2,787,712	(3,415,460)	1,277,066	(6,336,831)	
Additions							
Recoveries							
At 31st December 2012		<b>28,529,659</b>	<b>42,156,652</b>	<b>27,735,780</b>	<b>97,591,236</b>	<b>196,013,327</b>	
Individual Impairment		-	-	-	-	-	
Collective Impairment		28,529,659	42,156,652	27,735,780	97,591,236	196,013,327	
At 1st January 2013		28,529,659	42,156,652	27,735,780	97,591,236	196,013,327	
Charges for the year		(6,693,730)	4,774,074	5,768,929	(11,888,196)	(8,038,923)	
Additions							
Recoveries							
At 31st December 2013		<b>21,835,929</b>	<b>46,930,726</b>	<b>33,504,709</b>	<b>85,703,040</b>	<b>187,974,404</b>	
Individual Impairment		-	-	-	-	-	
Collective Impairment		21,835,929	46,930,726	33,504,709	85,703,040	187,974,404	
At 1st January 2014		21,835,929	46,930,726	33,504,709	85,703,040	187,974,404	
Charges/Reversal for the year		9,591,705	(12,592,450)	24,299,370	30,157,014	51,455,640	
Recoveries							
Additions							
At 31st December 2014		<b>31,427,635</b>	<b>34,338,275</b>	<b>57,804,079</b>	<b>115,860,055</b>	<b>239,430,044</b>	
Individual Impairment		-	-	-	-	-	
Collective Impairment		31,427,635	34,338,275	57,804,079	115,860,055	239,430,044	





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

Note	Group		Company	
	Nu	Nu	Nu	Nu
<b>20. INVESTMENT IN SUBSIDIARY COMPANY</b>				
RICB securities limited (500 No of Shares, Face Value Nu. 1000/-)				
		2014	2013	2012
		500,000	500,000	500,000
		<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>21. INVESTMENT IN ASSOCIATE</b>				
Opening balance	2014	2013	2012	2012
For the year profit	32,353,760	28,044,617	24,311,650	24,311,650
Less	-	8,389,968	5,365,297	-
Dividend received	-	-	-	-
	-	(4,080,825)	(1,632,330)	-
	<u>32,353,760</u>	<u>32,353,760</u>	<u>28,044,617</u>	<u>24,311,650</u>

Note: The financial statements for 2014 of the associate company was not available, therefore, effect on the value of investment in consolidation was not taken.

**22. AVAILABLE FOR SALE FINANCIAL ASSETS**

	2014		2013		2012	
	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value
<b>Quoted investments</b>						
Equity investment	235,713,884	210,713,884	237,867,031	210,713,884	237,867,031	237,867,031
<b>Unquoted investments</b>						
Equity investment	42,825,000	35,000,000	3,000,000	42,825,000	35,000,000	3,000,000
Statutory investment	700,000	700,000	700,000	-	-	-
<b>Total available for sale financial assets</b>	<b>279,238,884</b>	<b>246,413,884</b>	<b>241,567,031</b>	<b>278,538,884</b>	<b>245,713,884</b>	<b>240,867,031</b>

	2014		2013		2012	
	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value
<b>22 Quoted equity securities</b>						
Bhutan Carbide & Chemicals Ltd.	181,370	24,311,650	181,370	24,311,650	181,370	24,311,650
Bhutan Ferro Alloys Ltd.	80,000	8,100,000	80,000	8,100,000	80,000	8,100,000
Penden Cement Authority Ltd.	18,315	3,169,400	18,315	3,169,400	18,315	3,169,400
Bhutan National Bank Ltd	450,000	43,125,000	450,000	43,125,000	450,000	43,125,000
State Trading Corporation of Bhutan Ltd.	88,200	980,000	88,200	980,000	88,200	980,000
Bhutan Board Products Ltd.	11,830	1,229,250	11,830	1,229,250	11,830	1,229,250
GIC Bhutan Re Ltd	2,500,000	25,000,000	-	-	-	-
<b>Total</b>	<b>3,329,715</b>	<b>105,915,300</b>	<b>829,715</b>	<b>80,915,300</b>	<b>829,715</b>	<b>80,915,300</b>

Quoted equity securities do not have active market as defined in IAS 39. Hence fair value were arrived by using valuation model based on data available upto 31st December 2013 due to unavailability of information for the current year.

	2014		2013		2012	
	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value
<b>22 Un-quoted equity securities</b>						
Bhutan Development Finance Corporation.	3,000	3,000,000	3,000	3,000,000	3,000	3,000,000
Zindra Foods Private Limited	200,000	20,000,000	200,000	20,000,000	200,000	20,000,000
Financial Institution Training Institute	-	12,000,000	-	12,000,000	-	-
Tara Dolma	-	6,450,000	-	-	-	-
CIB	-	1,375,000	-	-	-	-
<b>Total</b>	<b>203,000</b>	<b>42,825,000</b>	<b>203,000</b>	<b>35,000,000</b>	<b>203,000</b>	<b>3,000,000</b>

**23. INSURANCE RECEIVABLES**

	2014		2013		2012	
	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value	No of Ordinary Shares	Fair Value
Due from policyholders	1,880,243	6,472,175	1,880,243	6,472,175	1,880,243	2,968,795
Due from reinsurers	324,073,682	185,683,719	324,073,682	185,683,719	324,073,682	163,613,694
Rural claim and subsidy	1,500	14,430,546	1,500	14,430,546	1,500	22,828,796
Employee short fund	7,794	8,645	7,794	8,645	7,794	8,645
Impairment of insurance receivables	-100,706,072	(65,620,633)	(21,461,382)	(65,620,633)	(21,461,382)	(21,461,382)
<b>Total insurance receivables</b>	<b>225,257,147</b>	<b>140,974,652</b>	<b>225,257,147</b>	<b>140,974,652</b>	<b>225,257,147</b>	<b>167,949,903</b>

## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group			Company		
		Nu	2014	Nu	2012	Nu	2013
<b>24. OTHER ASSETS</b>							
Advances, Deposits & Prepayments		117,391,205	85,356,189	73,521,600	117,391,205	85,257,611	73,519,973
Interest, Rent and Other Receivables		264,695	131,532	48,958	-	-	-
Other		5,211,358	7,771,762	13,756,518	5,211,358	7,571,762	13,617,522
		<b>122,867,258</b>	<b>93,259,483</b>	<b>87,327,076</b>	<b>122,602,563</b>	<b>92,829,373</b>	<b>87,137,495</b>
<b>25. CASH AND CASH EQUIVALENTS</b>							
Local currency in hand		10,127,436	6,929,216	8,674,844	10,127,436	6,929,216	8,674,844
Balances with local banks		825,556,743	231,352,854	303,448,435	819,419,069	225,394,324	298,227,285
Balances with foreign banks		87,417,885	26,295,057	2,300,541	87,417,885	26,295,057	2,300,541
		<b>923,102,064</b>	<b>264,577,128</b>	<b>314,423,821</b>	<b>916,964,390</b>	<b>258,618,598</b>	<b>309,202,671</b>
<b>26. SHARE CAPITAL</b>							
Authorized and issued share capital							
<b>Authorized share capital</b>							
Equity shares of Nu.10 (Previous year 100 each)		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
<b>Equity shares issued and fully paid</b>							
At beginning of the year		240,000,000	240,000,000	240,000,000	240,000,000	240,000,000	240,000,000
Bonus share issued during the year		240,000,000	-	-	240,000,000	-	-
At end of the year		<b>480,000,000</b>	<b>240,000,000</b>	<b>240,000,000</b>	<b>480,000,000</b>	<b>240,000,000</b>	<b>240,000,000</b>

All Equity shares issued are fully paid.

\* During the year 2014, The Company has issued 2,400,000 bonus share in the ratio of 1:1 of Nu. 100/- each fully paid up. Subsequently, The Royal Stock Exchange of Bhutan Ltd. Has splitted 1 Equity share of Nu. 100/- each into 10 Equity shares of Nu. 10/- each

## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group			Company		
		Nu	Nu	Nu	Nu	Nu	Nu
		2014	2014	2014	2014	2014	2014
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
27. Insurance contract liabilities							
Non Life Insurance	27.1	168,497,493	75,629,278	244,126,771	168,497,493	75,629,278	244,126,771
Life Insurance		1,585,317,522	-	1,585,317,522	1,585,317,522	-	1,585,317,522
Group Life Insurance		64,852,955	-	64,852,955	64,852,955	-	64,852,955
Annuity Insurance		(5,174,087)	-	(5,174,087)	(5,174,087)	-	(5,174,087)
Re insurance	27.2	67,813,547	-	67,813,547	67,813,547	-	67,813,547
		<b>1,881,307,430</b>	<b>75,629,278</b>	<b>1,956,936,708</b>	<b>1,881,307,430</b>	<b>75,629,278</b>	<b>1,956,936,708</b>

**Insurance contract liabilities - Life insurance**

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product

Mortality rates based on published mortality tables adjusted for actual experience

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2014 was made by Mr. Ugyen Tshewang an inhouse actuary.

**Liability adequacy testing (LAT)**

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2014 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

27.1 Insurance contract liabilities - Non Life Insurance	2014	2014	2014	2014	2014	2014
	Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policyholders	166,229,989	-	166,229,989	166,229,989	-	166,229,989
Reinsurance share of claims	-	75,629,278	75,629,278	-	75,629,278	75,629,278
IBNR	34,082,414	-	34,082,414	34,082,414	-	34,082,414
Provision for unearned premiums	(28,343,830)	-	(28,343,830)	(28,343,830)	-	(28,343,830)
Deferred Acquisition Cost	(3,471,080)	-	(3,471,080)	(3,471,080)	-	(3,471,080)
	<b>168,497,493</b>	<b>75,629,278</b>	<b>247,597,851</b>	<b>168,497,493</b>	<b>75,629,278</b>	<b>244,126,771</b>

**Liability adequacy testing (LAT)**

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2014 as required by IFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

**27.2 Insurance contract liabilities - Re Insurance**

Provision for reported claims by policyholders	65,768,300	-	65,768,300	65,768,300	-	65,768,300
IBNR	8,723,874	-	8,723,874	8,723,874	-	8,723,874
Provision for unearned premiums	11,398,894	-	11,398,894	11,398,894	-	11,398,894
Deferred commission	(18,077,521)	-	(18,077,521)	(18,077,521)	-	(18,077,521)
	<b>67,813,547</b>	<b>-</b>	<b>67,813,547</b>	<b>67,813,547</b>	<b>-</b>	<b>67,813,547</b>



# AUDITORS' REPORT

## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group			Company		
		Nu	Nu	Nu	Nu	Nu	Nu
		2013	2013	2013	2013	2013	2013
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
27. Insurance contract liabilities							
Non Life Insurance	27.1	159,894,616	62,128,127	222,022,743	159,894,616	62,128,127	222,022,743
Life Insurance		1,221,069,320		1,221,069,320	1,221,069,320		1,221,069,320
Group Life Insurance		57,288,421		57,288,421	57,288,421		57,288,421
Annuity Insurance		(4,382,934)		(4,382,934)	(4,382,934)		(4,382,934)
Re insurance	27.2	26,286,364	-	26,286,364	26,286,364	-	26,286,364
		<b>1,460,155,788</b>	<b>62,128,127</b>	<b>1,522,283,914</b>	<b>1,460,155,788</b>	<b>62,128,127</b>	<b>1,522,283,914</b>

#### Insurance contract liabilities - Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product

Mortality rates based on published mortality tables adjusted for actual experience

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2013 was made by Mr. Ugyen Tshewang an inhouse actuary.

#### Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2013 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2013.No additional provision was required against the LAT as at 31st December 2013.

