ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

Insure with RICB to be sure

ANNUAL REPORT 2015

RICB

R I C B

TRAVEL WITH EASE

GO FOR RICB'S TRAVEL INSURANCE

The only thing certain in life is uncertainty. Yet there is so much one can do to make it a lot easier. Take this, for instance: whether you are on a business or holiday or official work, you can vastly ease your own concerns and worries - and that of your loved ones - by simply subscribing to RICB's travel insurance.

During overseas travel, in the event of an accident or sickness or loss of baggage, passport or third party property damage or injury, you are fully secured. Likewise, for in-country travel, you are fully insured against accident and other mishaps for the duration of the journey.

So, what is stopping you?

For more details, please visit:
www.ricb.com.bt
Toll Free No. # 181 (THIMPHU)
Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure

R I C B

PLAN FOR YOUR FUTURE

LIFE ANNUITY SCHEME

To overcome the hardships of old age, all it requires is a little effort from your side - today. Just set aside a little bit of your income to join the RICB's Life Annuity Scheme. The amount accumulated over the years coupled with additional returns will ensure that you are able to live with HOPE and DIGNITY after retirement. The beauty of this scheme is that it provides an opportunity for everyone – irrespective of the size of their income – to participate.

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Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure

R I C B

HEALTH IS WEALTH

Our darkest hour comes when our loved ones are sick or dying. This is the time when we are most in need. Knowing this, RICB has come up with Health Insurance Scheme – I. All you do is subscribe to this policy and your nightmare is over.

From emergency hospitalization and treatment in 3500+ network hospitals in India and pre- and post-hospitalization expenses to costs of day care and ambulance, the policy will take care of your most pressing needs.

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Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure

R I C B

HIGHER EDUCATION INSURANCE

OUR CHILDREN'S FUTURE LIES IN OUR HANDS

Knowledge is power. And we, as parents and guardians, can determine the kind of future our children will have. A little investment today will make all the DIFFERENCE tomorrow. Thus the reason why we must embrace RICB's higher education insurance scheme.

Conditions

Parents or guardian age: 18 to 50 years
Child's age: 0 to 10 years
Minimum Sum Assured: Nu 30,000
Maximum Sum Assured: Nu 10,00,000

Returns

20% of sum assured on the attainment of age 18 years
20% of sum assured on the attainment of age 19 years
20% of sum assured on the attainment of 20 years
20% of sum assured on the attainment of 21 years
20% of sum assured on the attainment of 22 years

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ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

ANNUAL REPORT 2015

People-centric development... His Majesty the King with the people of Bhutan

Content

The Bhutanese economy is shifting from agriculture to one driven by hydropower and tourism. There is also a spurt in industrial undertakings like cement and ferro-silicon.

BHUTANESE ECONOMY

An Overview

Thimphu has transformed from an expanse of paddy fields to a modern city of more than 100,000 people

For more than two decades, Bhutan enjoyed one of the highest growth rates in the world.

Bhutan's economy accelerated in Fiscal Year 2015 on revived domestic demand and continued expansion of construction on large hydropower projects. The outlook is for moderately higher growth, strong domestic demand, and strengthened fiscal programs for economic diversification and small enterprise development.

The growth registered at 5.9% in 2015 and the forecast is 6.4% in 2016 before easing to 6.1% in 2017. Between 1981 and 2012, the growth was 7.8%, among the highest in the world over the last three decades.

In absolute terms, Bhutan's economy is worth approximately Nu 119.5 billion or USD 1.9 billion. When Bhutan's economy was first assessed in 1980, the size of the economy, or GDP, was then just USD 0.14 billion.

Bhutan's economic growth has also been accompanied by a major structural shift from the primary to secondary and tertiary sectors. The primary sector's contribution to the GDP decreased to 16.7 percent in 2014 from 26.8 percent in 2000. On the other hand, shares of secondary and tertiary sectors have increased to 40.5 percent and 42.7 percent respectively.

Bhutan has been able to capitalise on its natural resources as the source of most of its domestic revenue. The country places a high priority on hydropower, and more than 80 percent of electricity generated is exported to India. Today the country earns about Nu 12 billion from the sale of electricity. Tourism is the only sector that earns substantial foreign currency.

The over-dependence on hydropower sector, however, has been a source of major concern for Bhutan. Whilst efforts are being made to diversify the economy, trade balance is seen to be on the decline, as the country has to import more than 80 percent of goods and services from India. The country experienced a trade deficit of more than Nu 32.8 billion in 2015, exporting goods worth Nu 35 billion and importing more than Nu 68 billion in goods.

Besides electricity, ferro-silicon, and cement, cash crops like cardamom, apple, orange and potato make up Bhutan's top export commodities.

The RICB headquarters is located in the heart of Thimphu, the capital of Bhutan

RICB
A Profile

The primary mandate of RICB is to meet the insurance needs of the people and help spur the economic development of Bhutan.

The Royal Insurance Corporation of Bhutan Limited (RICB) was established on January 7, 1975, under the Royal Charter of His Majesty Jigme Singye Wangchuck, the Fourth King of Bhutan. It is the second oldest financial institution in Bhutan.

The company started with a paid up capital of Nu 1.00 million against the authorized capital of Nu 2.00 million. The Royal Government of Bhutan injected 51% of the seed capital with the rest ploughed in by Dasho Ugyen Dorji, a reputed businessman and industrialist, and the general public.

On October 11, 1991, RICB was incorporated as a public limited company. Two years later, it was listed on the securities exchange with the establishment of the Royal Securities Exchange of Bhutan.

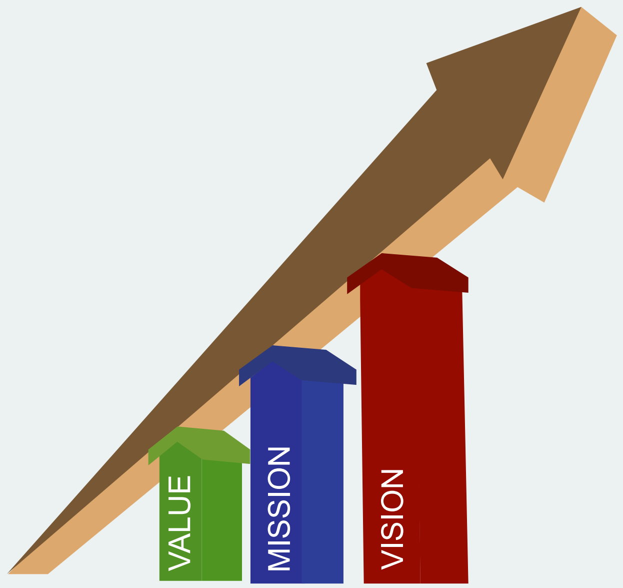
With growth and expansion over the years, both the authorized capital and paid up capital of RICB increased to Nu 1,000 million and Nu 240 million respectively on December 31, 2009.

Meanwhile, the government disinvested part of its equity to the public to promote private sector growth. Today 61 percent of the company is owned by public and private organizations, 18 percent by Druk Holding and Investments (a government holding), and the remaining 21 percent by His Majesty's Welfare Fund.

The primary mandate of RICB is to meet the insurance needs of the people and, at the same time, help spur the economic development of Bhutan. In so doing, RICB is the only multi-faceted financial service provider catering life insurance, general insurance, credit facilities and other social security schemes.

RICB is focused on providing professionalized services in the region and beyond through its diversified line of business under one umbrella. The company aims at securing the insurance need of each individual and the nation.

VISION, MISSION & CORE VALUE



OUR VISION

To be the premier financial services provider in the country and beyond, securing the ever evolving aspiration of the society.

OUR MISSION

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

CORE VALUE

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

Corporate Milestones

- **7 Jan 1975** – Established under Royal Charter
- **30 Jan 1975** – Convened First Board Meeting
- **9 April 1991** – Licensed by Ministry of Economic Affairs
- **11 Oct 1991** – Incorporation of Company
- **1992** – Delinked Unit Trust of Bhutan (now Bhutan National Bank)
- **1993** – Listed on Royal Securities Exchange of Bhutan
- **18 Oct 1991** – Licensed by Royal Monetary Authority of Bhutan
- **7 Jan 2000** – Completed 25 Years (Sliver Jubilee)
- **30 June 2000** – Delinked Government Employee Provident Fund from RICB (now NPPF)
- **2010** – Shifted Head Office to Thimphu
- **17 Aug 2010** – Established First Micro Office
- **2012** – Won ADFIAP Development Award in Corporate Social Responsibility (CSR) Category
- **8th Aug 2013** – Assigned Financial Strength Rating "B+" & Issuer Credit Rating "bbb-" by A.M. Best Company, Hongkong
- **2014** – Assigned Financial Strength Rating "B+" & Issuer Credit Rating "bbb-" by A.M. Best Company, Hongkong

GENERAL INFORMATION

HEAD OFFICE

Thimphu, Post Box: 315
Telephone (PABX): +975-02-321037, 322426, 321161, 323487, 324282, 325858
Fax No. : 02-323677, 336085, 336086, 325725
Toll Free No. : 181
E-mail: contactus@ricb.com.bt/ feedback@ricb.com.bt
Website: www.ricb.com.bt

REGIONAL OFFICE

Phuentsholing, Post Box: 77
PABX : +975-05-252482, 252509, 252453, 252869
Fax No. : 05-252441
Toll Free No. : 151

RICB BRANCH OFFICES

	Telephone	Fax
BAJOTHANG	02-481927/481929	02-481928
BUMTHANG	03-631101	03-631333
DAGANA	06-481289	03-481290
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
LHAMOIZINGKHA	+975-17161718	-
LHUENTSE	04-545176	04-545176
MONGGAR	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

BDBL
H.O. Thimphu, Bhutan

SBI BANK
New York

HDFC BANK LTD
India

AXIS BANK
India

AUDITORS

T.R CHADHA & CO. LLP.
Chartered Accountants
359. Ground Floor, Udyog Vihar
Phase-II, Gurgaon- 122016(Hr)

BOARD OF DIRECTORS

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

Schooled in India, the US, and Norway, Dasho Topgyal Dorji is the scion of Tashi Group who chairs and heads businesses ranging from silicon and ferro-alloys, beverages, carbide & chemicals and eco-ventures to aviation, hotels and telecommunications.

(DIRECTOR)
Dasho Thinley Dorji
Member, Royal Privy Council

Dasho Thinley Dorji was instrumental in establishing the Bhutan India Friendship Association (Phuentsholing Chapter) in his capacity as its General Secretary. He was appointed as a member of the Royal Privy Council in March, 2014.

(Director)
Mr. Tshenchok Thinley
Executive Director
Tashi Groups of Companies

An alumni of St. Augustine's School, Kalimpong, Mr. Tshenchok Thinley is the Executive Director of Bhutan Airlines, and the Managing Director of Tashi Beverages Limited and Tashi Tours and Treks. He is a respected veteran in Bhutan's private sector.

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

Phub Dorji studied at Dr Graham's Homes, India, and has had invaluable stints, among others, in audit, trade, industries and, in recent years, in the fields of tourism and education. He is the founder of Utpal Academy, a girl's school in Paro.

(Director)
Mr. Chencho Tshering Namgay
Associate Director
Druk Holding & Investments

Experienced in project and contract management, and feasibility studies, Mr. Chencho T. Namgay is the Associate Director of the Treasury Division of Druk Holding and Investments Limited. He is an alumni of Asian Institute of Management in the Philippines.

(Director)
Ms. Tshering Lham
Senior Manager,
Investment Department
National Pension & Provident Fund

Ms. Tshering Lham is the Head of the Investment Division of the National Pension & Provident Fund (NPPF). She looks after the supervision and management of investments, including handling processing/approval of housing loans to the members.

(Director)
Mr. Namgyal Lhendup
Chief Executive Officer
RICB

With a master's degree in Economics from Northeastern University, Mr. Namgyal Lhendup enjoyed a stellar career in the civil service as, among others, a planner and Dzongkhag administrator before taking over the RICB as its CEO.

MANAGEMENT TEAM

Chief Executive Officer
Dasho Namgyal Lhendup

With a master's degree in Economics from Northeastern University, Mr. Namgyal Lhendup enjoyed a stellar career in the civil service as, among others, a planner and Dzongkhag administrator before joining the RICB.

Executive Director
Mr. Sonam Dorji

Mr. Sonam Dorji studied CPA & BBA at the University of South Australia and is also an alumni of Sherubtse College. He currently serves as a Director in the Board of State Trading Corp. Bhutan, GIC-Re Bhutan, Zimdra Foods Products Ltd and RICB Securities Ltd.

General Manager
Credit & Investment
Mr. Kinzang Dorji

Mr. Kinzang Dorji graduated with a B.Com degree from Sherubtse College in Kanglung, Trashigang. He has presently completed 24 years of service with the organization and is the head of the Credit & Investment Department of the RICB.

General Manager
General Insurance
Mr. Sangay Wangdi

Mr. Sangay Wangdi is an alumni of Malaviya National Institute of Technology and MREC, Jaipur, India. Prior to becoming the General Manager of Non-Life Insurance Department in 2012, he looked after the real estate development of the RICB.

General Manager
Life Insurance
Mr. Karma S. Tshering

Mr. Karma Sonam Tshering graduated with a BA Eco/Maths Degree from Sherubtse College. He received a masters degree in insurance, specifically life insurance business, from the Insurance Institute of India in Mumbai, India. He also served as the RICB branch manager in Monggar.

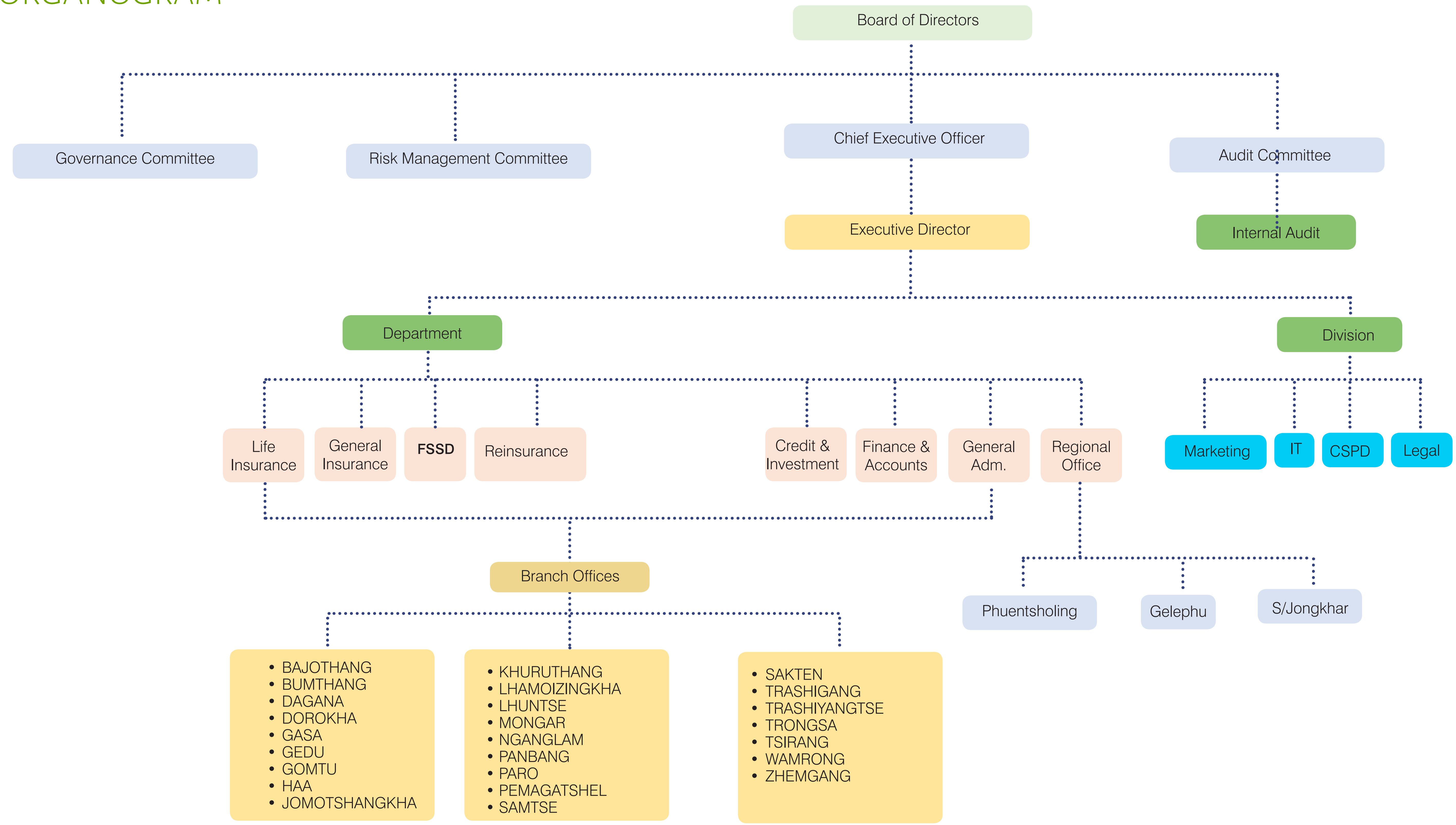
General Manager
FSSD
Mr. Ugyen Tshewang

With expertise in investment and actuarial, Mr. Ugyen Tshewang began his career with the National Pension & Provident Fund. He joined the RICB three years ago and now heads its Financial Security and Services Department.

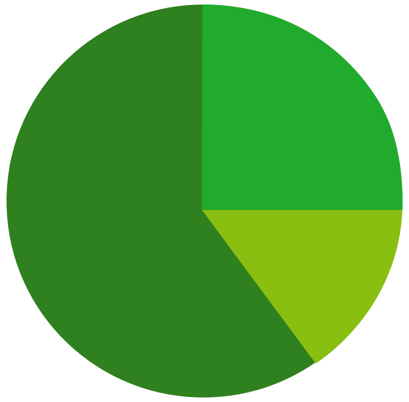
General Manager
Regional Office, Phuentsholing
Mr. Kinga Thinley

Mr. Kinga Thinley has an MBA in International Business from the University of Thai Chamber of Commerce in Bangkok. He is also an alumni of Sherubtse College. Prior to working with the RICB, he headed several departments in the National Pension & Provident Fund.