#### 27.1 Insurance contract liabilities - Non Life Insurance

Provision for reported claims by policyholders	152,669,335	-	152,669,335	152,669,335	-	152,669,335
Reinsurance share of claims	(6,394,369)	62,128,127	55,733,758	(6,394,369)	62,128,127	55,733,758
IBNR	41,749,030	-	41,749,030	41,749,030	-	41,749,030
Provision for unearned premiums	(28,129,380)	-	(28,129,380)	(28,129,380)	-	(28,129,380)
	<b>159,894,616</b>	<b>62,128,127</b>	<b>222,022,743</b>	<b>159,894,616</b>	<b>62,128,127</b>	<b>222,022,743</b>

#### Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2013 as required by IFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2013. No additional provision was required against the LAT as at 31st December 2013.

#### 27.2 Insurance contract liabilities - Re Insurance

Provision for reported claims by policyholders	29,622,882	-	29,622,882	29,622,882	-	29,622,882
IBNR	9,633,992	-	9,633,992	9,633,992	-	9,633,992
Provision for unearned premiums	(3,168,220)	-	(3,168,220)	(3,168,220)	-	(3,168,220)
Deferred commission	(9,802,290)	-	(9,802,290)	(9,802,290)	-	(9,802,290)
	<b>26,286,364</b>	<b>-</b>	<b>26,286,364</b>	<b>26,286,364</b>	<b>-</b>	<b>26,286,364</b>





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

Note	Group		Company	
	Nu	Nu	Nu	Nu
27. Insurance contract liabilities	2012	2012	2012	2012
	Insurance contract liabilities	Reinsurance contract liabilities	Insurance contract liabilities	Reinsurance contract liabilities
		Net	Net	Net
	28.1			
	Non Life Insurance	229,386,046	55,733,757	285,119,803
	Life Insurance	906,735,036	-	906,735,036
	Group Life Insurance	48,831,627	-	48,831,627
Annuity Insurance	-	-	-	
Re insurance	-	-	-	
	1,184,952,709	55,733,757	1,240,686,466	1,184,952,709

**27. Insurance contract liabilities**

Non Life Insurance  
Life Insurance  
Group Life Insurance  
Annuity Insurance  
Re insurance

**Insurance contract liabilities - Life insurance**

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product

Mortality rates based on published mortality tables adjusted for actual experience

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2012 was made by Mr. Ugyen Tshewang an inhouse actuary.

**Liability adequacy testing (LAT)**

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31 December 2012 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2012. No additional provision was required against the LAT as at 31 December 2012.

**27.1 Insurance contract liabilities - Non Life Insurance**

Provision for reported claims by policyholders	170,540,664	-	170,540,664	170,540,664	-	170,540,664
IBNR	38,183,273	-	38,183,273	38,183,273	-	38,183,273
Provision for unearned premiums	20,662,109	-	20,662,109	20,662,109	-	20,662,109
Deferred RI Commission	-	55,733,757	55,733,757	-	55,733,757	55,733,757
	<b>229,386,046</b>	<b>55,733,757</b>	<b>285,119,803</b>	<b>229,386,046</b>	<b>55,733,757</b>	<b>285,119,803</b>

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED  
Notes to the consolidated financial Statements

28	Investment Contract Liabilities	Note	Group		Company	
			Nu	Nu	Nu	Nu
			2014	2013	2012	2012
	Non Life Insurance					
	Life Insurance		110,700,000	-	-	-
	Group Life Insurance		790,738,039	668,377,920	600,700,073	600,700,073
	Annuity Insurance		25,630,118	4,685,733	-	-
	Re insurance		-	-	-	-
			<b>927,068,158</b>	<b>673,063,653</b>	<b>600,700,073</b>	<b>600,700,073</b>

Investment contract liabilities with a DPF and without DPF are represent above, i.e- Ten-Tsai Mangul Ngenchoel Policy II which has the features of an investment contract have been classified accordingly.

As permitted by IFRS 7, the Group has not disclosed fair values for investment contract liabilities with a DPF as estimated. There is no active market for these course of business

29	Insurance Payable		2014		2013		2012	
			Nu	Nu	Nu	Nu	Nu	Nu
	Non Life Insurance		55,260,826.97	16,877,294	74,576,270	55,260,827	16,877,294	74,576,270
	Life Insurance		4,351,058.84	6,355,759	4,195,960	4,351,059	6,355,759	4,195,960
	Group Life Insurance		1,050,142.25	1,725,672	522,110	1,050,142	1,725,672	522,110
	Annuity Insurance		-	-	-	-	-	-
	Re insurance		48,240,761.00	1,959,482	-	48,240,761	1,959,482	-
			<b>108,902,789</b>	<b>26,918,207</b>	<b>79,294,340</b>	<b>108,902,789</b>	<b>26,918,207</b>	<b>79,294,340</b>

The carrying amounts disclosed above approximate fair value at the reporting date.

30	Debt issued and other borrowed funds		2014		2013		2012	
			Nu	Nu	Nu	Nu	Nu	Nu
	Long term bond		2,643,961,644	2,067,026,683	2,067,026,614	2,643,961,644	2,067,026,683	2,067,026,614
	Term borrowings		1,604,080,667	1,639,079,060	1,265,000,000	1,604,080,667	1,639,079,060	1,265,000,000
	<b>Total debt issued and other borrowed funds</b>		<b>4,248,042,311</b>	<b>3,706,105,743</b>	<b>3,332,026,614</b>	<b>4,248,042,311</b>	<b>3,706,105,743</b>	<b>3,332,026,614</b>

**Terms and Conditions**

Security Guarantee

Failure to pay principal & interest

Jurisdiction

The loan shall be secured by the book debts of RICB

Failure to pay two consecutive quarters, at any point of time, the lender shall have right to take appropriate action as deem fit as per law of the Kingdom

If any dispute arise between RICBL and lender during the period of the loan, the Thimphu Dzongkhag Court shall have sole jurisdiction.

## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	Group			Company		
		Nu	Nu	Nu	Nu	Nu	Nu
<b>31. EMPLOYEE BENEFITS OBLIGATION</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net defined benefit assets		16,839,461	11,814,508	11,404,000	16,839,461	11,814,508	11,404,000
Leave encashment liability		8,884,267	4,038,892	3,849,605	8,887,426	4,038,892	3,849,605
<b>31.1 Net defined benefit assets</b>							
The amounts recognised in the income statement are as follows:		<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>	
Current service cost		(2,086,169.00)	(1,490,020.00)	-	(2,086,169)	(1,490,020)	
Interest cost on behalf obligation		949,516.00	920,780.00	-	949,516	920,780	
Net actuarial loss recognised in the year		-	(2,520,252.00)	-	266,1607	(2,520,252)	
		<b>(1,136,653)</b>	<b>(3,089,492)</b>		<b>1,524,954</b>	<b>(3,089,492)</b>	
The movement in the Net defined benefit obligation is, as follows:		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Opening balance		11,814,508	11,404,000	6,547,000	11,814,508	11,404,000	6,547,000
Current service cost		(2,086,169)	(1,490,020)	(2,121,000)	(2,086,169)	(1,490,020)	(2,121,000)
Payments made during the year		3,500,000	3,500,000	3,000,000	3,500,000	3,500,000	3,000,000
Interest cost on benefit obligation		949,516	920,780	(1,407,000)	949,516	920,780	(1,407,000)
Net actuarial loss recognized in the year		2,661,607	(2,520,252)	3,415,000	2,661,607	(2,520,252)	3,415,000
Expected return on plan assets				1,970,000			1,970,000
		<b>16,839,462</b>	<b>11,814,508</b>	<b>11,404,000</b>	<b>16,839,462</b>	<b>11,814,508</b>	<b>11,404,000</b>
The amounts recognised in the statement of financial position at the reporting date are, as follows:							
Present value of the defined benefit obligation		(20,067,747)	(22,991,818)	(21,286,000)	(20,067,747)	(22,991,818)	(21,286,000)
Fair value of plan assets		36,907,208	34,806,326	32,690,000	36,907,208	34,806,326	32,690,000
Net defined benefit obligation		<b>16,839,461</b>	<b>11,814,508</b>	<b>11,404,000</b>	<b>16,839,461</b>	<b>11,814,508</b>	<b>11,404,000</b>
<b>Total net defined benefit obligation</b>		<b>16,839,461</b>	<b>11,814,508</b>	<b>11,404,000</b>	<b>16,839,461</b>	<b>11,814,508</b>	<b>11,404,000</b>
Gratuity measured using actuarial valuation of projected unit credit method.							
The principle assumption used in determining the gratuity obligation was							
Salary escalation rate - 10%							
Discount rate - 7%							
Employer turnover - 6% in 2014 & 5.8% in 2013							
Retirement age - 56 years							
Mortality - Indian Assured Lives Mortality (IALM-2006-2008).							
<b>31.2 Leave encashment liability</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Opening balance		4,038,892	3,849,605	-	4,038,892	3,849,605	-
Cash payment		(12,654,745)	(1,045,020)	-	(5,770,534)	(1,045,020)	-
Expense		17,500,120	1,234,307	3,849,605	10,619,068	1,234,307	3,849,605
Closing balance		<b>8,884,267</b>	<b>4,038,892</b>	<b>3,849,605</b>	<b>8,887,426</b>	<b>4,038,892</b>	<b>3,849,605</b>



## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. TRADE AND OTHER PAYABLES	Note	Group		2014		2013		2012		2014		2013		2012	
		Nu		Nu		Nu		Nu		Nu		Nu		Nu	
Policyholders payment in Advance		(23,293,198.11)		33,591,622		6,069,033		(23,293,198)		33,591,622		6,069,033		6,069,033	
Agency commission payable		32,586,926.19		29,552,519		9,917,843		32,586,926		29,552,519		9,917,843		9,917,843	
Interest credited to employees' account		144,735,754.75		114,506,502		88,517,918		144,735,755		114,506,502		88,517,918		88,517,918	
Bonus payables		156,035,111.44		44,033,614		30,460,487		156,035,111		44,033,614		30,460,487		30,460,487	
Government levy payable		1,472,000.00		1,472,000		1,472,000		1,472,000		1,472,000		1,472,000		1,472,000	
Deposits		907,592,717		27,655,477		6,736,515		907,592,717		27,655,477		6,736,515		6,736,515	
Other		65,693,653		51,597,963		46,385,524		61,628,247		46,209,200		41,866,632		41,866,632	
<b>Total trade and other payables</b>		<b>1,284,822,964</b>		<b>302,409,697</b>		<b>189,559,320</b>		<b>1,280,757,558</b>		<b>297,020,934</b>		<b>185,040,428</b>		<b>185,040,428</b>	

## 33. CONTINGENCIES AND COMMITMENTS

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

As at 31st December	Group				Company			
	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
	2014	2013	2012	2014	2013	2012	2013	2012
<b>Contingent Liabilities</b>								
Guarantees	1,580,247,011	2,780,583,603	2,605,007,054	1,580,247,011	2,780,583,603	2,605,007,054	2,780,583,603	2,605,007,054
	<b>1,580,247,011</b>	<b>2,780,583,603</b>	<b>2,605,007,054</b>	<b>1,580,247,011</b>	<b>2,780,583,603</b>	<b>2,605,007,054</b>	<b>2,780,583,603</b>	<b>2,605,007,054</b>



## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 34. FINANCIAL RISK MANAGEMENT

##### Insurance and financial risk

##### 34 (a) Insurance risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

The Group considered insurance risk to be a combination of the following components of risks:

- \* Product design risk;
- \* Underwriting and expense overrun risk;
- \* Claims risk

##### Life Insurance contracts

Product design risk;

Life insurance contracts offered by the Group include term assurance, endowment plans, annuity plans and group plans.

Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Endowment products acquire a surrender value upon completion of three years.

The main risks that the Company is exposed to under product design risk are as follows:

Mortality risk	risk of loss arising due to policyholders' death experience being different from expected
Morbidity risk	risk of loss arising due to policyholders' health experience being different from expected
Investment return risk	risk of loss arising from actual returns being different from expected
Expense risk	risk of loss arising from the expense experience being different from expected
Policyholder decision risk	risk of loss arising due to policyholder's experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

##### Underwriting and expense overrun risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits.

Thus is largely achieved through prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions as well as detailed claims handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria.

The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, wider spread changes in lifestyle and natural disasters, resulting in earlier or Some of the specific actions by the Group to mitigate the underwriting risk are shown below.

##### Life Underwriting Risk Management

An in-house Actuarial Department headed by a qualified Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions.

##### Claims risk

Risk arises due to the possibility that the frequency of claims arising from life insurance contracts exceeds the expected level when pricing the products.

Some of the specific actions by the Company to mitigate the underwriting risks are shown below.

##### Life Claims Risk Management

An in-house Actuarial Department headed by a qualified Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions.

Claims are reserved immediately at intimation or on the availability of information of the death or injury of insured.



## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 34 FINANCIAL RISK MANAGEMENT (Contd..)

##### **Key assumptions for valuation of liabilities in Life Insurance**

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data.

Assumptions and prudent estimated are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

##### **Mortality and morbidity rates**

Assumptions are based on standard mortality tables which are used by the industry

##### **Longevity**

Longevity is not applicable for the Group as the products offered are for a limited term

##### **Lapse and surrender rates**

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders after acquiring surrender value

An increase in lapse rates early in the life of the policy would tend to reduce profit for shareholders, but later increments are broadly neutral in effect.

##### **Discount Rate**

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash flows.

A decrease in the discount rate will increase the value of the insurance liabilities and therefore reduces profits for the shareholders.

##### **Non- Life Insurance Contracts**

Product design risk;

The Company principally issues the following main types of Non- Life Insurance contracts.

- \* Motor
- \* Fire
- \* Miscellaneous

The significant risk arising under the Non- Life Insurance portfolio emanates from changes in the climate leading to natural disasters, behavioural trends of people due to change in life styles and the steady escalation of costs in respect of spare parts in the auto industry.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Furthermore, a strict claim review process to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit exposure to catastrophic events (landslides, earthquakes, floods etc.)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes.

The Company uses its own risk management framework to a risk that the assumptions and techniques used in these assessments could fail or that claims arising from an u-assessed event is greater than those arising from an assessed event.

Some of the specific actions by the Company to mitigate Non-Life Insurance Risks are shown below.

# Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 34 FINANCIAL RISK MANAGEMENT (Condt..)

#### Reinsurance Risk

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quoted Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Company's net exposure to large single and catastrophic losses. Retention limits on the excess -of-loss reinsurance programmes vary by product line.

Premium ceded to the reinsurers is in accordance with the terms on the programmes already agreed based on the risks written by the Company. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company.

Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer. The Company's placement of reinsurance is arranged in a manner (particularly in Non-Life Insurance as the exposure is very high) that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract.

Some of the specific actions by the Company to mitigate Reinsurance Risk are shown below.

\* Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time

\* Avery close and professional relationship is maintained with all reinsurers

\* No cover is issued without a confirmed reinsurance in place

\* Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used

The following table show the credit ratings of the reinsurance companies with whom the Company has arrangements.

Reinsurer	Rating	Rating Agency
Munich Reinsurance Company	A+	AM Best
National Insurance Company Limited	B++	AM Best
General Insurance Corporation of India	A-	AM Best
Oriental Insurance Company Limited	B++	AM Best
New India Assurance Company Limited	A-	AM Best
United India Insurance Company Limited	B++	AM Best
Asian Reinsurance Corporation	B	AM Best
Nipponkoa Insurance Company Limited	A+	AM Best
Santam Limited	A-	S & P
Asian Capital Reinsurance Group	A-	AM Best
Korean Re	A	AM Best
Hannover Re	A+	AM Best
Swiss Re	A+	AM Best
Allianz	A+	AM Best
ACE Group	A+	AM Best
Swiss Re	A+	AM Best
National Sussie	A-	AM Best
Infrassure Limited	A-	AM Best
Aspen Insurance UK Limited	A	AM Best
Liberty Mutual Insurance Europe Limited	A	AM Best
XL syndicate	A	AM Best
CATLIN syndicate	A	AM Best
ARIG ( Arab Reinsurance Group) RE	B++	AM Best
Trust Re	A-	AM Best
Unity Re	B++	AM Best
Eurasia Insurance Company	B++	AM Best
Tokio Marine Insurance Company Limited	AA-	S & P
Best Re	A-	AM Best



## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 34. FINANCIAL RISK MANAGEMENT (Contd.)

##### 34 (b) Financial Risk Management

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is mainly exposed to;

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk
- Interest Rate Risk

##### Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated its authority to Management Committee (MC) which is responsible for developing and monitoring Group's risk management policies. The Committee comprises of Managing Director, Executive Director and all Divisional General Managers. Meetings of MC are held regularly, and the Board of Directors are duly updated of its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

##### Integrated Risk Management Unit

The Business units (i.e. Credit Departments, Branches & Regional Offices etc.) have primary responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the second line of defense and reports to the Group Risk Officer (GRO) who, in turn, directly reports to the Board Risk Management Committee (BRMC).

##### ALCO Committee

ALCO is Chaired by the Managing Director with Executive Director and all the General Managers from each division. The Committee meets regularly to monitor and manage the overall liquidity position to keep the Group's liquidity at healthy levels, whilst satisfying regulatory requirements.

##### Risk Measurement & Reporting

The Group's Risks are measured using appropriate techniques based on the type of risk, and industry best practices.

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept (Risk Appetite).

##### Risk Mitigation

As part of its overall risk management, the Group obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Group and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

##### Credit risk

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

#### LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence the Group may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Royal Insurance Corporation of Bhutan maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow.

The Group also has committed lines of credit that could be utilized to meet liquidity needs. Further, the Group maintains a statutory deposit with various Banks in Bhutan. In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Group. The most important of these is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement. Liquid assets consist of cash, short-term Group deposits and liquid debt securities available for immediate sale.