ORGANOGRAM


Board of Directors
Governance Committee
Risk Management Committee
Chief Executive Officer
Audit Committee
Executive Director
Internal Audit
Department
Division
Life Insurance
General Insurance
FSSD
Reinsurance
Credit & Investment
Finance & Accounts
General Adm.
Regional Office
Marketing
IT
CSPD
Legal
Branch Offices
Phuentsholing
Gelephu
S/Jongkhar
• BAJOTHANG
• BUMTHANG
• DAGANA
• DOROKHA
• GASA
• GEDU
• GOMTU
• HAA
• JOMOTSHANGKHA
• KHURUTHANG
• LHAMOIZINGKHA
• LHUNTSE
• MONGAR
• NGANGLAM
• PANBANG
• PARO
• PEMAGATSHEL
• SAMTSE
• SAKTEN
• TRASHIGANG
• TRASHIYANGTSE
• TRONGSA
• TSIRANG
• WAMRONG
• ZHEMGANG

SHAREHOLDING PATTERNS



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

The shareholding patterns of RICB have undergone considerable changes since its inception 41 years ago on January 7, 1975 under the Royal Charter of the Fourth King, His Majesty Jigme Singye Wangchuck.

When the company was established then, with a paid up capital of Nu 1 million against an authorised capital of Nu 2 million, the royal government of Bhutan invested 51 percent of the seed capital. Dasho Ugyen Dorji, a renowned businessman and reputed industrialist of Bhutan, and the general public, financed the remaining 49 percent.

A metamorphosis of sorts took place on October 11, 1991, when RICBL was incorporated as a public limited company. Two years later, the company was listed on the securities exchange following the establishment of the Royal Securities Exchange of Bhutan in 1993. The government disinvested parts of its equity to the public so as to enable private sector growth, and thereby empower the private sector to play a pivotal role in the economic growth of the country.

From being an entity mostly owned by the government earlier, today 61 percent of the company is owned by public and private organisations, 18 percent by Druk Holding & Investments Ltd. (a government holding), and the remaining 21 percent by His Majesty's Welfare Fund.

Both the authorised capital and the paid up capital of RICBL rose to Nu 1,000 million and Nu 240 million respectively as of December 31, 2012.

The government disinvested parts of its equity in RICB to the public to enable private sector growth.

Private individuals and the public of Bhutan own more than 60 percent of RICB shares

GLOBAL NETWORK & PARTNERSHIP

RICB has made remarkable progress in its pursuit to capture markets both within and outside Bhutan. In the financial year 2013, the renowned rating agency A M Best assigned RICB's credit rating as bbb-, with a B+ for financial strength. RICB retained this rating in 2014 and 2015.

These ratings have been instrumental in allowing RICB's reinsurance business, which began but a few years ago, to realize the company's vision of taking its services beyond the domestic market. It has provided an immense boost to the company, particularly RICB's reinsurance department, to attract inward insurance business and expand its network globally.

In 2015, RICB had network and partnership with more than 60 companies across 20 countries globally with a gross turnover of Nu 135 million. In contrast, RICB had network and partnership with only 40 companies in 2013.

Today, RICB has reinsurance arrangements with international companies mostly from South Asian and South East Asian countries, Japan, Africa, Europe, and the United Kingdom.

The journey doesn't end here. Having established a reputation for itself in the global market, RICB is today getting good response from other international companies. On the inward insurance business front, from a meagre three to four proposals a month in the recent past, it has shot up to 15 to 20 proposals today. As the company continues to explore ways and means to ensure a consistent growth trend, its reinsurance department, meanwhile, is also exploring avenues to procure more prospective businesses.

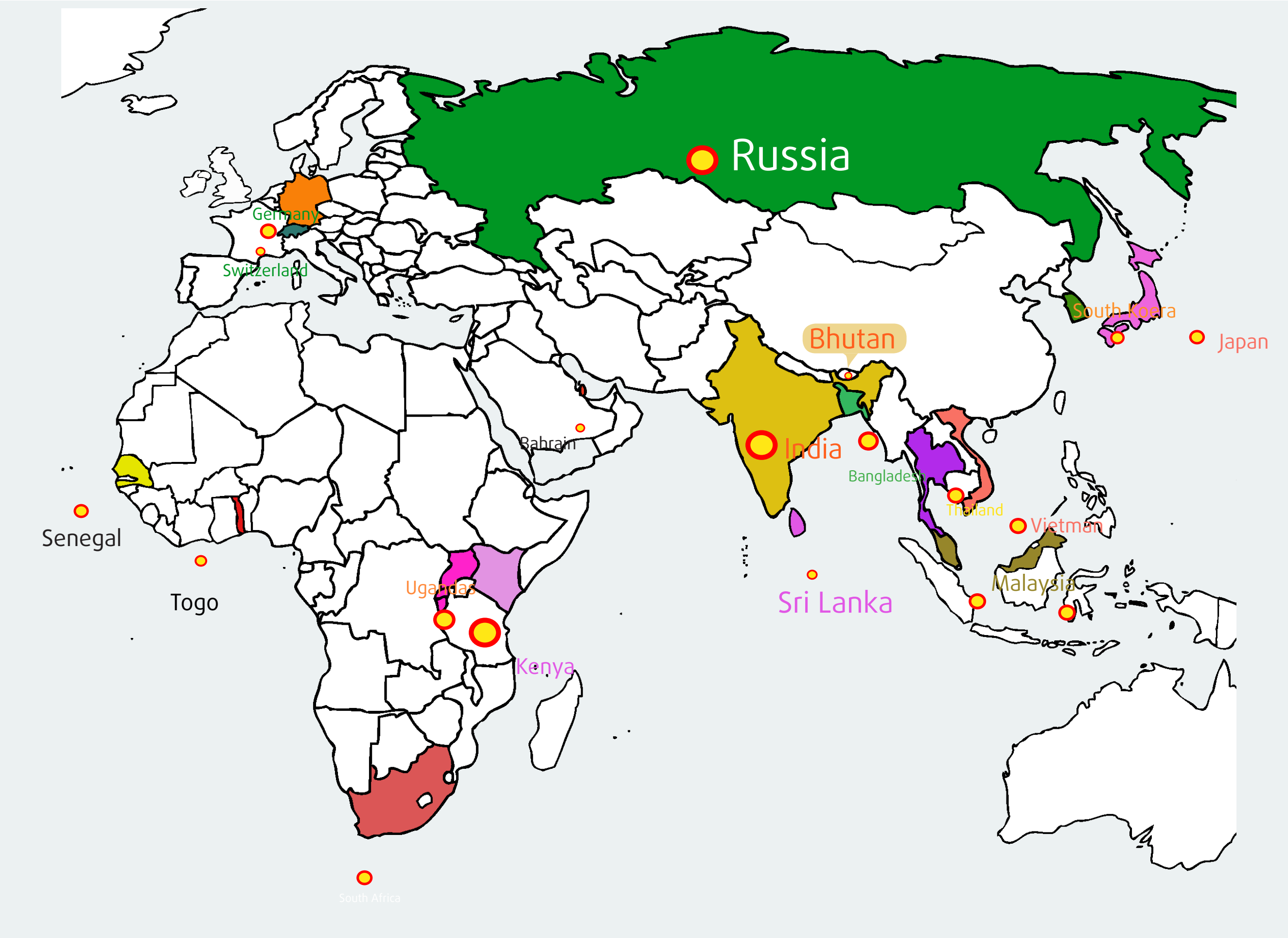
RICB's Reinsurance Partners

India
National Insurance Company Limited
The Oriental Insurance Company Limited
General Insurance Corporation of India
United India Insurance Company Limited
New India Assurance Company Limited
L&T General Insurance Company Limited
Universal Sompo General Insurance Co. Ltd
Reliance General Insurance Company Limited
IFFCO Tokio General Insurance Company Limited

Bangladesh
Eastland Insurance Company Ltd
Green Delta Insurance Co. Ltd
Phoenix Insurance Company Ltd
Pioneer Insurance Company Ltd
Pragati Insurance Ltd
Prime Insurance Company Ltd
Reliance Insurance Ltd

Other Countries
Munich Re, Germany
Swiss Re, Switzerland
Hanover Re, Germany
Korean Re, South Korea
Trust Re, Bahrain
Nationale Suisse, Switzerland
Asian Reinsurance Corporation, Thailand
PVI Re, Vietnam
Kenya Re, Kenya
Continental Insurance Lanka Limited, Sri Lanka
Nipponkoa Insurance Company Limited, Japan
Tokyo Marine Global Re Asia Limited, Malaysia
Santam Re, South Africa
Infrassure, Switzerland
Unity Re, Russia
Zep Re, South Africa
Best Re, Malaysia
CICA Re, Togo
Sen Re, Senegal
East Africa Re, Africa
Uganda Re, Uganda

RICB has network and partnership with more than 60 companies across 20 countries globally



RICB's global reinsurance partners

RICB'S PERFORMANCE
The past five years

	2015	2014	2013	2012	2011
SHARE CAPITAL & RESERVES					
Paid up Capital	1,200.00	480.00	240	240	240
Total Reserves & Surplus	1,868.61	2,685.91	1,524.56	1,267.06	982.52
Net Worth	3,068.61	2,685.91	1,764.56	1,507.06	1,222.52
ASSETS					
Loans & Investments	12,092.08	8,607.97	6,848.87	5,796.58	5,524.09
Cash & Bank Balance	1,882.24	2,679.94	1,608.60	1,489.20	979.52
Net Fixed Assets	831.53	835.09	162.01	157.2	131.48
Total Assets	15,204.75	12,347.31	9,078.02	7,747.27	6,773.40
PROFITABILITY					
Profit Before Tax	731.34	570.88	521.65	501.06	450.94
Profit After Tax	510.65	401.63	365.16	350.74	315.66

RATIOS					
Dividend	240	168	108	84	72
Networth to Total Assets	20.09	22.57	19.44	19.45	18.05
Capita, Adequacy	16.00	18.99	14.46	17.05	17.2
SLR (Liquidity)	15.54	25.07	22.03	23.86	17.65
NPL Ratio	3.29	3.37	3.5	3.55	3.86
Earnings Per Share	4.20	8.36	152.15	146.15	131.52
Book Value Per Share	25.42	57.99	735.23	627.94	509.38
Solvency Ratio (General Insurance)	6.78	7.48	5.76	5.64	5.47
Combined Ratio (General Insurance)	70.25%	83.83%	93.29%	72.51%	59.94%
LIFE INSURANCE					
Net Premium	809.83	570.31	396.08	304.93	222.18
Net Claims	198.57	205.02	61.13	40.12	27.17
Interest earned	207.58	125.67	76.44	54.66	38.73
Fund Balance	2,356.57	1,639.85	1,216.59	906.22	654.27
Actuarial Surplus	-	0.29	4.9	3.49	2.78
Net Claim Ratio	15.56%	16.05%	15.43%	13.16%	12.23%
GROUP INSURANCE					
Risk Premium	68.94	53.75	41.1	37.12	33.73
Claims	36.29	28.10	17	17.86	14.9
Interest earned	72.77	58.80	52.03	44.83	39.28
Interest paid on savings	105.11	82.93	54.85	40.14	35.11
Fund Balance	84.28	64.21	723.66	647.07	572.96
Claim Ratio	52.64%	52.28%	41.35%	48.11%	44.17%
GENERAL INSURANCE					
Gross Premium	900.58	760.15	696.82	662.63	618.79
Reinsurance	524.88	483.12	442.37	378.41	297.57
Net Premium	375.69	277.05	254.44	284.23	321.22
Gross Claims	99.04	337.41	582.48	196.01	440.54
Reinsurance	(77.91)	178.81	415.4	35.03	293.13
Net Claims	176.96	158.55	167.08	160.98	147.41
Commission in Reinsurance	139.26	131.69	112.51	100.95	89.59
Interest Earned	97.79	76.67	70.36	62.28	52.37
Unexpired Risk Premium	225.42	166.22	152.66	170.53	192.72
Net Claim Ratio	47.10	57.23	65.66%	56.64%	45.89%
Profit	303.19	228.69	222.08	248.85	186.19
CREDIT & INVESTMENT					
Interest Income (Net)	1,368.42	1,110.27	861.67	707.5	674.56
Interest Expenses	846.20	675.56	526.5	412.89	369.14
Net Interest Differential	522.22	434.72	335.17	294.61	305.42
Other Income	69.71	50.39	42.88	36.2	37.7
Provisions	61.55	69.53	7.95	5.88	10.98
Profit	478.84	740.38	324.08	281.3	291.34

ALL UNDER ONE ROOF
ricb products

RICB is without doubt the only multi-faceted financial service provider in Bhutan that offers life insurance, general insurance, credit facilities, and other social security schemes.

With the introduction of two new non-life policies in 2015 - Hoteliers and Restaurants Insurance Policy and Dha-tsip Ngen-sung Ley-char – the Royal Insurance Corporation of Bhutan today offers a total of 29 non-life policies. Additionally, the company has on offer around 17 life policies and more than 11 types of loan, besides administering the Private Provident Fund, RICB Securities limited, and Group Insurance Scheme of the entire armed forces and government employees.

Furthermore, with the country's huge investment in hydro-power projects, which make up the backbone of the nation's economy, RICB has also been providing comprehensive insurance for all hydropower plants with a sum insured/risk limit of over Nu 65 billion (USD 1.46 billion). Additionally, RICB's reinsurance department has been catering to both inward and outward reinsurance.

As new products are being introduced, the departments of life insurance and general insurance, in tandem, are also revising policy wordings to align their products with the changing times and needs of Bhutanese customers.

The following comprise a myriad of insurance policies that RICB has to offer today:

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. Householder's Insurance
16. Trekking Insurance
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
29. Dha-tsip Ngen-sung Ley-char

Life Insurance
1. Limited Payment Life Policy
2. Money Back Policy with Profit
3. Money Back Policy – New version
4. Ashi Nangsey Living Policy
5. Millennium Education Scheme
6. Children's Money Back
7. Silver Jubilee Term Policy
8. Endowment Assurance
9. Double Cover Endowment Plan With Youth Endowment Assurance
10. Pho-Mo Joint Life Endowment Assurance
11. Gaki Pelzom Life Policy
12. Quendue Ngensung Life Policy
13. Ten-Tsai Mangul Ngenchoel
14. Ten-Tsai Mangul Ngenchoel-II
15. Double Cover Endowment Plan - Without Profit
16. Endowment Plan for Senior Citizens - With Guaranteed Additions
17. Drongseb Quendue Tse-sog Ngenchoel

Credit and Investment
1. Housing Loan
2. Transport Loan
3. Industrial Loan
4. Business Loan
5. Loan against Shares
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

ENGAGING THE CLERGY
monks insurance scheme

RICB has played a vital role hitherto in fulfilling its corporate social responsibility through the provision of social security to the citizens of Bhutan. The Dratshang Sowoi Ngenchol (Dratshang Health Insurance) is one such example.

Started in 2012 as a social scheme, exclusively for the monks and customized for them, the number of people who have availed this health insurance policy today tots up to more than 8,000 beneficiaries. The beneficiaries are mostly monks who are registered with the Dratshang Lhentshog (Central Monastic Body), and monks and nuns from anim dratshangs and shedras.

Dratshang Health Insurance is a classic example of RICB striving to fulfill its corporate social responsibility.

The scheme requires each registered member to pay a minimal premium of around Nu 800 a year, while benefits include health insurance of around Nu 100,000, besides also covering personal accidents and death by natural causes. All monks registered with the Dratshang Lhentshog automatically fall under this scheme. RICB also offers this service to other monks and nuns not registered with the Central Monastic Body but who do not have a problem paying the premium.

This social scheme has been most helpful in times of sickness. If a patient-monk has to travel from other places to Thimphu to be admitted at the national referral hospital, the scheme covers both the cabin charges and mileage to the capital. In like manner, if treatment for major illnesses happen to be in India or Bangkok, the scheme offers up to Nu 10,000 by way of airfare.

While age is a key consideration in other health insurance policies, this is, however, not the case for monks wanting to avail the Dratshang Sowoi Ngenchol. The conditions are also kept to a bare minimum for the benefit of the monks in the country.

BEYOND THE BLIND SPOT
life annuity scheme

The introduction of the Life Annuity Scheme in Bhutan is relatively new; it started only in February 2013. However, there is an unmistakable growth if the present trend is anything to go by.

This financial product of a pension scheme that allows an individual to save money for retirement is open to any individual and has around 746 members as of December 2015.

RICB initiated this scheme for the benefit of private sector employees, monks and others, who did not have any retirement benefit schemes until then. As the National Pension and Provident Fund (NPPF) covers only civil servants, government-owned corporate employees and armed force personnel, the Life Annuity Scheme is expected to complement the NPPF's pension scheme.

This scheme works through savings made by members in contributions - either by lump sum or in a number of payments. The contributions then earn tax-deferred interest, and provide a steady stream of income for life to an individual after a period of time.

RICB today offers two types of Life Annuity Scheme – Immediate and Deferred. The immediate one entails guaranteed pension payments soon after an initial payment in the form of lump sum is made to the scheme. An individual can elect to receive guaranteed payments for life, or for payments to be made over a specified length of time.

In the second type, income payments are usually put off for a period of time, allowing the money to be invested and earn interest. An individual may also choose when to start receiving income payments — typically upon retirement. While any individual can participate in both schemes, elderly individuals, however, may be unable to participate in the deferred scheme.

While the Life Annuity Scheme has been envisioned to benefit individuals upon retirement by providing a continuous income when they no longer have earning capacity, either due to old age or disability, many of the targeted individuals are not in a position to avail this scheme.

The first cause for this is affordability. A majority of private sector employees are lowly paid and thus not in a position to save for their future needs. The second factor is low investment returns. With the capital market in the country almost dormant, the investible fund is unable to generate higher returns.

Despite these challenges, this scheme has become pivotal as only about 6.7% of the population has been covered under the social safety net system. This means that the rest of the population doesn't have any formal safety net system to fall back on when they are no longer in a position to earn income or in the event their savings are not enough for their livelihood.

This scheme of RICB is meant to benefit thousands who have little or none to fall back on after retirement.

SMALL IS BEAUTIFUL
micro insurance policy

While the Royal Insurance Corporation of Bhutan may not have a micro insurance policy as such, it is, however, one blank the company is attempting to fill at present.