Royal Insurance Corporation of Bhutan Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2014

34 FINANCIAL RISK MANAGEMENT (Contd.)

34(c) Fair value of Financial Instruments  
A. Determination of fair value hierarchy

31 December 2014

Financial Investments Available for sale

Quoted Equities

Loans & Receivables

Loans & Advances to Employees

31 December 2013

Financial Investments Available for sale

Quoted Equities

Loans & Receivables

Loans & Advances to Employees

31st December 2012

Financial Investments Available for sale

Quoted Equities

Loans & Receivables

Loans & Advances to Employees

A. Determination of fair value hierarchy (contd.)

Set out below is a comparison, by class of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets & non financial liabilities.

	2014		Group 2013		2012		2014		Company 2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>												
Financial Investments available for sale - Unq	105,915,300	260,025,534	35,000,000	35,000,000	3,000,000	3,000,000	105,915,300	105,915,300	35,000,000	35,000,000	3,000,000	3,000,000
Loans and advances to customers	9,812,555,771	9,731,986,020	7,860,622,971	4,188,372,698	6,683,390,459	3,182,457,085	9,812,555,771	9,731,986,020	7,859,590,794	4,188,372,698	6,682,358,282	3,182,457,085
Statutory investment	700,000	700,000	700,000	700,000	700,000	700,000	-	-	-	-	-	-
Long term investment	100,000,000	100,000,000	100,000,000	100,000,000	-	-	100,000,000	100,000,000	100,000,000	100,000,000	-	-
Insurance Receivables	225,257,147	225,257,147	140,974,652	140,974,652	167,949,903	167,949,903	225,257,147	225,257,147	140,974,652	140,974,652	167,949,903	167,949,903
Other Assets	122,867,238	122,867,238	93,259,485	93,259,485	87,327,076	87,327,076	122,867,238	122,867,238	92,829,374	92,829,374	87,137,495	87,137,495
Cash and Cash Equivalents	923,102,064	923,102,064	264,577,128	264,577,128	314,423,821	314,423,821	916,964,390	916,964,390	258,615,598	258,615,598	309,202,671	309,202,671
	11,290,397,541	11,363,938,024	8,495,134,236	4,822,885,963	7,256,791,259	3,755,857,885	11,283,295,172	11,202,725,421	8,487,013,417	4,815,795,321	7,249,648,351	3,749,747,154
<b>Financial Liabilities</b>												
Insurance contract liabilities	1,956,936,708	1,956,936,708	1,522,283,914	1,522,283,914	1,240,686,466	1,240,686,466	1,956,936,708	1,956,936,708	1,522,283,914	1,522,283,914	1,240,686,466	1,240,686,466
Reinsurance contract liabilities	60,537,145	60,537,145	39,493,284	39,493,284	2,640,251	2,640,251	60,537,145	60,537,145	39,493,284	39,493,284	2,640,251	2,640,251
Investment contract liabilities	927,068,158	927,068,158	673,063,653	673,063,653	600,700,073	600,700,073	927,068,158	927,068,158	673,063,653	673,063,653	600,700,073	600,700,073
Insurance Payable	108,902,789	108,902,789	26,918,207	26,918,207	79,294,340	79,294,340	108,902,789	108,902,789	26,918,207	26,918,207	79,294,340	79,294,340
Debt issued and other borrowed funds	4,248,042,311	4,248,042,311	3,706,105,743	3,332,026,614	3,332,026,614	3,332,026,614	4,248,042,311	4,248,042,311	3,706,105,743	3,706,105,743	3,332,026,614	3,332,026,614
	7,301,487,111	7,301,487,111	5,967,864,801	5,967,864,801	5,255,347,744	5,255,347,744	7,301,487,111	7,301,487,111	5,967,864,801	5,967,864,801	5,255,347,744	5,255,347,744



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35 CREDIT RISK (Contd.)

35 Credit Risk

Maximum Exposure to Credit Risk/Type of collateral or credit enhancement

31st December 2014	Maximum Exposure to credit Risk (Nu)	Cash	Fair value of Collateral or credit enhancement held	Net Collateral	Net Exposure
			Properties		
<b>Financial Assets</b>					
Due from banks	1,756,836,507				
Loans & advances to customers	8,055,719,264		50,725,676,602	50,725,676,602	(42,485,610,810)
<b>Financial Liabilities</b>					
Long term bond	2,643,961,644				2,925,183,970
Term borrowings	1,604,080,667	300,000,000	1,092,970,000		(70,111,659)

31st December 2013	Maximum Exposure to credit Risk (Nu)		Fair value of Collateral or credit enhancement held	Net Collateral	Net Exposure
			Properties		
<b>Financial Assets</b>					
Due from banks	1,489,877,705		-	-	1,489,877,705
Loans & advances to customers	6,369,713,088		50,725,676,602	50,725,676,602	
<b>Financial Liabilities</b>					
Long term bond	2,067,026,683		-	-	2,067,026,683
Term borrowings	1,639,079,060		1,092,970,000	1,092,970,000	546,109,060

31st December 2012	Maximum Exposure to credit Risk (Nu)		Fair value of Collateral or credit enhancement held	Net Collateral	Net Exposure
			Properties		
<b>Financial Assets</b>					
Due from banks	1,230,960,753		-	-	1,230,960,753
Loans & advances to customers	5,451,397,528		40,437,859,062	40,437,859,062	
<b>Financial Liabilities</b>					
Long term bond	2,067,026,614		-	-	2,067,026,614
Term borrowings	1,265,000,000		710,000,000	710,000,000	555,000,000

Credit quality by class of financial asset

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowance

31st December 2014	Group				Company			
	Neither past due nor Individually Impaired	Past due but not impaired Individually	Individually Impaired	Total	Neither past due nor Individually Impaired	Past due but not impaired	Individually Impaired	Total
Due from Banks	912,974,628			912,974,628	906,836,954	-	-	916,964,390
Loans & Advances to Customers	3,319,115,273	4,736,603,991	-	8,055,719,264	3,319,115,273	4,736,603,991	-	8,055,719,264