A micro insurance policy in essence means insurance with low premiums and low caps/coverage. The perfect example is the Rural Life Insurance Scheme that is managed by the ministry of finance, royal government of Bhutan.

This scheme covers the entire population, right from those who have attained the age of eight and above. The government is currently paying an annual premium of Nu 45 per individual, while Nu 15,000 is paid out as compensation in times of death.

If negotiations, already underway, go through successfully, and RICB gets the nod to take up this scheme from the government, it would be the corporation's first micro insurance policy. The scheme would benefit both the company and beneficiaries of the policy.

Firstly, though the Rural Life Insurance has been extant for a few decades now, since the '70s indeed, the return payment of Nu 15,000 has more or less remained the same. RICB thereby intends to double this amount or bring it to Nu 100,000. A slight increase might also be on the cards for the premium, up from Nu 45 annually, in view of the fact that half the premium is being subsidised by the government.

Secondly, the adoption of the scheme will also provide a boost to RICB, in terms of generating enough funds, should the takeover come through. This revenue for RICB can then be concurrently used for investment and job creation.

Another benefit envisioned is in expediting the smooth settlement of claims. The settlement of claims is expected to become much easier with fewer bureaucratic procedures. Additionally, while enhancing accessibility, services are also thereby envisaged to become more efficient.

AWARENESS LOW BUT IMPROVING
insurance literacy

Those who have availed the company's life insurance policy comprise more than 73,000 people. However, penetration in non-life insurance business has been a major challenge.

The notion of saving, investing and insurance is still a fairly new concept in Bhutan.

A financial literacy survey, carried out with the technical assistance of Asian Development Bank and released on December 18, 2015, reveals that the level of financial literacy in Bhutan is low, especially in remote areas and among low-income groups in both rural and urban centres. The upshot of all this is a poor saving culture.

In the survey, it was also seen that many participants were not very aware of insurance products and the risk hedging process. Female participants deemed the insurance premium they pay as a loss. They have little knowledge about the purpose of insurance and the premiums they pay. However, male participants seemed to be aware of insurance and its benefits. They stated that they wished there were diverse insurance policies, such as cattle insurance and crop insurance

Life insurance literacy has not been much of a problem going by RICB's life insurance penetration. The company has achieved a life insurance penetration of around 10 percent, which is relatively very high by any yardstick. Those who have availed the company's life insurance policy comprise more than 73,000 people.

This is an indication that the people have the knowledge, ability and confidence to find and evaluate information about the different policies, find the best one for their financial and health circumstances, and use it accordingly.

However, penetration in non-life insurance business has been a major challenge. The company has a non-life insurance penetration that is at a paltry 0.83 percent as of now. This is also due to the fact that many government properties, such as administrative centres (dzongs), schools, and hospitals and BHUs, are either not or yet to be covered by the company.

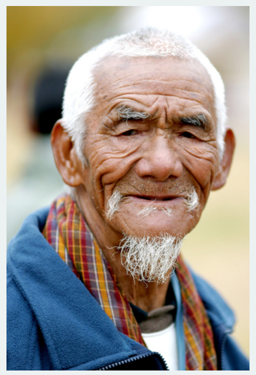
A LONG WAY TO GO
social safety net

While a basic social safety net is in place throughout the country, the coverage ratio is minimal, at only 6.7 percent of the total population, especially in terms of retirement benefit schemes.

The social safety net in Bhutan that includes all the social welfare schemes and services targeted towards preventing or reducing poverty in the country, such as free electricity, water supply, subsidised insurance schemes, agricultural subsidies and other income generating programmes, has been of immense and lasting benefit to the people.

The government and some NGOs, through various social welfare and assistance schemes, and others, such as the National Pension and Provident Fund (NPPF) and RICB, have been at the forefront in providing a social safety net, if declining poverty rates over the years are any indication. The poverty rate has drastically come down to 12 percent in 2012 from 31.7 percent in 2003.

RICB has been mainly providing financial services, such as insurance schemes and pension schemes, to enhance the social safety net in the country. A perfect example is that of the life annuity scheme that provides a monthly pension, when an individual is no longer in a position to earn an income, either due to old age or disability, and other insurance schemes that enable individuals to withstand a loss of income, either due to loss of property or the bread-earner or because of ill health. The company also administers retirement benefits, such as a monthly pension for the elderly, disabled and dependents through the agency of the NPPF.



In terms of Bhutanese embraced by a social safety net today, around 80 percent of the population is covered under a basic life insurance scheme; while the number of those covered under the retirement benefit scheme adds up to a paltry 6.7 percent.

This 6.7 percent of the population comprises mainly public servants and a few individuals from the private sector. There is thus a need to expand the social safety net by doing more for private sector employees, monks, the unemployed, national workforce and farmers. There is no doubt though that there's still a long way to go.

RICB has been at the forefront in providing a social safety net, if declining poverty rates are any indication. The poverty rate has drastically dropped to 12% in 2012 from 31.7% in 2003.

A PARTNERSHIP WITH GOVERNMENT
rural house insurance scheme

Taking insurance policies to the rural people represents a trademark example of RICB's corporate social responsibility.

The Rural House Insurance Scheme best exemplifies the RICB mandate to meet the insurance needs of the people, and to actively participate in the economic development of the nation.

Taking insurance policies to the rural people represents a trademark example of the company's corporate social responsibility. RICB has to date played an important role in implementing this scheme, along with the Ministry of Finance and Ministry of Home and Cultural Affairs, despite the company incurring losses from this scheme.

The annual premium collected from the scheme has exceeded the annual claims for the last 37 years. The government as such has been subsidising the difference between the claims and the premium (net loss).

The existing Rural House Insurance Scheme basically has two categories – one for semi-permanent and the other for permanent structures. The sum insured for the first category is Nu 40,000, while the premium per annum is Nu 60. Similarly, the sum insured for the second category is Nu 100,000, and the premium per annum is Nu 150.

While the Rural House Insurance Scheme is designed to indemnify rural people for losses arising out of natural calamities, it has also placed a huge burden on the government. In the light of this, RICB has proposed a revision to the government for the Rural Life Insurance Scheme.

Designed in a fashion similar to the public private partnership model, in the revised scheme the rural population will contribute a certain portion of the cost of the insurance, and the government will subsidize the balance. This means that the government would be paying a certain portion of the premium, with the balance to be paid by individual house-owners. Unlike the existing scheme, the government's subsidy is slated to be on the premium and not on the claims.

As per the structure of the revised Rural House Insurance Scheme, the sum insured goes up from Nu 60,000 (for Class IV) to Nu 110,000 (for Class III) to Nu 200,000 (for Class II), and then to Nu 300,000 (for Class I), while the corresponding total premiums are Nu 250, Nu 450, Nu 815 and Nu 1,225 respectively.

The government subsidies of Nu 150 for Class IV and Nu 250 for the other classes, with the remaining amounts of the total premiums to be paid by the insured, have been proposed in the revised Rural House Insurance Scheme.

With the suggested revision, RICB is of the view that the scheme would be more sustainable and affordable to both the people and the government. While indemnifying victims of their losses in an effective way, it is also expected that the government's spending on the Rural House Insurance Scheme will drop to approximately Nu 20 million in a year, even in the worst case scenario, as the losses above the premium collection will be managed by RICB through insurance.

The requirement for insurance services is expected to increase drastically as Bhutan transforms from village communities to towns and cities. Featured images: Thimphu city (top), Paro (above, left) and the twin towns of Phuentsholing and Jaigaon at the Indo-Bhutanese border (above, right)

An interior of the RICB headquarters

THE ROAD AHEAD

The Future of Insurance in Bhutan

The Royal Insurance Corporation of Bhutan has come a long way - maintaining notable growth consistently over the years, and establishing itself as a premier financial service provider in the country today.

Even as the company aspires to achieve greater heights through an array of new products and services, and maintain its dominant market position in the country, the journey ahead will be no walk in the park.

However, RICB can draw confidence from the fact that the insurance market is going to be more or less secure, considering the economic growth Bhutan is poised to achieve in the coming years. As long as there is economic growth, the insurance market will be secure. Economic growth, besides attracting investment to infrastructure, hydropower plants, government plans and projects, is also expected to bring increased income to the people, thus enhancing their capacity to buy insurance products.

Another daunting challenge ahead for RICB is to create awareness about the different insurance products and their benefits to a majority of the Bhutanese populace, who tend to see insurance as an option rather than a necessity. Convincing the public that insurance enhances social safety nets would be one pivotal challenge for RICB in the years to come. It's a vital aspect of financial management that RICB has to be able to convince the Bhutanese people of.

And while competition to RICB from other existing insurance companies has been negligible to date, the company has been facing competition on the non-life sector front. In consequence, RICB has been coming up with strategies to retain its market share at a minimum of 70 percent.

Further, the advent of new insurance companies in the future, once approved by the central bank, is also likely to pose challenges to RICB on the non-life sector front. While it may not be much of a problem for life insurance businesses, as the company has a life insurance penetration of around 10 percent, which is relatively very high by any standard, RICB's penetration in the non-life insurance business has been a tiny 0.83 percent as of now.

In order to ward off this competition and capitalise on the insurance businesses, especially in the non-life sector front, RICB will need to get ever more innovative, competent, and continue to render good and reliable services.

DIRECTORS' REPORT FOR THE YEAR 2015

To the Members

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 41st Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st December 2015.

Operational & Performance Highlights

The Financial Year 2015 was yet another commendable year for RICB amidst some operational challenges the company had to go through. RICB has swiftly resumed its business from a sluggish market situation of year 2013. The company has managed to produce an impressive financial result and continues to maintain its growth trajectory.

This year, RICB's Profit Before Tax recorded at Nu 731.34 million, which is a significant increase from Nu 570.88 million in the year 2014. The total gross business posted at Nu 4,294.76 million from the previous year's Nu 2,398.76 million. The company has achieved a record growth of 79.04%, which is the highest in the history of RICB

Significant Financial indicators

Indicators	2014	2015
Profit Before Tax(PBT)	570.88	731.34
Total Turn over	2,398.76	4,294.76
Return on Core Equity	83.60	41.96
Earnings per share	8.36	4.20
Book Value per Share	57.99	25.42
Net-worth	2,685.91	3,068.61
Paid up Capital	480.00	1,200.00
Cash/Bank Balance	2,679.94	1,882.24
Balance Sheet	12,347.31	15,204.75

Credit and Investment business continues to be the major contributor to RICB's coffer. The gross interest earned during the year, including the interest from fixed deposits, amounts to Nu 1,411.57 million, and the net interest earned, after loan impairment as per IFRS, is Nu 1,378.42 million.

In addition to the contribution from investment business, chunk of the contribution amounting to Nu 900.59 million is generated from General Insurance business, and the remaining contribution of Nu 1,982.60 million originates from Life Insurance, GIS, Reinsurance and Annuity business and other miscellaneous income, such as guarantee commission, dividend income and rental income.

The year witnessed a dramatic growth in the general insurance business from the previous year, mainly due to improvement of the financial market in 2014 and government's approval to resume import of vehicles.

The net premium, after affecting the re-insurance premiums, fetched Nu 375.70 million. Correspondingly, the net claims after considering reinsurance recoveries posted at Nu 176.97 million. The overall net claim ratio during the financial year 2015 stands at 47.10%, as against 57.23% in the previous year.

The net revenue from the general insurance underwriting was Nu 303.17 million, as compared to Nu 228.69 million during the last financial year, which is transferred to the Profit and Loss Account of the Corporation.

Business Income for the Period ended 31.12.2015

	Particulars	Premium (Figures in Nu million)			Claims		
		Gross Premium	Reins.	Net Premium	Gross Claim	Reins.	Net Claim
A	**General Insurance**	900.59	524.89	375.70	88.44	(77.92)	166.36
B	**Life Insurance**	809.83	2.24	807.59	125.16	-	125.16
C	**GIS & GISL**	68.66	-	68.66	36.29	-	36.29
D	**Reinsurance**	289.74	57.93	231.81	96.48	0.41	96.07
E	**Annuity**	0.29		0.29	-	-	-
	Total = (A+B+C+D+E)	**2,069.11**	**585.06**	**1,484.05**	**346.37**	**78.33**	**268.04**
F	**Investment**	**Gross Interest Earned**	**Interest Suspense**	**Net - Interest Earned**	**Interest Expense**	**Interest Diff.**	**Provs.**
		1,411.57	33.15	1,378.42	846.20	532.22	106.82
G	**Others**	414.08					
	(A+B+C+D+E+F+G)	**Total Business**	**4,294.76**				

Financial Performance for the year 2015

Particulars	2015 (Nu in millions)	2014 (Nu in million)	Variance '15 &'14 %
Income			
Net Premium Earned	1,453.03	944.69	53.81
Net Fee & Commission Income	184.17	89.39	106.03
Net Interest Income	837.95	573.26	46.17
Other Operating Income	52.28	14.46	261.55
Total Revenue (I)	**2,527.43**	**1,621.80**	**55.84**
Expenses			
Net Claims	1,237.13	829.14	49.21
Other Operating Expenses (Net)	558.98	221.79	152.03
Total Expenses (II)	**1,796.11**	**1.050.93**	**70.90**
Profit Before Tax (I) – (II)	**731.32**	**570.87**	**28.11**
Profit After Tax	**510.63**	**401.63**	**27.14**
Earnings Per Share	**4.20**	**8.36**	**(49.76)**
Book Value Per Share	**25.42**	**57.99**	**(56.16)**
Net-worth of the Company	**3,068.61**	**2,685.91**	**14.25**
Return on Core Equity (%)	**41.96**	**83.60**	**(49.76)**

It is worth noting that the Credit and Investment Department continues to contribute substantially to the net revenue of the corporation with Nu 478.85 million, followed by the General Insurance Department with Nu 303.19 million; the remaining contribution is from other miscellaneous sources.

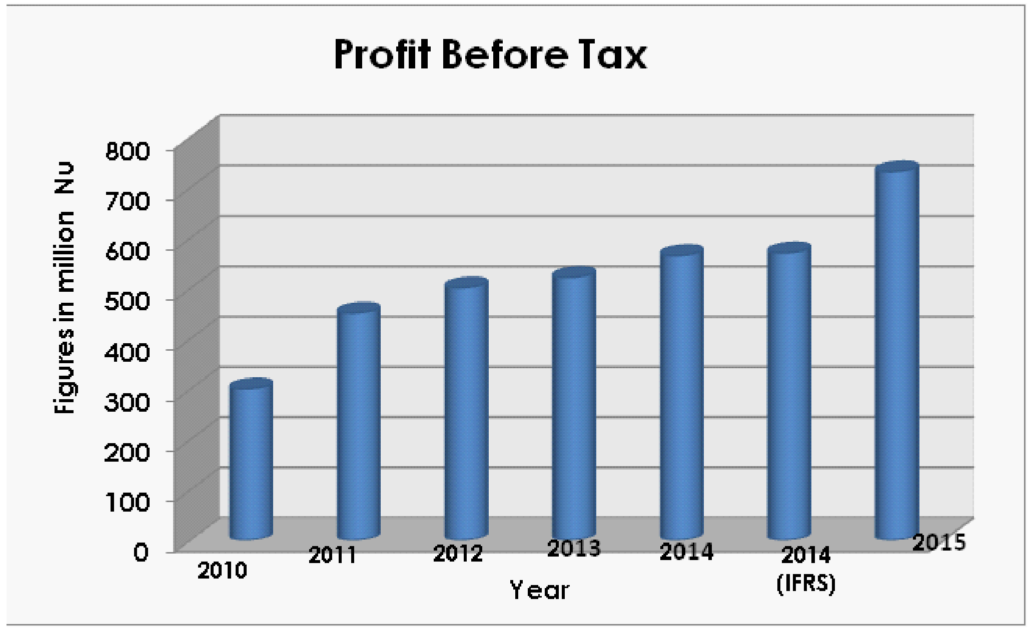
The earning per share of the Company during the year was Nu 4.20;vis-a-vis Nu 8.36 in the last financial year. The reduction in EPS is due to increase in the paid up capital of the company through the issue of bonus shares at 1:1.5.

The net worth of the company, as on 31.12.2015, was valued at Nu 3,068.61 million, compared to Nu 2,685.91 million in the last financial year, and the book value per share translates to Nu 25.42, considering the issue of bonus shares. As a result of issue of bonus shares, the return to core equity came to 41.96%, compared with 83.60% during the last financial year.

Based on the profitability, and considering the fund position, the Board has recommended a dividend of 20%of the face value of shares (Nu 2.00 per share at a face value of Nu 10 per share) as opposed to 35% (Nu 3.5 per share at a face value of Nu 10 per share) in the previous year.

Performance Highlights (Gross Profit) from 2010-2015

	Year	Nu in Million	%
GAAP	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
IFRS	2014	570.38	6.04
	2015	731.34	28.22



The company continues to perform consistently y-o-y with an average growth of profit (before tax) at 19.94% in the last five years.

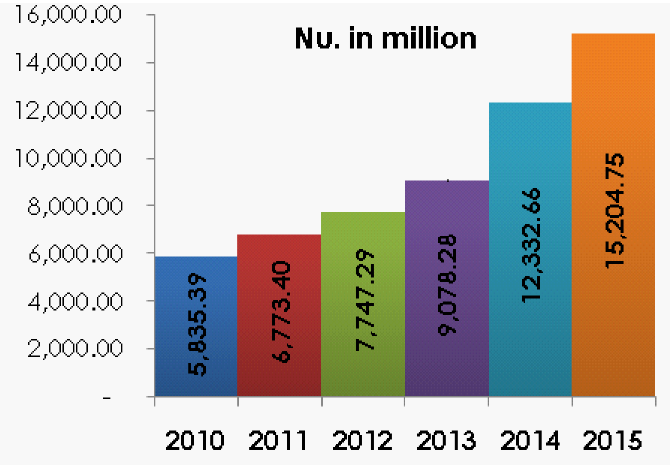
Financial Position of the Company

The total asset of the company has increased by 23.14% amounting to Nu 15.20 billion during the year, from Nu 12.35 billion in the previous financial year. RICB's net worth worked out to be Nu 3.06 billion,an increase of about 14.25% from the previous year's Nu 2.69 billion.

The net fund balance has increased to Nu 4.22 billion from Nu 2.94 billion in the previous year. The corporation is expected to contribute about Nu 217.19 million to the national exchequer in the form of Corporate Income Tax during financial year 2015.

Growth in Balance sheet size

	Year	Nu. In million	%
GAAP	2010	5,835.39	63.57%
	2011	6,773.40	16.07%
	2012	7,747.29	14.38%
	2013	9,078.28	17.18%
IFRS	2014	12,332.66	35.85%
	2015	15,204.75	23.29%



Statutory Compliances

Royal Monetary Authority
Most of the provisions of the Prudential Regulations of RMA have been complied with.

Royal Audit Authority
The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2013.

Statutory Auditors
T.R. Chadha co. & LLP. Chartered Accountants was appointed as the Statutory Auditors of RICB for the financial year 2015.

Company Registrar
The Company Registrar has inspected the company's compliance to the Companies Act of the Kingdom of Bhutan 2000 up to the financial year 2011, and no adverse comments have been 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 needs.

Four new insurance policies were launched in 2015, namely the Dhatsip Ngensung Laychar,Hotelier's Insurance Policy, Endowment Plan for Senior Citizen with Guaranteed Addition and Double Cover Plan with Profit.

In addition to the above, the Financial Security and Services Department (FSSD)also developed the Civil Service Welfare Scheme, covering the entire population of the civil service and the Fixed Term Annuity which provides an alternative investment avenue for general public and also enhancing social security of the country.

The efficiency of service delivery system and performance of branch offices have been improved by building capacity and enhancing infrastructures in all the branch offices.

RICB has also recruited 307 more sales executives in the year 2015, which takes the total number to 1,416.

The Management has given its unwavering support to efforts to strengthen Human Resource Development (HRD) through professional and other relevant trainings by allocating sufficient budget for Human Resource development.

In order to realize the vision of taking services to the international market and to develop RICB into a creative and dynamic organization, new lines of business such as reinsurance and pension for general public have been initiated. Such new initiatives have enabled the company to maintain a progressive growth trajectory. With the commencement of inward reinsurance business,the reinsurance department has expanded its network globally.

An important milestone of RICB was initiating the rating of the company in 2013 by a reputed rating agency, A.M. Best. The management managed to retain the rating of the company for the year 2014 at bbb- for Credit Rating and B+ financial strength.

The rating had a tremendous positive impact on overall outlook of the company in the international arena,especially the reinsurance business. The rating has enabled the reinsurance department to explore and procure prospective business.

In terms of future plans, Gelephu and Samdrup Jongkhar branch offices will be upgraded to regional office. The new regional offices would facilitate in delivering prompt services and providing technical support to the branch offices of their region. Further, in order to enhance outreach and improve connectivity, two new branch offices will also be opened in the year 2016 in Panbang and Dorokha Drungkhag.

RICB will be introducing the Annuity for monks and nuns and Lotedh Scheme, a social security scheme under the FSSD. Along with the introduction of new products, the Life and General Insurance Department will be revising its policy wordings to align the products with the changing needs of the customers.

RICB will continue to explore ways and means to ensure consistent growth trend.

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 cooperation provided to the Royal Insurance Corporation of Bhutan Limited (RICB). In particular, I would like to thank the Royal Monetary Authority of Bhutan, the Royal Audit Authority of Bhutan, the Registrar of Companies and the Department of Revenue and Customs for their patronage and continued support.

The Directors are also pleased to convey 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 staff of RICB for their dedicated service, which has resulted in yet another year of record growth in the history of RICB. I extend my good wishes to them for the success of the corporation in the years ahead.

Tashi Delek

(Topgyal Dorji)
CHAIRMAN

T R Chadha & Co LLP
Chartered Accountants

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

SL	SECTIONS	Yes	No.	N.A	Remarks
P-II: INCORPORATION OF COMPANY & MATTERS INCIDENTAL THERETO					
1	7 Alteration of Articles	Yes			
2	8 Changes of name			N.A.	
3	9 Increase or consolidation of Share capital	Yes			
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	Yes			
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 has been published in Newspaper and record for sending the same to all shareholders has not been maintained by the company.
12	61 Chairman of meeting	Yes			
13	63 Representation of corporation of meeting	Yes			
14	64 Ordinary and special resolutions			N.A.	
15	65 Minutes of general meetings and of Board	Yes			The name of the 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.
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	Yes			

T R Chadha & Co LLP

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

SL	SECTIONS	Yes	No.	N.A	Remarks
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	Yes			
34	85 Appointment of Chief Executive Officer	Yes			
35	86 Appointment of selling of buying agents	Yes			
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		Not updated.
	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 LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Vikas Kumar

Vikas Kumar
Partner
Membership No. 75363

Place: Mumbai
Date: 16-5-16

T R Chadha & Co LLP CHARTERED ACCOUNTANTS MUMBAI

T R Chadha & Co LLP
Chartered Accountants

INDEPENDENT AUDITOR'S' REPORT

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

1. Report on the Financial Statements

We have audited the accompanying Consolidated and Standalone financial statements of **Royal Insurance Corporation of Bhutan Limited** ('the Corporation'), which comprises the Statement of Financial Position as at 31st December, 2015, 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 for the year then ended. The accounts/returns of unaudited twenty five Branches not visited by us have also been incorporated in the Financial Statements.

2. Management's Responsibility for the Financial Statements

The Corporation's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporationin accordance with the International Financial Reporting Standards ('IFRS') and the accounting principles generally accepted, including the provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act'). This responsibility also includes maintenance of adequate accounting records in accordance with the act for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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.

3. Auditor's' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the International Financial Reporting Standards(IFRS) and matters which are required to be included in the audit report under the provisions of the Act.

We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with 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 financial control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Corporation has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of

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the accounting estimates made by the Corporation's Directors, 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 qualified audit opinion on the financial statements.

4. Basis for Qualified Opinion

We draw attention to the following matters in the Notes to the financial statements:

(a) Note no. 37 to the financial statements, regarding fraud / embezzlement of funds at Head Office at Thimphu and Paro branch amounting to Nu. 97,242,893 during the year, the matter is pending before anti-corruption commission. The Corporation has made provision amounting to Nu. 61,985,651 resulting in short provision of Nu. 35,257,242. This has resulted in overstatement of the profit for the current year and General Reserves by Nu. 35,257,242.

(b) Note no. 38to the financial statements, regarding non-reconciliation of unadjusted deposits in respect of Life Insurance Policies aggregating to 11,097,174 (Previous Year Nu.9,615,414) against which eventual adjustment are not ascertainable at this stage, therefore, impact on the financial statements, if any, cannot be commented upon.

(c) Note no. 39to the financial statements, regarding Income tax liability being provided by applying tax rate of 30% on book profits and not on the taxable Income as per Income Tax Act of the Kingdom of Bhutan, 2001. In the absence of the computation of Income tax liability, the impact on the financial statements-for current year as well as previous year, if any, cannot be commented upon.

(d) Note no. 40 to the financial statements, regarding bonus payable to employees being accounted for on cash basis instead of accrual basis as required as per IAS-19 on "Employee Benefits". In the absence of computation of bonus amount, the impact on the financial statements, if any, cannot be commented upon.

(e) Note no. 41 to the financial statements regarding non-reinstatement of the balances due from and to the Re-insurers and brokers where transactions are being carried out in foreign currency resulting in non-compliance of the IAS-21 on 'The Effect of Changes in Foreign Exchange Rates'.In the absence of computation of the same, the impact on the financial statements, if any, cannot be commented upon.

(f) Note no. 42 of financial statements, regarding certain debit/ credit balances included in Trade Payables, Short/ Long Term Loan and Advances, Other Current Assets and Current Liabilities being pending for confirmations and consequential reconciliation. In the absence of the relevant details, the impact on the financial statement cannot be commented upon.

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid 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 generally accepted accounting principles, of the statement of financial position of the Corporation as at 31st December, 2015, and its Income Statement and its cash flows & reconciliation statement for the year ended on that date.

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6. Report on Other Legal and Regulatory Requirements

I. 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 give in the **Annexure**, a statement on the matters specified therein, to the extent applicable.

II. As required by Section 74(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) Except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, proper books of account as required by law have been kept by the Corporation 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 by this Report are in agreement with the books of account.

(d) Except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, the aforesaid financial statements comply with the International Financial Reporting Standards and provision of the Companies Act of the Kingdom of Bhutan, 2000.

For T R Chadha & Co LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Vikas Kumar

Place: Mumbai
Date: 16-5-16

T R Chadha & Co LLP CHARTERED ACCOUNTANTS MUMBAI

Vikas Kumar
Partner
Membership No. 75363

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Annexure to Auditors' Report
[Referred to in paragraph – 6(I) thereof]

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. In relation with Fixed Assets of the Corporation:

   (a) The company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.

   (b) Physical verification of Fixed Assets has been not carried out during the year.

   (c) Due to absence of physical verification during the year and in earlier years as well, the reconciliation between the book records and physical verificationis not done. Hence, the impact of the same on financial statement cannot be ascertained.

2. As per information and explanations provided to us, none of the Fixed Assets have been revalued during the year.

3. Since, the Corporation is operating as Insurance Company and Financial Institution, the Clause - 3 to Clause - 6 of the reporting requirements are not applicable to it.

4. 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.

5. 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.

6. The parties to whom the loans or advances have been given by the Corporation are generally repaying the principal amounts, as stipulated and are also generally regular in payment of interest, except for certain parties in which cases, the outstanding loan balances comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2002 of the 'Royal Monetary Authority of Bhutan' and for which accrued interest as recognized have been reversed and provisioning for principal amounts have been done as per the said Regulations and as considered prudent and appropriate by the management. Further, we cannot comment on the compliances of other conditions mention in prudential norms related with

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identification of non-performing assets due to the worsened of debtor's financial position and declining trend in borrower's conditions due to non-availability of information with the company.

7. The advances to officers/ staff are generally granted in keeping with the applicable provisions of service rules and no excessive/ frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.

8. 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 controlrequires periodical reviewand improvement especially 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 of account. Further, the internal audits have been carried out at all 25 branches covering only part of the year, the management needs to ensure that the internal audit for the entire year is completed.

9. 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.

10. The transactions entered into by the Corporation wherein the directors are directly or indirectly interested are not prejudicial to the interest of the shareholders and the Corporation. Further, records under Section 97 of the Companies Act of the Kingdom of Bhutan, 2000 are not updated by the company.

11. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 14 to Clause - 17 of the reporting requirements are not applicable to it.

12. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authorities. However, the provision for corporate tax was made @ 30% of book profit rather than to calculate the income tax liability as required under the Income Tax Act of the Kingdom of Bhutan, 2001. Accordingly, the payments in this regard cannot be commented upon.

13. 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.

14. 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.

15. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 21 to Clause - 26 of the reporting requirements are not applicable to it.

16. 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.

17. The Corporation is engaged in insurance business and its system of screening commission agents is generally adequate, although the Corporation is yet to formulate a structured documented procedures to this effect. 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

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Corporation has, in general, a system of evaluating performance of each agent on a periodic basis.

18. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts but the same offers further scope for improvement. Also, age-wise analysis of outstanding amounts is generally not been carried out for management information and follow-up actions.

19. 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.

20. 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 carried out by the Corporation are lawful and intra-vires to the Articles of Incorporation of the Corporation.

21. Based on the information and explanations/ representations given to us and on the basis of the examination of the books of account in accordance with the generally accepted auditing practices, 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.

22. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.

23. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 34 of the reporting requirements are not applicable to it.

24. 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 no.-36 to the financial statements.

25. 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.

26. 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, 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.

Reporting Requirements for Finance and Investment Company

27. 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.

28. 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.

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29. 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.

30. 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.

31. 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.

32. On the basis of examination of books and records, required provisions have been made in terms of Prudential Regulations, 2002.

33. On the basis of examination of books and records, recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2002.

34. 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 with regard to the same.

35. 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.

36. 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.

37. 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.

38. 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.

Reporting Requirements for Other Service Sector Companies

39. 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.

40. 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.

41. According to explanation and information provided to us, the corporation has not acquired any machinery/equipment on lease or leased out to others.

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Reporting requirements on computerized accounting environment

42. 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.

43. 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 does not appear 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.

44. 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.

45. 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 polices 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, 2015 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.

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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 2015.

Further, the company are under process to comply with the disclosure requirements as mention in "Macro-prudential rules and regulations" for the year 2015.

For T. R. Chadha & Co.
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Place: Mumbai
Date: 16-5-16

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Vikas Kumar
Partner
Membership No. 75363

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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2015

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. The Company and its wholly owned subsidiary (RICB Securities Ltd.) collectively referred as 'the Group'.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the group comprise the 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 for the year ended 31st December each year.

1.3 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) and lending business. The principal activity of the wholly owned subsidiary of the Company is to render brokerage services.

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).

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 Group 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.

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 each year. 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 subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group'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 accom-

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Royal Insurance Corporation of Bhutan Thimphu

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS
For the year ended 31 December 2015

panying 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 Group'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 estimation 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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

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.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS
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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.

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 **Discretionary participation features** (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.

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 estimates 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.

(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

Propertyand 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.

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

Asset Type	Useful Life
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 de-recognition 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 de-recognised.

(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

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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.

(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.

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 investments is reported as

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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.

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.

(i) 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.

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.

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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 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 22.

(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 evidenceas 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 atamortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or 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 derecognition criteria for financial assets, as described in clause – 'h' above, 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 atransaction 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 becontrolled 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.

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 initialrecognition 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 also the parent Company'sfunctional currency.

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 recognisedin 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.

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At each reporting date, an assessment is made of whether the recognised life insurance liabilities aread-equate, net of related PVIF and DAC, by using an existing liability adequacy test in accordance withIFRS. 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 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 (which comprises general insurance and healthcare) 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 Group 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.

(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

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2015

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.

(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 clause– 'u' below).

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.

(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 unfavorable 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.

(w) 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.

(x) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a pastevent, 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.

(y) 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.

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

(z) Revenue recognition

Gross premiums

Gross recurring premiums on life, investment contracts with DPF and group insurance 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. Premium has been recognised in the statement of income on pro-rate basis (1/24th method) under IFRS 4 requirement.

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 pro-rate basis (1/24th method) under IFRS 4 requirement. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

In general insurance, Liability adequacy test has been performed 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.

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 on pro-rate basis (1/24th method) under IFRS 4 requirement.

In reinsurance, Liability adequacy test has been performed 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.

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 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.

(aa) 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.

2.8 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.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS
For the year ended 31 December 2015

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.

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, 2015 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**

STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		2015	2014
A	**STABILITY RATIOS:**			
1	Capital Adequacy Ratio	(%)	16.00	18.99
2	Solvency Ratio (General Insurance)	(%)	6.78	7.48
3	Net Worth to Total Liabilities	(%)	20.09	22.57
4	Equity Investments to (Net Worth + Insurance Fund)	(%)	4.97	5.40
B	**PROFITABILITY RATIOS:**			
1	Operating Income to Net worth -Net	(%)	83.03	20.49
2	Operating Income to Total Assets	(%)	16.68	4.62
3	Net Profit (After Tax) to Net Worth	(%)	16.50	14.42
4	Net Profit (After Tax) to Total Assets	(%)	3.32	3.25
5	Return on Core Equity (Profit After Tax)	(%)	41.96	83.60
C	**STRUCTURAL RATIOS :**			
1	Debt/Core Equity Ratio		4.05	8.85
2	Long Term Debt to Net Worth		1.31	1.53
3	Net Fixed Assets to Long Term Debt		0.21	0.20
4	Net Fixed Assets to Net Worth		0.27	0.30

Financial Data		2015	2014
Face Value of share	(Nu.)	10.00	10.00
Earning per Share	(Nu.)	4.20	8.36
Book Value per Share	(Nu.)	25.42	57.99
Market price per Share	(Nu.)	37.60	57.00
Dividend per share	(Nu.)	2.00	3.50
No. of Shareholders		1,493	1,530
Shareholding pattern: No of shares		120,000,000	48,000,000
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 LLP MUMBAI CHARTERED ACCOUNTANTS

Royal Insurance Corporation of Bhutan Limited

INCOME STATMEWNT
For the year ended 31 December 2015

	Notes	Group 2015	Group 2014	Company 2015	Company 2014
		Nu	Nu	Nu	Nu
Gross written premiums	4	2,069,113,408	1,478,174,313	2,069,113,408	1,478,174,313
Premiums ceded to reinsurers	4.1	(579,124,398)	(466,613,555)	(579,124,398)	(466,613,555)
Net written premiums		1,489,989,010	1,011,560,758	1,489,989,010	1,011,560,758
Change in unearned premium provision		(36,956,180)	(66,864,834)	(36,956,180)	(66,864,834)
Net earned premium		1,453,032,831	944,695,924	1,453,032,831	944,695,924
Finance income	5	131,429,183	17,668,450	137,958,503	17,668,450
Fee and commission income	6	177,560,970	141,426,719	176,713,469	140,446,669
Fee and commission expense	7	(124,816,890)	(69,701,512)	(124,816,890)	(69,701,512)
Net fee & commission income		184,173,263	89,393,657	189,855,082	88,413,606
Interest income on financial services	8	1,296,914,294	990,745,445	1,296,914,294	990,745,445
Less : Interest expense on financial services	9	(458,956,758)	(417,480,368)	(458,956,758)	(417,480,368)
Net interest income		837,957,536	573,265,078	837,957,536	573,265,078
Total revenue		**2,475,163,630**	**1,607,354,659**	**2,480,845,449**	**1,606,374,608**
Other operating income	10	52,284,240	14,469,646	52,207,408	14,386,953
Total operating income		**2,527,447,869**	**1,621,824,305**	**2,533,052,858**	**1,620,761,561**
Gross benefits and claims paid	11(a)	(419,777,447)	(592,367,785)	(419,777,447)	(592,367,785)
Claims ceded to reinsurers	11(b)	(78,116,985)	185,911,613	(78,116,985)	185,911,613
Change in contract liabilities	11(c)	(739,240,189)	(422,687,124)	(739,240,189)	(422,687,124)
Net benefits and claims		**(1,237,134,621)**	**(829,143,296)**	**(1,237,134,621)**	**(829,143,296)**
Expenses relating to private provident fund		(60,189,271)	(48,022,641)	(60,189,271)	(48,022,641)
Other operating and administrative expenses	12	(376,427,329)	(239,616,378)	(376,043,895)	(239,051,817)
Impairment gain / (loss)	13	(135,730,225)	34,447,320	(135,730,225)	34,447,320
Share of profit of an associate	21	13,370,871	-	-	-
10% Share of Life Fund Surplus		-	31,392,455	-	31,392,455
Profit before tax		**731,337,294**	**570,881,765**	**723,954,845**	**570,383,582**
Income tax expense	14	(220,690,148)	(169,242,626)	(220,454,612)	(169,093,171)
Profit for the year		510,647,147	401,639,139	503,500,233	401,290,411
Profit Attributable to Equity Holders of the parent		**510,647,147**	**401,639,139**	**503,500,233**	**401,290,411**
Earnings per share					
Basic profit for the year attributable to ordinary equity holders of the parent	15	4.26	8.37	4.20	8.36