31st December 2013	Group				Company			
	Neither past due nor Individually Impaired	Past due but not impaired Individually	Individually Impaired	Total	Neither past due nor Individually Impaired	Past due but not impaired	Individually Impaired	Total
Due from Banks	257,647,912	-	-	257,647,912	251,689,382	-	-	251,689,382
Loans & Advances to Customers	2,877,805,253	3,491,907,835	-	6,369,713,088	2,877,805,253	3,491,907,835	-	6,369,713,088

31st December 2012	Group				Company			
	Neither past due nor Individually Impaired	Past due but not impaired Individually	Individually Impaired	Total	Neither past due nor Individually Impaired	Past due but not impaired	Individually Impaired	Total
Due from Banks	305,748,976	-	-	305,748,976	300,527,826	-	-	300,527,826
Loans & Advances to Customers	2,725,034,927	2,726,362,601	-	5,451,397,528	2,725,034,927	2,726,362,601	-	5,451,397,528





## Royal Insurance Corporation of Bhutan Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 35 RISK MANAGEMENT (Contd.)

## Liquidity Risk &amp; Funding management

Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2014	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	916,964,390	-	-	-	-	916,964,390
Loans & Advances to Customers	-	315,316,124	936,785,826	3,739,536,208	5,576,486,869	10,568,125,027
Financial Investments Available for Sale	278,538,884	-	-	-	-	278,538,884
<b>Total undiscounted Assets</b>	<b>1,195,503,274</b>	<b>315,316,124</b>	<b>936,785,826</b>	<b>3,739,536,208</b>	<b>5,576,486,869</b>	<b>11,763,628,301</b>
Debts Issued & Other Borrowed Funds	-	176,036,592	2,363,085,054	850,287,740	858,632,925	4,248,042,311
<b>Total Undiscounted Liabilities</b>	<b>-</b>	<b>176,036,592</b>	<b>2,363,085,054</b>	<b>850,287,740</b>	<b>858,632,925</b>	<b>4,248,042,311</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>1,195,503,274</b>	<b>139,279,532</b>	<b>(1,426,299,228)</b>	<b>2,889,248,468</b>	<b>4,717,853,944</b>	<b>7,515,585,990</b>
<b>31st December 2013</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Cash & Balance with central bank	6,929,216	-	-	-	-	6,929,216
Due from Banks	250,718,696	-	-	-	-	250,718,696
Loans & Advances to Customers	-	277,887,820	825,588,516	3,295,649,939	4,914,552,925	9,313,679,201
Financial Investments Available for Sale	245,713,884	-	-	-	-	245,713,884
<b>Total undiscounted Assets</b>	<b>503,361,796</b>	<b>277,887,820</b>	<b>825,588,516</b>	<b>3,295,649,939</b>	<b>4,914,552,925</b>	<b>9,817,040,997</b>
Debts Issued & Other Borrowed Funds	-	168,820,723	429,224,593	3,108,060,427	-	3,706,105,743
<b>Total Undiscounted Liabilities</b>	<b>-</b>	<b>168,820,723</b>	<b>429,224,593</b>	<b>3,108,060,427</b>	<b>-</b>	<b>3,706,105,743</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>503,361,796</b>	<b>109,067,097</b>	<b>396,363,924</b>	<b>187,589,512</b>	<b>4,914,552,925</b>	<b>6,110,935,254</b>
<b>31st December 2012</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Due from Banks	305,748,976	-	-	-	-	305,748,976
Loans & Advances to Customers	8,674,844	297,884,289	885,825,026	3,760,072,906	5,041,880,943	9,994,338,009
Financial Investments Available for Sale	241,567,031	-	-	-	-	241,567,031
<b>Total undiscounted Assets</b>	<b>555,990,852</b>	<b>297,884,289</b>	<b>885,825,026</b>	<b>3,760,072,906</b>	<b>5,041,880,943</b>	<b>10,541,654,017</b>
Debts Issued & Other Borrowed Funds	-	168,820,723	429,224,593	2,733,981,298	-	3,332,026,614
<b>Total Undiscounted Liabilities</b>	<b>-</b>	<b>168,820,723</b>	<b>429,224,593</b>	<b>2,733,981,298</b>	<b>-</b>	<b>3,332,026,614</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>555,990,852</b>	<b>129,063,566</b>	<b>456,600,434</b>	<b>1,026,091,607</b>	<b>5,041,880,943</b>	<b>7,209,627,403</b>

## Liquidity Risk &amp; Funding management

The table shows the contractual expiry by maturity of banks contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date.

31st December 2014	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	469,584,833	801,648,253	1,442,231,089	600,426,535	-	3,313,890,711
	<b>469,584,833</b>	<b>801,648,253</b>	<b>1,442,231,089</b>	<b>600,426,535</b>	<b>-</b>	<b>3,313,890,711</b>
<b>31st December 2013</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Financial Guarantees	-	279,050,539	502,034,853	209,006,067	-	1,153,552,054
	<b>-</b>	<b>279,050,539</b>	<b>502,034,853</b>	<b>209,006,067</b>	<b>-</b>	<b>1,153,552,054</b>
<b>31st December 2012</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Financial Guarantees	23,994,532	12,276,729	123,099,926	49,634,880	-	209,006,067
	<b>23,994,532</b>	<b>12,276,729</b>	<b>123,099,926</b>	<b>49,634,880</b>	<b>-</b>	<b>209,006,067</b>

## MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

## MARKET RISK - NON-TRADING

## INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's policy is to continuously monitor positions on a daily basis to ensure positions are maintained within prudential levels.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement and equity.

## Interest rate sensitivity - interest rate risk analysis of assets and liabilities

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

## Comments on Guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group would have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

# AUDITORS' REPORT

## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 35. RISK MANAGEMENT (Contd.)