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No. - 06711N/ N500028

Vikas Kumar
16-5-16

(Vikas Kumar)
Partner
Membership No. - 075363

Executive Director | **Chief Executive Officer** | **Chairman** | **Director**

Place:
Date:

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Royal Insurance Corporation of Bhutan Thimphu

Royal Insurance Corporation of Bhutan Limited

STATEMENTS COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		Nu	Nu	Nu	Nu
Profit for the year		510,647,147	401,639,139	503,500,233	401,290,411
Other comprehensive income / (expenses)					
Net gain /loss on available for sale assets		60,388,542	-	60,388,542	-
Income tax effect on available for sale assets		(18,116,562)	-	(18,116,562)	-
Gains (losses) on defined benefit plans		(2,985,026)	2,661,607	(2,985,026)	2,661,607
Income tax effect on defined benefit plans		763,560	(2,808,218)	763,560	(2,808,218)
Total other comprehensive income		40,050,514	(146,611)	40,050,514	(146,611)
Total comprehensive income for the year net of tax		550,697,660	401,492,527	543,550,747	401,143,800

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No. - 06711N/ N500028

Vikas Kumar
16-5-16

(Vikas Kumar)
Partner
Membership No. - 075363

Place:
Date:

Executive Director **Chief Executive Officer** **Chairman** **Director**

Royal Insurance Corporation of Bhutan Limited

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 December 2015

	Notes	Group		Company	
		2015	2014	2015	2014
		Nu	Nu	Nu	Nu
Assets					
Property, plant and equipment	16	447,398,302	448,768,261	447,397,037	448,762,826
Investment properties	17	357,768,844	357,774,705	357,768,844	357,774,705
Intangible assets	18	26,368,212	28,553,357	26,368,212	28,553,357
Loans and receivables	19	11,521,000,604	8,055,719,264	11,521,000,604	8,055,719,264
Long term investment classified as Loans and receivables		-	100,000,000	-	100,000,000
Investment in subsidiary	20	-	-	500,000	500,000
Investment in associate	21	39,195,312	32,353,760	24,311,650	24,311,650
Available-for-sale financial assets	22	362,138,904	279,238,884	361,638,904	278,538,884
Insurance Receivables	23	285,907,289	225,257,147	285,907,289	225,257,147
Net defined benefit assets		14,294,261	16,839,461	14,294,261	16,839,461
Other Assets	24	268,433,739	122,867,258	268,345,583	122,602,563
Cash and Cash Equivalents	25	1,882,241,807	2,679,938,571	1,879,768,077	2,673,800,897
Total Assets		**15,204,747,273**	**12,347,310,669**	**15,187,300,461**	**12,332,660,755**
Equity & Liabilities					
Capital & Reserves					
Share Capital	26	1,200,000,000	480,000,000	1,200,000,000	480,000,000
Retained earnings		1,524,219,101	1,920,793,420	1,506,487,682	1,910,208,915
Other reserves		193,933,729	176,933,729	193,933,729	176,933,729
Available for Sale resrve		150,453,279	108,181,299	150,453,279	108,181,299
Total equity		**3,068,606,109**	**2,685,908,449**	**3,050,874,691**	**2,675,323,944**
Liabilities					
Insurance contract liabilities	27	2,668,690,179	1,956,936,708	2,668,690,179	1,956,936,708
Reinsurance contract liabilities		-	60,537,145	-	60,537,145
Investment contract liabilities	28	1,553,802,334	927,068,158	1,553,802,334	927,068,158
Insurance Payable	29	75,381,860	108,902,789	75,381,860	108,902,789
Contribution received by private provident fund		893,147,882	719,873,497	893,147,882	719,873,497
Debt issued and other borrowed funds	30	4,853,624,996	4,248,042,311	4,854,624,996	4,248,042,311
Employee benefit obligation	31	9,327,252	8,887,426	9,327,252	8,887,426
Deferred tax liability	32	205,841,538	175,151,615	205,841,538	175,151,615
Tax payable		238,192,604	171,179,607	237,807,613	171,179,607
Trade and other payables	33	1,638,132,518	1,284,822,964	1,637,802,116	1,280,757,556
Total Liabilities		**12,136,141,163**	**9,661,402,220**	**12,136,425,770**	**9,657,336,812**
Shareholders' Equity & Liabilities		**15,204,747,273**	**12,347,310,669**	**15,187,300,461**	**12,332,660,755**

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No. - 06711N/ N500028

Vikas Kumar
16-5-16

(Vikas Kumar)
Partner
Membership No. - 075363

Place:
Date:

Executive Director **Chief Executive Officer** **Chairman** **Director**

Royal Insurance Corporation of Bhutan Limited

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

Group	Note	Share Capital	Retained Earnings	AFS reserve	Other Reserves	Total Shareholders' Funds
						In Nus
Balance as at 1st January 2014	**26**	**240,000,000**	**1,884,305,063**	**108,181,299**	**159,933,729**	**2,392,420,091**
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 Adjustment		240,000,000	(240,000,000)	-	-	-
Other comprehensive income		-	(150,782)	-	-	(150,782)
Dividend paid		-	(108,000,000)	-	-	(108,000,000)
Balance as at 31st December 2014		**480,000,000**	**1,920,793,420**	**108,181,299**	**176,933,729**	**2,685,908,448**
Net profit for the year		-	510,647,147	-	-	510,647,147
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(12,000,000)	-	12,000,000	-
Bonus Share Issue Adj		720,000,000	(720,000,000)	-	-	-
Other comprehensive income		-	(2,221,466)	42,271,980	-	40,050,514
Dividend paid		-	(168,000,000)	-	-	(168,000,000)
Balance as at 31st December 2015		**1,200,000,000**	**1,524,219,101**	**150,453,279**	**193,933,729**	**3,068,606,109**

Company	Note	Share Capital	Retained Earnings	AFS Reserve	Other Reserves	Total Shareholders' Funds
						In Nus
Balance as at 1st January 2014	**26**	**240,000,000**	**1,874,065,115**	**108,181,299**	**159,933,729**	**2,382,180,143**
Net profit for the year		-	401,290,411	-	-	401,290,411
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		-	(146,611)	-	-	(146,611)
Bonus Share Issue Adjustment		240,000,000	(240,000,000)	-	-	-
Dividend paid		-	(108,000,000)	-	-	(108,000,000)
Balance as at 31st December 2014		**480,000,000**	**1,910,208,915**	**108,181,299**	**176,933,729**	**2,675,323,944**
Net profit for the year		-	503,500,233	-	-	503,500,233
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		-	(2,221,466)	42,271,980	-	40,050,514
Bonus Share Issue Adjustment		720,000,000	(720,000,000)	-	-	-
Dividend paid		-	(168,000,000)	-	-	(168,000,000)
Balance as at 31st December 2015		**1,200,000,000**	**1,506,487,682**	**150,453,279**	**193,933,729**	**3,050,874,691**

Royal Insurance Corporation of Bhutan Limited

CASH FLOW & RECONCILIATION STATEMENTS

For the year ended 31 December 2015

	Note	Group		Company	
For the year ended 31st December		**2015**	**2014**	**2015**	**2014**
		Nu	**Nu**	**Nu**	**Nu**
Cash flows from operating activities					
Profit before tax		731,337,294	570,881,765	723,954,845	570,383,582
Adjustment for:					
Depreciation of Property plant & equipment	16	16,012,354	24,063,060	16,008,184	24,057,625
Depreciation of investment property	17	1,935,802	3,865,743	1,935,802	3,865,743
Amortization of Intangible assets	18	4,210,973	4,210,591	4,210,973	4,210,591
Gratuity		954,800	8,524,953	954,800	8,524,953
Leave encashment provision		3,839,885	10,619,068	3,839,885	10,619,068
Share of profit of an associate	21	(6,841,551)	-	-	-
Impairment of Loans & Advances	13	135,730,225	51,464,577	135,730,225	51,464,577
Life fund surplus		-	(31,392,455)	-	(31,392,455)
Operating profit before changes in operating assets & liabilities		887,179,783	642,237,302	886,634,715	641,733,683
(Increase)/Decrease in operating assets					
Loans and advance to customers	19	(3,465,281,340)	(1,897,065,207)	(3,465,281,340)	(1,897,065,207)
Insurance receivables	23	(60,650,141)	(83,637,905)	(60,650,141)	(83,637,905)
Other assets	24	(145,566,481)	2,627,419	(145,743,020)	2,360,404
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	27	711,753,471	326,652,794	711,753,471	326,652,794
Reinsurance Contract Liabilities		(60,537,145)	21,043,861	(60,537,145)	21,043,861
Investment contract liabilities	28	626,734,176	254,004,505	626,734,176	254,004,505
Insurance payable	29	(33,520,929)	81,984,582	(33,520,929)	81,981,223
Contribution received by private provident fund		173,274,385	122,420,094	173,274,385	122,238,343
Trade and other payables	33	353,309,554	996,179,969	357,044,560	983,736,624
Net cash flow from operating activities before income tax		(1,900,484,450)	(175,789,889)	(1,896,925,984)	(188,685,359)
Gratuity paid	15	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
Leave encashment paid		(3,400,059)	(5,770,534)	(3,400,059)	(5,770,534)
Income tax paid		(220,690,148)	(165,424,948)	(220,454,612)	(152,205,004)
Net cash flow from operating activities		(227,590,207)	(174,695,482)	(227,354,671)	(161,475,538)
Cash flow from Investing activities					
Available for sale investments	22	(82,900,020)	(32,825,000)	(83,100,020)	(32,825,000)
Long term investments		100,000,000	-	100,000,000	-
Investment in fixed deposits		-	(32,133,594)	-	(32,133,594)
Technical reserve		2,000,000	17,000,000	2,000,000	17,000,000
Purchase of property & equipment		(14,642,396)	(19,204,969)	(14,642,396)	(19,204,969)
Purchase of intangible assets		(2,025,827)	-	(2,025,827)	-
Disposal of investment property		-	-	-	-
Purchase of investment property		(1,929,941)	-	(1,929,941)	-
Net cash flow from investing activities		501,816	(67,163,563)	301,816	(67,163,563)
Cash flow from financing activities					
Borrowings during the year	31	610,696,294	541,936,568	611,311,303	541,936,568
Dividends paid		(168,000,000)	(108,000,000)	(168,000,000)	(108,000,000)
Issue of Shares		-	-	-	-
Net cash flow from financing activities		442,696,294	433,936,568	443,311,303	433,936,568
Net increase/(decrease) in cash and cash equivalents		(797,696,764)	658,524,936	(794,032,821)	658,345,792
Cash and cash equivalents at the beginning of the year	25	2,679,938,571	264,577,128	2,673,800,897	258,618,598
Cash and cash equivalents at the end of the year		1,882,241,807	923,102,064	1,879,768,077	916,964,390

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No. - 06711N/ N500028

Vikas Kumar 16-5-16

(Vikas Kumar)
Partner
Membership No. - 075363

Place:
Date:

Executive Director **Chief Executive Officer** **Chairman** **Director**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2015

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary/ Associate	Group
Gross written premiums	900,588,371	809,832,413	68,658,517	292,719	814,631,109	-	-	-	(524,889,720)	2,069,113,408	-	2,069,113,408
Premiums ceded to reinsurers	(524,889,720)	(2,238,200)	-	-	(576,886,198)	-	-	-	524,889,720	(579,124,398)	-	(579,124,398)
Net written premiums	375,698,651	807,594,213	68,658,517	292,719	237,744,911	-	-	-	-	1,489,989,010	-	1,489,989,010
Net change in Reserve for unearned premium	34,357,034	-	-	-	(71,313,214)	-	-	-	-	(36,956,180)		(36,956,180)
Net Earned premium	**410,055,685**	**807,594,213**	**68,658,517**	**292,719**	**166,431,697**	-	-	-	-	**1,453,032,831**	-	**1,453,032,831**
Finance Income	97,797,741	207,580,555	72,776,677	14,486,683	8,451,606	65,461,818	137,958,503	-	(466,555,080)	137,958,503	(6,529,320)	131,429,183
Fee and commission income -External	111,553,190	-	-	-	156,919,685	-	47,505,680	-	(139,265,085)	176,713,469	847,500	177,560,970
Fee and commission expense - External	(8,860,419)	(65,186,857)	-	(2,147,891)	(187,711,808)	-	(175,000)	-	139,265,085	(124,816,890)	-	(124,816,890)
Net fee & commission income	**200,490,512**	**142,393,698**	**72,776,677**	**12,338,792**	**(22,340,517)**	**65,461,818**	**185,289,182**	-	**(466,555,080)**	**189,855,082**	**(5,681,820)**	**184,173,263**
Interest Income - External	-	-	-	-	-	-	1,296,914,294	-	-	1,296,914,294	-	1,296,914,294
Less : Interest expense - External	-	-	(68,826,597)	(10,483,217)	-	-	(846,202,024)	-	466,555,080	(458,956,758)	-	(458,956,758)
Net interest income	-	-	**(68,826,597)**	**(10,483,217)**	-	-	**450,712,270**	-	**466,555,080**	**837,957,536**	-	**837,957,536**
Total revenue	**610,546,197**	**949,987,911**	**72,608,597**	**2,148,294**	**144,091,180**	**65,461,818**	**636,001,452**	-	-	**2,480,845,450**	**(5,681,820)**	**2,475,163,630**
Other operating income	685,925	13,345,616	9,234,699	262,755	1,726,033	6,611	15,412,826	11,532,944	-	52,207,408	76,831	52,284,240
Total operating income	**611,232,122**	**963,333,527**	**81,843,295**	**2,411,049**	**145,817,213**	**65,468,429**	**651,414,278**	**11,532,944**	-	**2,533,052,858**	**(5,604,988)**	**2,527,447,869**
												-
Gross benefits and claims paid	(88,438,139)	(198,567,567)	(36,287,654)	-	(18,566,022)	-	-	-	(77,918,066)	(419,777,447)	-	(419,777,447)
Claims ceded to reinsurers	(77,918,066)	-	-	-	(78,116,985)	-	-	-	77,918,066	(78,116,985)	-	(78,116,985)
Gross change in contract liabilities	-	(719,786,609)	(19,791,276)	(207,224)	544,921	-	-	-	-	(739,240,189)	-	(739,240,189)
Net benefits and claims	**(166,356,204)**	**(918,354,177)**	**(56,078,930)**	**(207,224)**	**(96,138,086)**	-	-	-	-	**(1,237,134,621)**	-	**(1,237,134,621)**
												-
Expenses relating to praivate provident fund	-	-	-	-	-	(60,189,271)	-	-	-	(60,189,271)	-	(60,189,271)
Other operating and administrative expenses	(75,945,769)	(44,979,350)	(25,764,365)	(2,203,825)	(7,933,273)	(6,333,670)	(153,282,704)	(37,445,979)	(22,154,960)	(376,043,896)	(383,434)	(376,427,329)
Impairment gain / (loss) on loans and advances	(65,733,914)	-	-	-	(8,438,144)	-	(61,558,168)	-	-	(135,730,225)	-	(135,730,225)
Share of profit of an associate						-	-	-	-	-	13,370,871	13,370,871
		-							-	-		-
Profit before tax	**303,196,235**	-	-	-	**33,307,710**	**(1,054,513)**	**436,573,406**	**(25,913,034)**	**(22,154,960)**	**723,954,845**	**7,382,449**	**731,337,294**
Income tax expense		-	-	-	-	-	-	-	(220,454,612)	(220,454,612)	(235,536)	(220,690,148)
Profit for the year	**303,196,235**	-	-	-	**33,307,710**	**(1,054,513)**	**436,573,406**	**(25,913,034)**	**(242,609,572)**	**503,500,233**	**7,146,913**	**510,647,146**
Other comprehensive income / (expenses)												
Net gain /loss on available for sale assets						-	60,388,542	-	-	60,388,542	-	60,388,542
Income tax effect						-	(18,116,563)	-	-	(18,116,563)	-	(18,116,563)
Re-measurement gains (losses) on defined benefir plans						-		-	(2,985,026)	(2,985,026)	-	(2,985,026)
Income tax effect						-		-	763,560	763,560	-	763,560
Total other comprehensive income	-	-	-	-	-	-	42,271,979	-	(2,221,466)	40,050,513	-	40,050,513
other comprehensive income						-		-				
Other comprehensive income net of tax	-	-	-	-	-	-	42,271,979	-	(2,221,466)	40,050,513	-	40,050,513
Total comprehensive income for the year net of tax	**303,196,235**	-	-	-	**33,307,710**	**(1,054,513)**	**478,845,386**	**(25,913,034)**	**(244,831,038)**	**543,550,746**	**7,146,913**	**550,697,660**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2014

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	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	(16,152,302)	-	-	-	-	-	-	-	(50,712,532)	(66,864,834)		(66,864,834)
Net Earned premium	**260,897,679**	**570,294,015**	**54,394,053**	**208,875**	**93,087,102**	-	-	-	**58,901,301**	**944,695,923**	-	944,695,923
Finance Income	76,672,707	125,674,268	58,797,822	615,310	2,695,573	-	17,668,450	-	(264,455,680)	17,668,450	-	17,668,450
Fee and commission income -External	111,798,709	-	6,879	-	129,022,605	-	31,312,705	-	(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)
Net fee & commission income	**185,932,108**	**92,880,886**	**58,804,701**	**615,310**	**98,467,967**	-	**47,862,544**	-	**(396,149,909)**	**88,413,606**	**980,081**	**89,393,687**
Interest Income - External	-	-	-	-	-	-	990,745,445	-	-	990,745,445	-	990,745,445
Less : Interest expense - External	-	-	(54,828,198)	(875,326)	-	-	(361,776,844)	-	-	(417,480,368)	-	(417,480,368)
Net interest income	-	-	(54,828,198)	(875,326)	-	-	628,968,602	-	-	573,265,078	-	573,265,078
Total revenue	**446,829,787**	**663,174,901**	**58,370,556**	**(51,141)**	**191,555,069**	-	**676,831,145**	-	**(337,248,608)**	**1,606,374,607**	**980,081**	**1,607,354,688**
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
Total operating income	**447,271,607**	**663,270,957**	**58,387,198**	**(51,141)**	**194,853,557**	**4,014**	**677,723,096**	**8,688,467**	**(336,299,092)**	**1,620,761,560**	**1,062,774**	**1,621,824,334**
												-
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)
Net benefits and claims	**(150,893,316)**	**(618,937,096)**	**(37,663,438)**	**787,696**	**(22,437,143)**	-	-	-	-	**(829,143,296)**	-	**(829,143,296)**
												-
Expenses relating to praivate 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	-	-	-	-	-	-	-	-	-	-	-	-
10% Surplus of Life Insurance	-	31,392,455	-	-	-	-	-	-	-	31,392,455	-	31,392,455
Profit before tax	**228,691,328**	**35,152,575**	- -	-	- **128,156,222**	**(104,009,644)**	**740,381,107**	-	**(364,900,907)**	**570,383,579**	**498,213**	**570,881,765**
Income tax expense		-	-	-	-	-	-	-	(169,093,171)	(169,093,171)	(149,455)	(169,242,626)
Profit for the year	**228,691,328**	**35,152,575**	-	-	**128,156,222**	**(104,009,644)**	**740,381,107**	-	**(533,994,078)**	**401,290,410**	**348,758**	**401,639,139**
Other comprehensive income / (expenses)												
Net gain /loss on available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-	-	-	-	-	-
Re-measurement gains (losses) on defined benefir plans	-	-	-	-	-	-	-	-	2,661,607	2,661,607	-	2,661,607
Income tax effect	-	-	-	-	-	-	-	-	(2,808,218)	(2,808,218)	-	(2,808,218)
Total other comprehensive income	-	-	-	-	-	-	-	-	(146,611)	(146,611)	-	(146,611)
other comprehensive income												
Other comprehensive income net of tax	-	-	-	-	-	-	-	-	(146,611)	(146,611)	-	(146,611)
Total comprehensive income for the year net of tax	**228,691,328**	**35,152,575**	-	-	**128,156,222**	**(104,009,644)**	**740,381,107**	-	**(534,140,690)**	**401,143,799**	**348,758**	**401,492,527**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(3) Operating segment Information

Operating segment statement of financial position as at 31 December 2015

	"Non Life Insurance"	"Life Insurance"	Group Life Insurance	Annuity Insurance	Re insurance	PPF	"Credit & Investment"	GAD	Adjustments	Company	Subsidiary	Adjust-ments	Group
Assets													
Property, plant and equipment	-	-	-	-	-	-	-	-	447,397,037	447,397,037	1,265	-	447,398,302
Investment properties	-	-	-	-	-	-	-	-	357,768,844	357,768,844	-	-	357,768,844
Intangible assets	-	-	-	-	-	-	-	-	26,368,212	26,368,212	-	-	26,368,212
Loans and receivables	-	546,918	-	-	-	-	11,520,453,686	-	-	11,521,000,604	-	-	11,521,000,604
Long term investment classified as Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-	-	500,000	-	-	500,000	-	(500,000)	-
Investment in associate							24,311,650	-	-	24,311,650	-	14,883,662	39,195,312
Available-for-sale financial assets	-	-	-	-	-	-	361,638,904	-	-	361,638,904	1,500,000	(1,000,000)	362,138,904
Insurance Receivables	169,878,577	3,058,247	(277,740)	1,922	113,246,282	-	-	-	-	285,907,289	-	-	285,907,289
Net defined benefit assets	-	-	-	-	-	-	-	-	14,294,261	14,294,261	-	-	14,294,261
Other Assets	1,852,764	-	-	-	(1,886,536)	-	120,831,697	147,547,658	-	268,345,584	88,156	-	268,433,739
Cash and Cash Equivalents	8,887,023	1,540,482	8,922,104	2,424,681	46,048,183	(2,112,919)	1,813,236,238	822,285	-	1,879,768,077	2,473,730	-	1,882,241,807
Total Assets	**180,618,365**	**5,145,648**	**8,644,364**	**2,426,603**	**157,407,929**	**(2,112,919)**	**13,840,972,175**	**148,369,943**	**845,828,353**	**15,187,300,461**	**4,063,151**	**13,383,662**	**15,204,747,274**
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	1,200,000,000	-	1,200,000,000	500,000	(500,000)	1,200,000,000
Retained earnings	-	-	-	-	-	-	-	-	1,506,487,682	1,506,487,682	2,847,760	14,883,662	1,524,219,104
Other reserves	-	-	-	-	-	-	-	-	193,933,729	193,933,729	-	-	193,933,729
Available For Sale reserve			-	-	-	-	150,453,278	-	-	150,453,278			150,453,278
Total equity	-	-	-	-	-	-	**150,453,278**	**1,200,000,000**	**1,700,421,411**	**3,050,874,690**	**3,347,760**	**14,383,662**	**3,068,606,111**
Liabilities													
Insurance contract liabilities	143,351,453	2,328,241,892	83,999,641	(4,966,863)	118,064,056	-	-	-	-	2,668,690,179	-	-	2,668,690,179
Reinsurance contract liabilities		-	-	-	-	-	-	-	-	-	-	-	-
Investment contract liabilities	-	-	970,115,006	583,687,328	-	-	-	-	-	1,553,802,334	-	-	1,553,802,334
Insurance Payable	67,021,923	4,289,491	1,582,519	-	2,487,927	-	-	-	-	75,381,860	-	-	75,381,860
Contribution received by private provident fund						893,147,882	-	-	-	893,147,882	-	-	893,147,882
Debt issued and other borrowed funds	-	-	-	-	-	-	11,459,468,489	260,972,603	(6,865,816,096)	4,854,624,996	-	(1,000,000)	4,853,624,996
Employee benefit obligation	-	-	-	-	-	-	-	-	9,327,252	9,327,252	-	-	9,327,252
Deferred tax liability	-	-	-	-	-	-	-	-	205,841,538	205,841,538	-	-	205,841,538
Tax payable	-	-	-	-	-	-	-	-	237,807,614	237,807,614	384,991	-	238,192,605
Trade and other payables	41,918,532	965,462,110	1,753,659	41,606	164,518,294	191,688,266	560,956,519	17,174,784	(305,711,655)	1,637,802,116	330,400	-	1,638,132,516
Total Liabilities	**252,291,908**	**3,297,993,493**	**1,057,450,826**	**578,762,070**	**285,070,277**	**1,084,836,148**	**12,020,425,008**	**278,147,387**	(6,718,551,347)	**12,136,425,771**	**715,391**	**(1,000,000)**	**12,136,141,162**
Shareholders' Equity & Liabilities	**252,291,908**	**3,297,993,493**	**1,057,450,826**	**578,762,070**	**285,070,277**	**1,084,836,148**	**12,170,878,287**	**1,478,147,387**	(5,018,129,935)	**15,187,300,461**	**4,063,151**	**13,383,662**	**15,204,747,274**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(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
Assets													
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	-	-	-	-	8,055,324,769	-	-	8,055,719,264	-	-	8,055,719,264
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									-	16,839,461	-	-	16,839,461
Other 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	-	122,867,258
Cash and Cash Equivalents	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	-	923,102,064
Total Assets	**243,945,282**	**(74,810,344)**	**29,551,649**	**7,669,344**	**144,801,305**	**(46,976,754)**	**9,124,994,170**	**115,040,759**	**179,678,488**	**10,575,824,248**	**7,107,803**	**7,542,110**	**10,590,474,162**
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	-	-	480,000,000	500,000	(500,000)	480,000,000
Retained earnings	-	-	-	-	-	-	-	-	-	1,910,208,913	2,542,397	8,042,110	1,920,793,420
Other reserves	171,933,729	-	-	-	-	-	-	-	-	176,933,729	-	-	176,933,729
Available For Sale reserve							108,181,298			108,181,299			108,181,299
Total equity	**171,933,729**	-	-	-	-	-	**108,181,298**	-	-	2,675,323,942	**3,042,397**	**7,542,110**	**2,685,908,449**
Liabilities													
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
Total Liabilities	**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**
Shareholders' Equity & Liabilities	**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**	-	**12,332,660,755**	**7,107,803**	**7,542,110**	**12,347,310,669**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		Note	Group		Company	
			Nu 2015	Nu 2014	Nu 2015	Nu 2014
4	**GROSS WRITTEN PREMIUM**					
	Non life insurance		900,588,371	760,170,708	900,588,371	760,170,708
	Life insurance		809,832,413	570,313,575	809,832,413	570,313,575
	Group life insurance		68,658,517	54,394,053	68,658,517	54,394,053
	Annuity insurance		292,719	208,875	292,719	208,875
	Re insurance		289,741,389	93,087,102	289,741,389	93,087,102
	Total gross written premium		**2,069,113,408**	**1,478,174,313**	**2,069,113,408**	**1,478,174,313**
4.1	**Premiums ceded to reinsurance**					
	Life insurance		(2,238,200)	(19,560)	(2,238,200)	(19,560)
	Re insurance		(576,886,198)	(466,593,995)	(576,886,198)	(466,593,995)
	Total premium ceded to reinsurance		(579,124,398)	(466,613,555)	(579,124,398)	(466,613,555)
	Total net premium		**1,489,989,010**	**1,011,560,758**	**1,489,989,010**	**1,011,560,758**
5	**FINANCE INCOME**					
	Income from investment securities		131,429,183	17,668,450	137,958,503	17,668,450
			131,429,183	17,668,450	137,958,503	17,668,450
6	**FEES AND COMMISSION INCOME**					
	Agent commission		111,553,190	129,029,484	111,553,190	129,029,484
	Reinsurance commission		17,654,600	(19,895,521)	17,654,600	(19,895,521)
	Credit related fees and commissions		45,631,510	1,295,000	45,631,510	1,295,000
	Guarantee fee		979,850	30,017,705	979,850	30,017,705
	Other		1,741,820	980,051	894,320	-
	Total fees and commission income		**177,560,970**	**141,426,719**	**176,713,469**	**140,446,669**
7	**FEES AND COMMISSION EXPENSE**					
	Commission expense on Re insurance accepted		(48,446,723)	(33,250,211)	(48,446,723)	(33,250,211)
	Agent commission		(76,195,167)	(35,332,690)	(76,195,167)	(35,332,690)
	Brokerage Fees		(175,000)	(1,118,611)	(175,000)	(1,118,611)
	Total fees and commission expense		**(124,816,890)**	**(69,701,512)**	**(124,816,890)**	**(69,701,512)**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		Note	Group		Company	
			Nu 2015	Nu 2014	Nu 2015	Nu 2014
8	**INTEREST INCOME ON FINANCIAL SERVICES**					
	Loans & receivables from customers		1,261,567,310	973,020,122	1,261,567,310	973,020,122
	Interest income received from impaired loans		35,346,984	17,725,323	35,346,984	17,725,323
	Total interest income		**1,296,914,294**	**990,745,445**	**1,296,914,294**	**990,745,445**
9	**INTEREST EXPENSE ON FINANCIAL SERVICES**					
	Interest on group life insurance		(68,826,597)	(54,828,198)	(68,826,597)	(54,828,198)
	Interest on annuity contribution		(10,483,217)	(875,326)	(10,483,217)	(875,326)
	Interest on bank borrowings		(151,165,797)	(93,835,908)	(151,165,797)	(93,835,908)
	Debt issued and borrowed funds		(228,481,147)	(267,940,935)	(228,481,147)	(267,940,935)
	Total interest expense		**(458,956,758)**	**(417,480,368)**	**(458,956,758)**	**(417,480,368)**
10	**OTHER OPERATING INCOME**					
	Rental income		9,193,217	7,729,295	9,193,217	7,729,295
	Interest income on plan assets		-	949,516	-	949,516
	Other		43,091,023	5,790,835	43,014,192	5,708,142
	Total other operating income		**52,284,240**	**14,469,646**	**52,207,408**	**14,386,953**
11	**NET BENEFITS AND CLAIMS**					
11(a)	**Gross benefits and claims paid**					
	Non Life Insurance		(88,438,139)	(336,804,929)	(88,438,139)	(336,804,929)
	Life Insurance		(198,567,567)	(205,025,713)	(198,567,567)	(205,025,713)
	Group Life Insurance		(36,287,654)	(28,100,000)	(36,287,654)	(28,100,000)
	Re insurance		(96,484,088)	(22,437,143)	(96,484,088)	(22,437,143)
	Total gross benefit and claims paid		**(419,777,447)**	**(592,367,785)**	**(419,777,447)**	**(592,367,785)**
11(b)	**Claims ceded to reinsurers**					
	Non Life Insurance		(77,918,066)	185,911,613	(77,918,066)	185,911,613
	Re insurance		(198,919)	-	(198,919)	-
	Total claims to reinsurers		**(78,116,985)**	**185,911,613**	**(78,116,985)**	**185,911,613**
11(c)	Change in contract liabilities					
	Life Insurance		(719,786,609)	(413,911,383)	(719,786,609)	(413,911,383)
	Group Life Insurance		(19,791,276)	(9,563,438)	(19,791,276)	(9,563,438)
	Annuity Insurance		(207,224)	787,696	(207,224)	787,696
	Re insurance		544,921	-	544,921	-
	Total change in contract liabilities ceded to reinsurers		**(739,240,189)**	**(422,687,124)**	**(739,240,189)**	**(422,687,124)**
	Net benefit claims and paid		**(1,237,134,621)**	**(829,143,296)**	**(1,237,134,621)**	**(829,143,296)**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2015	2014	2015	2014
12	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**					
	Amortization of intangible assets		(4,210,973)	(4,210,590)	(4,210,973)	(4,210,590)
	Depreciation on property, plant and equipment		(16,012,354)	(22,196,827)	(16,008,184)	(22,196,827)
	Depreciation on investment property		(1,935,802)	(3,865,743)	(1,935,802)	(3,865,743)
	Professional & legal expenses		(1,948,830)	(2,770,650)	(1,948,830)	(2,770,650)
	Bank Charges		(661,521)	(409,594)	(661,521)	(409,594)
	Management expenses		(146,356,387)	(132,405,166)	(146,356,387)	(132,405,166)
	Employee benefits expense	12.1	(74,458,575)	(54,234,337)	(74,458,575)	(54,234,337)
	Provision for Embezzlement of Funds		(60,000,000)	-	(60,000,000)	-
	Other		(70,842,886)	(19,523,470)	(70,463,622)	(18,958,910)
	Total other operating and administrative expenses		**(376,427,329)**	**(239,616,377)**	**(376,043,895)**	**(239,051,817)**
12.1	**Employee benefits expense**					
	Salaries and bonus		(47,695,282)	(30,095,086)	(47,695,282)	(30,095,086)
	Staff welfare and expenses		(6,749,783)	(16,427,318)	(6,749,783)	(16,427,318)
	Leave travel concession		(1,522,560)	(1,062,180)	(1,522,560)	(1,062,180)
	Defined benefit costs		-	-	-	-
	Leave encashment		(1,342,212)	(6,157,474)	(1,342,212)	(6,157,474)
	Pre-paid employee benefit		(14,309,270)	(480,173)	(14,309,270)	(480,173)
	Contribution to private provident fund		(2,839,469)	(12,106)	(2,839,469)	(12,106)
	Total employee benefit expense		(74,458,575)	(54,234,337)	(74,458,575)	(54,234,337)
13	**IMPAIREMENT GAIN /(LOSS)**					
	Impairment loss on reinsurance receivables		(74,172,057)	(35,085,439)	(74,172,057)	(35,085,439)
	Impairment loss on loans and receivables		(61,558,168)	69,532,759	(61,558,168)	69,532,759
	Total impairment gain /loss on loans and advances		**(135,730,225)**	**34,447,320**	**(135,730,225)**	**34,447,320**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14	**INCOME TAX EXPENSES**				
(a)	Current tax charge				
	Current income tax	(207,353,227)	(171,329,062)	(207,117,691)	(171,179,607)
	Adjustment in respect of current income tax of prior years	-	-	-	-
	Deferred tax	-	-	-	-
	Relating to origination and reversal of temporary differences	(13,336,921)	2,086,436	(13,336,921)	2,086,436
	Total income tax expense	**(220,690,148)**	**(169,242,626)**	**(220,454,612)**	**(169,093,171)**
(b)	**Tax recorded in other comprehensive income (see note 18)**				
	Current tax	-	-	-	-
	Deferred tax	(17,353,002)	(2,808,218)	(17,353,002)	(2,808,218)
			-		
	Total tax charge to the other comprehensive income	**(17,353,002)**	**(2,808,218)**	**(17,353,002)**	**(2,808,218)**

15 **EARNING PER SHARE**

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the parent.