##### Market Risk - Interest Rate Risk

##### 31 December 2014

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	47,904,282	47,904,282
	-10%	(53,754,650)	(53,754,650)

##### 31 December 2013

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	10%	34,499,628	34,499,628
	-10%	(38,499,568)	(38,499,568)

##### 31st December 2012

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	10%	28,089,424	28,089,424
	-10%	(28,089,424)	(28,089,424)

##### Market Risk - Interest Rate Risk (Contd.)

The below table analyses the company interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

31st December 2014	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Due from Banks	916,964,390	-	-	-	-	-	916,964,390
Loans & Advances to Customers	-	252,770,439	748,000,310	3,045,030,000	4,009,918,516	-	8,055,719,264
Financial Investments Available for Sale	278,538,884	-	-	-	-	-	278,538,884
<b>Total Assets</b>	<b>1,195,503,274</b>	<b>252,770,439</b>	<b>748,000,310</b>	<b>3,045,030,000</b>	<b>4,009,918,516</b>	<b>-</b>	<b>9,251,222,538</b>
Debts Issued & Other Borrowed Funds	148,716,220	35,471,723	85,265,790	3,978,588,578	-	-	4,248,042,311
<b>Total Liabilities</b>	<b>148,716,220</b>	<b>35,471,723</b>	<b>85,265,790</b>	<b>3,978,588,578</b>	<b>-</b>	<b>-</b>	<b>4,248,042,311</b>

##### 31st December 2013

31st December 2013	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Cash & Balances with Central Bank	6,929,216	-	-	-	-	-	6,929,216
Due from Banks	250,718,696	-	-	-	-	-	250,718,696
Loans & Advances to Customers	-	199,867,339	591,449,032	2,407,726,338	3,170,670,379	-	6,369,713,088
Financial Investments Available for Sale	245,713,884	-	-	-	-	-	245,713,884
<b>Total Assets</b>	<b>503,361,796</b>	<b>199,867,339</b>	<b>591,449,032</b>	<b>2,407,726,338</b>	<b>3,170,670,379</b>	<b>-</b>	<b>6,873,074,884</b>
Debts Issued & Other Borrowed Funds	129,744,009	30,946,480	74,388,156	3,471,027,098	-	-	3,706,105,743
<b>Total Liabilities</b>	<b>129,744,009</b>	<b>30,946,480</b>	<b>74,388,156</b>	<b>3,471,027,098</b>	<b>-</b>	<b>-</b>	<b>3,706,105,743</b>

##### 31st December 2012

31st December 2012	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Cash & Balances with Central Bank	8,674,844	-	-	-	-	-	8,674,844
Due from Banks	297,074,132	-	-	-	-	-	297,074,132
Loans & Advances to Customers	-	171,052,652	506,180,380	2,060,606,691	2,713,557,805	-	5,451,397,528
Financial Investments Available for Sale	241,567,031	-	-	-	-	-	241,567,031
<b>Total Assets</b>	<b>547,316,008</b>	<b>171,052,652</b>	<b>506,180,380</b>	<b>2,060,606,691</b>	<b>2,713,557,805</b>	<b>-</b>	<b>5,998,713,536</b>
Debts Issued and Other Borrowed Funds	116,648,180	27,822,869	66,879,720	3,120,675,845	-	-	3,332,026,614
<b>Total Liabilities</b>	<b>116,648,180</b>	<b>27,822,869</b>	<b>66,879,720</b>	<b>3,120,675,845</b>	<b>-</b>	<b>-</b>	<b>3,332,026,614</b>

##### CURRENCY RISK

Currency risk arises as a result of fluctuations in the value of a financial instruments due to changes in foreign exchange rates. The Company's Board has set limits on positions by currency. In accordance with the Company's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Company had significant exposure at 31 December 2012/2013. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Nu., with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges).

A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Nu. would have resulted in an equivalent but opposite impact.

##### EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. Investment Committee reviews and approves all equity investment decisions.

##### OPERATIONAL RISK

Operational risk is the risk of losses arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk.

Operational Risks of the Company are mitigated and managed through a control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Group Chief Risk Officer, and the Board Risk Management Committee maintains a high level overall supervision of managing Operational Risks of the Company.



# AUDITORS' REPORT

## Royal Insurance Corporation of Bhutan Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

#### 36 Related Party Transactions

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the International Accounting Standard - IAS 24 (Related Party Disclosures), the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

##### 36.1 Parent and Ultimate Controlling Party

The Company does not have an identifiable parent of its own.

##### 36.2 Transactions with Key Managerial Personnel (KMPs)

According to International Accounting Standard - IAS 24 (Related Party Disclosures) Key Managerial Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the Board of Directors of the Company (including both Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependants of the KMPs and the KMPs

#### 36 Related Party Contd

##### 36.3 Transactions, Arrangements and Agreements Involving KMPs and Their CFMs

###### 36.3.1 Loans and Advances to KMPs and their CFMs are detailed below:

2014	2013
658,203,468	555,993,357
658,203,468	555,993,357

###### 36.3.2 Deposits and Investments from KMPs and their CFMs are detailed below:

Deposits & investments

2014	2013
-	-
-	-

###### 36.3.3 Insurance Policies on KMPs and their CFMs are detailed below:

General Insurance  
Life Insurance

2014	2013
413,032	367,894
200,000	-
613,032	367,894

###### 36.3.4. Remuneration of KMP

Key Management Personnel Expenses Include

Remuneration  
Other Benefits

2014	2013
2,540,000	2,330,000
640,000	620,000
3,180,000	2,950,000

#### 37 Events after the reporting Date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.



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## Children's Money Back Policy

### Objectives

Parents can make provisions for educational expenses of their children:  
Can earn certain percentage of money (Sum Assured) every 4 or 5 years during active policy period  
Can choose terms of 12, 15, or 20 years  
Proposer's age at entry: 18-50 years.  
Child's age at entry: 0-10 years  
Mode of premium payment: Monthly/Deductions through Salary/Quarterly/Half yearly/Yearly/ Single Lump-sum  
Parents or Guardians in the absence of parents can be the proposer

### Benefits

Life coverage for both the proposer and child  
Survival Benefits payable during the term of the policy  
Guaranteed addition (interest rate) of Nu. 60 per thousand is payable upon maturity along with the balance Sum Assured  
Premium is waived incase of death to the proposer and the Survival Benefits paid as if the policy is in active stage  
50 % of the Annual premium paid is allowed as tax deductible

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