Profits attributable to the equity holders of the parent	510,647,147	401,639,139	503,500,233	401,290,411
Nominal Value of Equity Shares	10	10	10	10
Number of Shares	120,000,000	48,000,000	120,000,000	48,000,000
	4.26	**8.37**	**4.20**	**8.36**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

16 PROPERTY, PLANT AND EQUIPMENT

Group — In Nus

	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
Cost:							
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
At 1 January 2015	269,565,362	161,508,502	14,315,885	15,677,742	3,766,039	47,706,592	512,540,123
Additions	-	1,910,395	3,986,555	4,086,172	-	4,659,273	14,642,396
Disposals	-	-	-	-	-	-	-
At 31 December 2015	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,365,865	527,182,519
Depreciation and impairment:							
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
At 1 January 2015	-	15,608,557	7,465,314	5,328,848	2,135,352	33,233,791	63,771,862
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,285,303	2,035,027	2,227,974	294,987	6,169,063	16,012,354
At 31 December 2015	-	20,893,860	9,500,341	7,556,821	2,430,340	39,402,855	79,784,217
Net book value:							
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
At 31 December 2015	269,565,362	142,525,038	8,802,099	12,207,093	1,335,700	12,963,010	447,398,302

Company — In Nus

Cost:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
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	161,508,502	14,315,885	15,677,742	3,766,039	47,678,792	512,512,323
At 1 January 2015	269,565,362	161,508,502	14,315,885	15,677,742	3,766,039	47,678,792	512,512,323

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Additions	-	1,910,395	3,986,555	4,086,172	-	4,659,273	14,642,396
Disposals	-	-	-	-	-	-	-
At 31 December 2015	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,338,065	527,154,719
Depreciation and impairment:							
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
At 1 January 2015	-	15,608,557	7,465,314	5,328,848	2,135,352	33,211,426	63,749,497
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,285,303	2,035,027	2,227,974	294,987	6,164,893	16,008,184
At 31 December 2015	-	20,893,860	9,500,341	7,556,821	2,430,340	39,376,320	79,757,682
Net book value:							
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
At 31 December 2015	269,565,362	142,525,038	8,802,099	12,207,093	1,335,700	12,961,745	447,397,037

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NOTES TO THE FINANCIAL STATEMENTS

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		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2015	2014	2015	2014
17	**INVESTMENT PROPERTY (Stated at Cost)**					
	Cost					
	At 1 January		361,640,447	363,570,389	361,640,447	363,570,389
	Additions		1,929,941	-	1,929,941	-
	Disposals		-	(1,929,941)	-	(1,929,941)
			363,570,389	361,640,447	363,570,389	361,640,447
	Depreciation					
	At 1 January		3,865,743	-	3,865,743	-
	For the year		1,935,802	3,865,743	1,935,802	3,865,743
			5,801,545	3,865,743	5,801,545	3,865,743
	At 31 December		**357,768,844**	**357,774,705**	**357,768,844**	**357,774,705**

		Note	Group	Company
18	**INTANGIBLE ASSETS**			
	Cost:		**Nu**	**Nu**
	At 1 January 2014		46,052,316	46,052,316
	Additions		-	-
	Disposals		-	-
	At 31 December 2014		46,052,316	46,052,316
	At 1 January 2015		46,052,316	46,052,316
	Additions		2,025,827	2,025,827
	Disposals		-	-
	At 31 December 2015		**48,078,143**	**48,078,143**
	Depreciation and impairment:			
	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
	At 1 January 2015		17,498,958	17,498,958
	Disposals		-	-
	Amortization		4,210,973	4,210,973
	At 31 December 2015		**21,709,931**	**21,709,931**
	Net book value:			
	At 31 December 2014		28,553,357	28,553,357
	At 31 December 2015		26,368,212	26,368,212

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2015	2014	2015	2014
19	**LOANS AND RECEIVABLES**					
	Loans and receivable from customers	19.1	11,521,000,604	8,055,719,264	11,521,000,604	8,055,719,264
	Loans and receivables from banks and financial institutions		-	-	-	-
			11,521,000,604	8,055,719,264	**11,521,000,604**	**8,055,719,264**
19.1	Loans given against life policies		546,918	394,495	546,918	394,495
	Housing Loans		2,599,338,544	2,285,158,996	2,599,338,544	2,285,158,996
	Transport Loans		715,783,745	401,028,322	715,783,745	401,028,322
	Term Loans		3,282,295,920	2,047,499,327	3,282,295,920	2,047,499,327
	Over draft		4,878,967,881	3,542,398,802	4,878,967,881	3,542,398,802
	Staff Loan		345,055,808	18,669,631	345,055,808	18,669,631
	Less: Provision for impairment losses		(300,988,211)	(239,430,044)	(300,988,211)	(239,430,044)
	Total loans and receivables from customers at fair value		11,521,000,605	8,055,719,528	11,521,000,605	8,055,719,264

Impairment Allowance for loans & advances to customers

A reconciliation of the allowance for impairment losses for loans & advances, by class, is as follows:

	Housing	Transport	Term	OD	Total
At 1st January 2014	21,835,929	46,930,726	33,504,709	85,703,040	187,974,404
Charges/Reversal for the year	9,591,706	(12,592,450)	24,299,370	30,157,014	51,455,640
Recoveries	-	-	-	-	-
Additions	-	-	-	-	-
At 31st December 2014	**31,427,635**	**34,338,275**	**57,804,079**	**115,860,055**	**239,430,044**
Individual Impairment	-	-	-	-	-
Collective Impairment	31,427,635	34,338,275	57,804,079	115,860,055	239,430,044
At 1st January 2015	31,427,635	34,338,275	57,804,079	115,860,055	239,430,044
Charges/Reversal for the year	181,722	9,412,046	22,449,315	29,515,085	61,558,168
Recoveries	-	-	-	-	-
Additions	-	-	-	-	-
At 31st December 2014	**31,609,357**	**43,750,321**	**80,253,394**	**145,375,140**	**300,988,211**
Individual Impairment	-	-	-	-	-
Collective Impairment	31,609,357	43,750,321	80,253,394	145,375,140	300,988,211

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Note		Group		Company	
		Nu	Nu	Nu	Nu
		2015	2014	2015	2014
20	INVESTMENT IN SUBSIDIARY COMPANY				
	RICB securities limited				
	(50,000 No of Shares, Face Value Nu. 10/-)			500,000	500,000
				500,000	**500,000**
21	INVESTMENT IN ASSOCIATE				
	(1,813,700 No. of Shares having Face Value of Nu. 10/- of Bhutan Carbide & Chemicals Ltd.)				
	Opening balance	32,353,760	32,353,760	24,311,650	24,311,650
	For the year profit	13,370,871	-	-	-
	Less	-	-	-	-
	Dividend received	(6,529,320)	-	-	-
		39,195,312	32,353,760	24,311,650	24,311,650

Note: The financial statements for 2015 of the associate company was not available. Therefore, effect on the value of investment in consolidation was taken on the basis of 2014 as it was not considered in 2014.

Note		Group 2015	Group 2014	Company 2015	Company 2014
22	AVAILABLE FOR SALE FINANCIAL ASSETS				
	Quoted investments				
	Equity investment	315,847,904	235,713,884	315,847,904	235,713,884
	Unquoted investments				
	Equity investment	45,791,000	42,825,000	45,791,000	42,825,000
	Statutory Investment	500,000	700,000	-	-
	Total available for sale financial assets	362,138,904	279,238,884	361,638,904	278,538,884

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		2015			2014		
22.1	Quoted equity securities	No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
	Bhutan Ferro Alloys Ltd.	800,000	8,100,000	76,277,118	80,000	8,100,000	40,346,517
	Penden Cement Authority Ltd.	183,150	3,169,400	8,980,192	18,315	3,169,400	13,210,671
	Bhutan National Bank Ltd	6,300,000	43,125,000	183,198,670	450,000	43,125,000	152,878,580
	State Trading Corporation of Bhutan Ltd.	882,000	980,000	2,716,560	88,200	980,000	1,574,370
	Bhutan Board Products Ltd.	118,300	1,229,250	364,364	11,830	1,229,250	2,703,747
	GIC Bhutan Re Ltd	2,500,000	25,000,000	25,000,000	2,500,000	25,000,000	25,000,000
	Royal Securities Exchange of Bhutan Limited	157,000	19,311,000	19,311,000	-	-	-
	Total	**10,940,450**	**100,914,650**	**315,847,904**	**3,148,345**	**81,603,650**	**235,713,884**

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 2014 due to unavailability of information for the current year.

		2015			2014		
22.2	Un-quoted equity securities	No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
	Bhutan Development Finance Corporation.	5,091	5,091,000	-	3,000	3,000,000	-
	Zimdra Foods Private Limited	200,000	20,000,000	-	200,000	20,000,000	-
	Financial Institution Training Institute	-	12,000,000	-	-	12,000,000	-
	Tara Dolma	-	6,950,000	-	-	6,450,000	-
	CIB	-	1,750,000	-	-	1,375,000	-
	Total	**205,091**	**45,791,000**	-	**203,000**	**42,825,000**	-

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		2015	2014	2015	2014
23 INSURANCE RECEIVABLES					
Due from policyholders		2,782,429	1,880,243	2,782,429	1,880,243
Due from reinsurers		357,296,916	324,073,682	357,296,916	324,073,682
Rural claim and subsidy		-	1,500	-	1,500
Employee short fund		-	7,794	-	7,794
Impairment of insurance receivables		(74,172,057)	(100,706,072)	(74,172,057)	(100,706,072)
Total insurance receivables		**285,907,289**	**225,257,147**	**285,907,289**	**225,257,147**
24 OTHER ASSETS					
Advances, Deposits & Prepayments		146,722,843	117,391,205	146,722,843	117,391,205
Interest, Rent and Other Receivables		419,679	264,695	331,523	-
Other		121,291,217	5,211,358	121,291,217	5,211,358
		268,433,739	**122,867,258**	**268,345,583**	**122,602,563**
25 CASH AND CASH EQUIVALENTS					
Local currency in hand		15,140,056	10,127,436	15,140,056	10,127,436
Balances with local banks		352,367,700	825,556,743	349,893,970	819,419,069
Balances with foreign banks		48,646,312	87,417,885	48,646,312	87,417,885
Fixed Deposits with banks		1,466,087,740	1,756,836,507	1,466,087,740	1,756,836,507
		1,882,241,807	**2,679,938,571**	**1,879,768,077**	**2,673,800,897**
26 SHARE CAPITAL					
Authorized and issued share capital					
Authorized share capital					
Equity shares of Nu.10 (Previous year 10 each)		5,000,000,000	1,000,000,000	5,000,000,000	1,000,000,000
Equity shares issued and fully paid					
At beginning of the year		480,000,000	240,000,000	480,000,000	240,000,000
Bonus share issued during the year		720,000,000	240,000,000	720,000,000	240,000,000
At end of the year		**1,200,000,000**	**480,000,000**	**1,200,000,000**	**480,000,000**

All Equity shares issued are fully paid.
* During the year 2015, The Company has issued 72,000,000 bonus share in the ratio of 1:1.5 of Nu. 10/- each fully paid up.
* 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

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For the year ended 31 December 2015

	Note	Group			Company		
		Nu			Nu		
		2015			2015		
27 Insurance contract liabilities		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non Life Insurance	27.1	115,639,557	27,711,895	143,351,453	115,639,557	27,711,895	143,351,453
Re insurance	27.2	118,064,056	-	118,064,056	118,064,056	-	118,064,056
Life Insurance	27.3	2,328,241,892	-	2,328,241,892	2,328,241,892	-	2,328,241,892
Group Life Insurance	27.4	83,999,641	-	83,999,641	83,999,641	-	83,999,641
Annuity Insurance	27.5	(4,966,863)	-	(4,966,863)	(4,966,863)	-	(4,966,863)
		2,640,978,284	**27,711,895**	**2,668,690,179**	**2,640,978,284**	**27,711,895**	**2,668,690,179**
27.1 Insurance contract liabilities - Non Life Insurance							
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policyholders		225,419,190	27,711,895	197,707,295	225,419,190	27,711,895	197,707,295
Reinsurance share of claims		-	-	-	-	-	-
IBNR		(10,611,022)	-	(10,611,022)	(10,611,022)	-	(10,611,022)
Provision for unearned premiums		(93,546,236)	-	(93,546,236)	(93,546,236)	-	(93,546,236)
Deferred Acquisition Cost		(5,622,374)	-	(5,622,374)	(5,622,374)	-	(5,622,374)
		115,639,557	**27,711,895**	**93,550,037**	**115,639,557**	**27,711,895**	**87,927,662**

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 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

27.2 Insurance contract liabilities - Re Insurance						
Provision for reported claims by policyholders	142,646,947	-	142,646,947	142,646,947	-	142,646,947
IBNR	(544,921)	-	(544,921)	(544,921)	-	(544,921)
Provision for unearned premiums	(5,565,433)	-	(5,565,433)	(5,565,433)	-	(5,565,433)
Deferred commission	(18,472,537)	-	(18,472,537)	(18,472,537)	-	(18,472,537)
	118,064,056	-	**118,064,056**	**118,064,056**	-	**118,064,056**

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Re insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

27.3 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 2015 was made by Mr. N. C. Das an outside actuary.

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. N. C. Das an outside actuary as at 31st December 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

27.4 Insurance contract liabilities - Group Life Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Group Life Insurance contract liability was carried out by Mr. N. C. Das an outside actuary as at 31st December 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

27.5 Insurance contract liabilities - Annuity Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Annuity Insurance contract liability was carried out by Mr. N. C. Das an outside actuary as at 31st December 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

	Note	Group			Company		
		Nu 2014			Nu 2014		
27 Insurance contract liabilities		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
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
		1,881,307,430	**75,629,278**	**1,956,936,708**	**1,881,307,430**	**75,629,278**	**1,956,936,708**

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

	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)
	168,497,493	75,629,278	244,126,771	168,497,493	75,629,278	244,126,771

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)
	67,813,547	-	67,813,547	67,813,547	-	67,813,547

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2015	2014	2015	2014
28	**Investment Contract Liabilities**					
	Life Insurance		-	110,700,000	-	110,700,000
	Group Life Insurance		970,115,006	790,738,039	970,115,006	790,738,039
	Annuity Insurance		583,687,328	25,630,118	583,687,328	25,630,118
			1,553,802,334	**927,068,158**	**1,553,802,334**	**927,068,158**

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

		Group 2015	Group 2014	Company 2015	Company 2014
29	**Insurance Payable**				
	Non Life Insurance	67,021,923.03	55,260,826.97	67,021,923	55,260,827
	Life Insurance	4,289,491.50	4,351,058.84	4,289,491	4,351,059
	Group Life Insurance	1,582,518.77	1,050,142.25	1,582,519	1,050,142
	Re insurance	2,487,926.52	48,240,761.00	2,487,927	48,240,761
		75,381,860	**108,902,789**	**75,381,860**	**108,902,789**

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

		Group 2015	Group 2014	Company 2015	Company 2014
30	**Debt issued and other borrowed funds**				
	Long term bond	2,936,787,671	2,643,961,644	2,936,787,671	2,643,961,644
	Term borrowings	1,916,837,325	1,604,080,667	1,917,837,325	1,604,080,667
	Total debt issued and other borrowed funds	**4,853,624,996**	**4,248,042,311**	**4,854,624,996**	**4,248,042,311**

Terms and Conditions

Security Guarantee	The loan shall be secured by the book debts of RICB
Failure to pay principal & interest	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
Jurisdiction	If any dispute arise between RICBL and lender during the period of the loan, the Thimphu Dzongkhag Court shall have sole jurisdiction.

Long Term Bonds	**Outstanding Balance**	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Bond Series III & IV @ 9.50% p.a.	2,500,000,000	-	-	-	-	2,500,000,000	2,500,000,000
Interest on Series III & IV	175,815,068	-	-	175,815,068	-	-	175,815,068
Subordinate Debt @ 6% p.a.	250,000,000	-	-	-	-	250,000,000	250,000,000
Interest on Subordinate Debt	10,972,603	-	-	10,972,603	-	-	10,972,603
	2,936,787,671	-	-	**186,787,671**	-	**2,750,000,000**	**2,936,787,671**
Term borrowings							
Bhutan Development Bank Limited	484,308,579	-	-	134,123,586	350,184,993	-	484,308,579
Bank of Bhutan Limited	378,961,827	-	-	-	378,961,827	-	378,961,827
National Pension & Provident Fund	373,356,586	-	-	27,476,215	345,880,371	-	373,356,586
Druk PNB Bank Limited	333,333,000	-	33,333,000	300,000,000	-	-	333,333,000
GIC Bhutan Re Limited	238,000,000	-	-	70,000,000	-	168,000,000	238,000,000
Bhutan National Bank Limited	100,000,235	-	-	100,000,235	-	-	100,000,235
RICB Securities Ltd.	1,000,000	1,000,000	-	-	-	-	1,000,000
Interest on Above loans	8,877,098	-	8,877,098	-	-	-	8,877,098
	1,917,837,325	**1,000,000**	**42,210,098**	**631,600,036**	**1,075,027,191**	**168,000,000**	**1,917,837,325**

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For the year ended 31 December 2015

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2015	2014	2015	2014
31	**EMPLOYEE BENEFITS OBLIGATION**					
	Net defined benefit assets		14,294,261	16,839,461	14,294,261	16,839,461
	Leave encashment liability		9,327,252	8,884,267	9,327,252	8,887,426
31.1	Net defined benefit assets					
	The amounts recognised in the income statement are as follows:					
	Current service cost		(2,365,085)	(2,086,169)	(2,365,085)	(2,086,169)
	Interest cost on behalf obligation		1,301,262	949,516	1,301,262	949,516
	Net acturial loss recognised in the year		4,981,378	2,661,607	4,981,378	2,661,607
			3,917,555	**1,524,954**	**3,917,555**	**1,524,954**
	The movement in the Net defined benefit obligation is, as follows:					
	Opening balance		20,067,746	22,991,818	20,067,746	22,991,818
	Current service cost		2,365,085	2,086,169	2,365,085	2,086,169
	Payments made during the year		(1,461,140)	(2,815,742)	(1,461,140)	(2,815,742)
	Interest cost on benefit obligation		1,353,602	1,510,876	1,353,602	1,510,876
	Net actuarial loss recognized in the year		(349,196)	(3,705,375)	(349,196)	(3,705,375)
	Expected return on plan assets		-	-	-	-
			21,976,097	20,067,746	21,976,097	20,067,746
	The amounts recognised in the statement of financial position at the reporting date are, as follows:					
	Present value of the defined benefit obligation		(21,976,099)	(20,067,747)	(21,976,099)	(20,067,747)
	Fair value of plan assets		36,270,360	36,907,208	36,270,360	36,907,208
	Net defined benefit obligation		14,294,261	16,839,461	14,294,261	16,839,461
	Total net defined benefit obligation		**14,294,261**	**16,839,461**	**14,294,261**	**16,839,461**

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%

Attrition Rate - 6%

Normal Retirement age - 56 years

Mortality - Indian Assured Lives Mortality (IALM-2006-2008).

		Group 2015	Group 2014	Company 2015	Company 2014
31.2	**Leave encashment liability**				
	Opening balance	8,884,267	4,038,892	8,887,426	4,038,892
	Cash payment	(133,956)	(12,654,745)	(133,956)	(5,770,534)
	Expense	573,782	17,500,120	573,782	10,619,068
	Closing balance	**9,324,093**	**8,884,267**	**9,327,252**	**8,887,426**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

	Note	Consolidated statement of financial position		Consolidated income statement	
		2015	2014	2015	2014
32 Deferred tax liability (Net)		Nu	Nu	Nu	Nu
Deferred tax assets					
Property plant & equipment		-	-	-	-
		-	-	-	-
Deferred tax liability					
Property Plant & Equipment		29,742,631	29,370,517	(372,114)	2,221,362
Investment Property		107,330,653	92,946,945	(14,383,708)	561,605
Intangible Assets		-	1,418,901	1,418,901	(696,531)
Net defined benefit assets		4,288,278	5,051,838		
Available for sale assets		64,479,976	46,363,414		
		205,841,538	175,151,615		
Deferred income tax charge/(reversal)				(13,336,921)	2,086,436
Deferred income tax charge/(reversal) - OCI					
Net defined benefit assets			-	763,560	(2,808,218)
Available for sale assets			-	(18,116,562)	-
				(17,353,002)	(2,808,218)
Net deferred tax liability or assets		(205,841,538)	(175,151,615)		

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		2015	2014	2015	2014
33 TRADE AND OTHER PAYABLES					
Policyholders payment in Advance		732,769,030	78,181,802	732,769,030	78,181,802
Agency commission payable		29,615,348	32,586,926	29,615,348	32,586,926
Interest credited to employees' account		186,753,189	144,735,755	186,753,189	144,735,755
Bonus payables		221,347,982	156,035,111	221,347,982	156,035,111
Government levy payable		1,472,000	1,472,000	1,472,000	1,472,000
Deposits		15,411,724	806,117,717	15,411,724	806,117,717
Other		450,763,243	65,693,653	450,432,843	61,628,247
Total trade and other payables		**1,638,132,516**	**1,284,822,964**	**1,637,802,116**	**1,280,757,558**

34 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	2015	2014	2015	2014
Contingent Liabilities				
Guarantees	2,565,532,587	1,580,247,011	2,565,532,587	1,580,247,011
	2,565,532,587	**1,580,247,011**	**2,565,532,587**	**1,580,247,011**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35 FINANCIAL RISK MANAGEMENT

Insurance and financial risk

35 (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 more than expected. 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.

Key assumptions for valuation of liabilities in Life Insurance
Material judgement 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, behavioral 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.

35 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
* A very 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
General Insurance Corporation of India Limited	A-	AM Best
National Insurance Company Limited AM Best	B++	AM Best
Oriental Insurance Company Limited	B++	AM Best
United India Insurance Company Limited	B++	AM Best
New India Assurance Company Limited	A-	AM Best
Asian Reinsurance Corporation Limited	B	AM Best
Hannover Re	A+	AM Best
Munich Re	A+	AM Best
Allianz	A+	AM Best
ACE Group	A+	AM Best
Swiss Re	A+	AM Best
Aspen Insurance UK Limited	A	AM Best
Liberty Mutaul 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
RSA Insurance Company	A+	S & P
Eurasia Insurance Company	B++	AM Best
Cathedral Syndicate	A	AM Best
Canopius Syndicate	A	AM Best
AIG Europe Ltd	A	AM Best
Ironshore Europe Ltd	A	AM Best
Kiln Syndicate	A	AM Best
Cathedral Syndicate	A	AM Best
Meacok	A	AM Best
Lancashire	A	AM Best
Canopius	A	AM Best
Sogaz Insurance co.Ltd	B++	AM Best
VINA Re	B++	AM Best

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35 (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).

R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Royal Insurance Corporation of Bhutan
Thimphu

Royal Insurance Corporation of Bhutan Limited

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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 counter party 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 in addition to its core deposit base, 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 the 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.

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Thimphu

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35 FINANCIAL RISK MANAGEMENT (Condt..)

35 (c) Fair value of Financial Instruments

A. Determination of fair value hierarchy

	Group				Company			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
31 December 2015								
Financial Investments Available for sale								
Quoted Equities	-	-	315,847,904	**315,847,904**	-	-	315,847,904	**315,847,904**
Loans & Receivables								
Loans & Advances to Employees	-	345,055,808	-	**345,055,808**	-	345,055,808	-	**345,055,808**
31 December 2014								
Financial Investments Available for sale								
Quoted Equities	-	-	235,713,884	**235,713,884**	-	-	235,713,884	**235,713,884**
Loans & Receivables								
Loans & Advances to Employees	-	18,669,631	-	**18,669,631**	-	18,669,631	-	**18,669,631**

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.

	Group				Company			
	2015		2014		2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets								
Financial Investments available for sale - Quoted Equities	100,914,650	315,847,904	105,915,300	260,025,534	100,914,650	315,847,904	105,915,300	105,915,300
Loans and advances to customers	11,821,988,816	11,521,000,604	9,812,555,771	9,731,986,020	11,821,988,816	11,521,000,604	9,812,555,771	9,731,986,020
Statutory investment	500,000	500,000	700,000	700,000	-	-	-	-
Long term investment	-	-	100,000,000	100,000,000	-	-	100,000,000	100,000,000
Insurance Receivables	360,079,346	285,907,289	225,257,147	225,257,147	360,079,346	285,907,289	225,257,147	225,257,147
Other Assets	268,433,739	268,433,739	122,867,258	122,867,258	268,345,583	268,345,583	122,602,563	122,602,563
Cash and Cash Equivalents	1,882,241,807	1,882,241,807	923,102,064	923,102,064	1,879,768,077	1,879,768,077	916,964,390	916,964,390
	14,434,158,358	14,273,931,343	11,290,397,541	11,363,938,024	14,431,096,472	14,270,869,458	11,283,295,172	11,202,725,421
Financial Liabilities								
Insurance contract liabilities	2,668,690,179	2,668,690,179	1,956,936,708	1,956,936,708	2,668,690,179	2,668,690,179	1,956,936,708	1,956,936,708
Reinsurance contract liabilities	-	-	60,537,145	60,537,145	-	-	60,537,145	60,537,145
Investment contract liabilities	1,553,802,334	1,553,802,334	927,068,158	927,068,158	1,553,802,334	1,553,802,334	927,068,158	927,068,158
Insurance Payable	75,381,860	75,381,860	108,902,789	108,902,789	75,381,860	75,381,860	108,902,789	108,902,789
Debt issued and other borrowed funds	4,853,624,996	4,853,624,996	4,248,042,311	4,248,042,311	4,854,624,996	4,854,624,996	4,248,042,311	4,248,042,311
	9,151,499,369	9,151,499,369	7,301,487,111	7,301,487,111	9,152,499,369	9,152,499,369	7,301,487,111	7,301,487,111

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 5 FINANCIAL RISK MANAGEMENT (Condt..)

35 (d) Credit Risk

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

			Fair value of Collateral or credit enhancement held		
31st December 2015	**Maximum Exposure to credit Risk (Nu)**	**Cash**	**Properties**	**Net Collateral**	**Net Exposure**
Financial Assets					
Due from banks	-	-	-	-	-
Loans & advances to customers	11,835,749,137	-	134,060,698,287	134,060,698,287	(122,224,949,150)
Financial Liabilities					
Long term bond	2,936,787,671	-	-	-	2,925,183,970
Term borrowings	1,917,837,325	935,000,000	1,117,970,000	2,052,970,000	(135,132,675)

			Fair value of Collateral or credit enhancement held		
31st December 2014	**Maximum Exposure to credit Risk (Nu)**	**Cash**	**Properties**	**Net Collateral**	**Net Exposure**
Financial Assets					
Due from banks	-				
Loans & advances to customers	8,055,719,264		50,725,676,602	50,725,676,602	(42,485,610,810)
Financial Liabilities					
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)

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

	Group				Company			
31st December 2015	**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	-	-	-	-	-	-	-	-
Loans & Advances to Customers	-	-	11,835,749,137	11,835,749,137	-	-	11,835,749,137	11,835,749,137

	Group				Company			
31st December 2014	**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	-	-	912,974,628
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

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Royal Insurance Corporation of Bhutan Thimphu

35 FINANCIAL RISK MANAGEMENT (Condt..)

Liquidity Risk & Funding management

Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2015	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	-	-	-	-	-	-
Loans & Advances to Customers	-	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	11,835,749,137
Financial Investments Available for Sale	361,638,904	-	-	-	-	361,638,904
Total undiscounted Assets	**361,638,904**	**660,866,593**	**4,169,365,717**	**1,131,153,903**	**5,874,362,924**	**12,197,388,041**
Debts Issued & Other Borrowed Funds	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	6,907,960,227
Total Undiscounted Liabilities	-	**176,036,592**	**2,363,085,054**	**850,287,740**	**5,168,000,000**	**6,907,960,227**
Net Undiscounted Financial Assets/ (Liabilities)	**361,638,904**	**484,830,001**	**1,806,280,663**	**280,866,163**	**706,362,924**	**5,289,427,814**

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	-	-	-	-	-	-
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
Total undiscounted Assets	**1,195,503,274**	**315,316,124**	**936,785,826**	**3,739,536,208**	**5,576,486,869**	**11,763,628,301**
Debts Issued & Other Borrowed Funds	-	176,036,592	2,363,085,054	850,287,740	858,632,925	4,248,042,311
Total Undiscounted Liabilities	-	**176,036,592**	**2,363,085,054**	**850,287,740**	**858,632,925**	**4,248,042,311**
Net Undiscounted Financial Assets/ (Liabilities)	**1,195,503,274**	**139,279,532**	**(1,426,299,228)**	**2,889,248,468**	**4,717,853,944**	**7,515,585,990**

Liquidity Risk & 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 2015	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	160,302,665	687,926,397	1,734,766,501	143,251,707	-	2,726,247,270
	160,302,665	**687,926,397**	**1,734,766,501**	**143,251,707**	-	**2,726,247,270**

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
	469,584,833	**801,648,253**	**1,442,231,089**	**600,426,535**	-	**3,313,890,711**

Royal Insurance Corporation of Bhutan Limited

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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 could 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.

In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position. Commitments & Contingencies according to the remaining matures as 31 December 2012 has summarized below.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35 FINANCIAL RISK MANAGEMENT (Condt..)

Market Risk - Interest Rate Risk

31 December 2015

Currency of Borrowing/Advance	Increase/ (decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	88,192,102	88,192,102
	-10%	(88,192,102)	(88,192,102)

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)

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 2015	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	-	-	-	-	-	-	-
Loans & Advances to Customers	-	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	-	11,835,749,137
Financial Investments Available for Sale	361,638,904	-	-	-	-	-	361,638,904
Total Assets	**361,638,904**	**660,866,593**	**4,169,365,717**	**1,131,153,903**	**5,874,362,924**	-	**12,197,388,041**
Debts Issued & Other Borrowed Funds	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	-	6,907,960,227
Total Liabilities	-	**33,333,000**	**631,600,036**	**1,075,027,191**	**5,168,000,000**	-	**6,907,960,227**

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	-	-	-	-	-	-	-
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
Total Assets	**278,538,884**	**252,770,439**	**748,000,310**	**3,045,030,000**	**4,009,918,516**	-	**8,334,258,148**
Debts Issued & Other Borrowed Funds	148,716,220	35,471,723	85,265,790	3,978,588,578	-	-	4,248,042,311
Total Liabilities	**148,716,220**	**35,471,723**	**85,265,790**	**3,978,588,578**	-	-	**4,248,042,311**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 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.

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35 FINANCIAL RISK MANAGEMENT (Condt..)

Geographical Risk

The geographical risk is the risk that an occurrence within a geographical locations have an adverse effect on the bank directly by impairing the value through an obligors ability to meet its obligation to the bank.

	2015					
Financial Assets	**Thimphu**	**Chuka**	**Punaka**	**Samdrup Jongkar**	**Others**	**Total**
Loans & Advances to Customers	6,947,878,404	2,223,617,566	299,024,465	202,472,581	2,162,758,151	11,835,751,167
	6,947,878,404	**2,223,617,566**	**299,024,465**	**202,472,581**	**2,162,758,151**	**11,835,751,167**

	2014					
Financial Assets	**Thimphu**	**Chuka**	**Punaka**	**Samdrup Jongkar**	**Others**	**Total**
Loans & Advances to Customers	4,629,014,762	1,786,972,292	140,177,485	229,314,897	1,270,239,830	8,055,719,264
	4,629,014,762	**1,786,972,292**	**140,177,485**	**229,314,897**	**1,270,239,830**	**8,055,719,264**

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 Executive and Non Executive Directors), key employees who are holding directorship in Subsidiary companies of the Company.

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 domestic partner.

Name of Board of Directors:-

1 Dasho Topgyal Dorji
2 Dasho Thinley Dorji
3 Mr. Tshenchok Tninley
4 Mr. Phub Dorji
5 Mr. Chencho Tshering Namgay
6 Miss Tshering Lham
7 Mr. Namgyal Lhendup

Name of the Companies where Directors/KMP are interested :-

1 Bhutan Brewery Private Limited
2 Bhutan International Company
3 Bhutan Silicon Metal (P) Ltd.
4 Kingyal Coke and Chemicals
5 M/s Tashi commercial corporation
6 M/s Tashi Thuendel Lerig Pvt. Ltd.
7 Yuedrung construction

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:		**O/s as on 31.12.15**	**O/s as on 31.12.14**
1	Bhutan Brewery Private Limited	-	1,009,496
2	Bhutan International Company	5,950,510	6,295,476
3	Bhutan Silicon Metal (P) Ltd.	339,146,287	329,341,454
4	Kingyal Coke and Chemicals	117,066,573	207,941,683
5	M/s Tashi commercial corporation	11,980,890	40,215,477
6	M/s Tashi Thuendel Lerig Pvt. Ltd.	5,133,007	18,830,134
7	Yuedrung construction	-	6,188,747
8	Dasho Topgyal Dorji	31,161,285	37,274,616
9	Mr. Phub Dorji	5,334,605	1,865,307
10	Mr. Tshenchok Tninley	7,589,167	9,241,078
		523,362,323	658,203,468

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

36.3.2 Insurance Policies on KMPs and their CFMs are detailed below:	**2015**	**2014**
General Insurance:-		
Dasho Topgyal Dorji	169,103	293,718
Dasho Thinley Dorji	60,027	37,675
Director Tshenchok Thinley	52,597	53,699
Director Phub Dorji	29,920	27,940
Life Insurance:-		
Mr. Chencho Tshering Namgay	200,000	200,000
Miss Tshering Lham	650,000	-
	1,161,647	613,032

36.3.4 Remuneration of KMP

Key Management Personnel Expenses Include

	2015	**2014**
Mr. Namgyal Lhendup:-		
Remuneration	1,782,428	1,816,496
Other Benefits	924,421	554,304
Directors Sitting Fee	635,000	720,000
	3,341,849	3,090,800

37 Embezzlement of Funds

a) In 2009, a fraud amount of Nu. 11,263,659 have been reported at Thimphu Regional Bank Account No. 292. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect. Further, Nu. 529,608 have been recovered during the year and necessary adjustments done accordingly.

b) In 2009, there was a burglary case at Paro Branch office and the office safe has been stolen containing the Cash Nu. 300,000, blank cheque books and digital camera. The case is still pending with the Royal Bhutan Police as no one could be held responsible. Accordingly, in reference to this case amount aggregated to the extent of Nu. 300,000 had been already provided in the accounts.

c) In 2011, a fraud amounting to Nu 1,472,000 has been reported at Head Office Thimphu, in the General Insurance Department. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect.

d) In 2014, a fraud amounting to Nu. 865,058 have been reported at Dagana Branch, in the General Insurance Department and Credit and Investment Department. The matter is pending before anti-corruption commission. Accordingly, necessary provisions have been made in the books of account in the current year.

e) In 2015, misappropriation of Nu. 98,000 have been reported at Pema Gatshel Branch, in the Credit and Investment Department. Thus, in this regard the required provision has been made in the accounts.

f) In 2015, misappropriation of Nu. 3,993,791 have been reported in the Head Office, Thimphu. The matter is pending with the Anti-corruption Commission. The mentioned amount has been adjusted in the accounts and provision of Nu. 1,985,651 is provided during the year.

g) In 2015, misappropriation of Nu. 93,249,102 have been reported in the Paro branch, in the Credit and Investment Department. The matter is pending with the Anti-corruptio-

Royal Insurance Corporation of Bhutan Limited

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For the year ended 31 December 2015

Commission. Accordingly, provision of Nu. 60,000,000 have been created and included under provision amount in the books of accounts during the year. Further provision for the same will be provided in the coming years.

38 Unadjusted deposits in respect of Life Insurance policies aggregating to Nu. 11,097,174 (Previous Year Nu. 9,615,414) included in Trade and Other Payables are outstanding on account of reconciliation process, against which eventual adjustments thereof are not ascertainable at this stage.

39 Provision @ 30% on the book profits calculated as per these account is made towards Corporate Income Tax for the year 2015. However, necessary adjustments have not been made for inadmissible expenditure to calculate the income tax liability as required under the "Income Tax Act of Bhutan, 2001".

40 Provision for bonus payable to employees for the current year has neither been ascertained nor been provided in these accounts. An amount of Nu. 26,885,458 have been paid for the year 2014 (For the Year 2013 Nu. 20,592,349).

41 Reinsurance Payables and Receivables in Non-Life Policies

a) The balances outstanding, both receivable and payable, as at the reporting date from/to various re-insurers aggregating to Nu. 357,296,917 (Previous Year Nu. 324,073,682) and Nu. 226,130,334 (Previous Year Nu. 86,044,362) respectively are pending final reconciliation process/ confirmation and acceptance of the re-insurers. Any further adjustments thereof are not ascertainable at this stage.

b) The balance due from and to the re-insurers have not been netted-off in the books of accounts.

c) The balances from and to the reinsurers and the brokers, where the transactions are being carried out in foreign currency (except INR), are not re-instated based on the exchange rate as on the reporting date.

42 Certain debit/ credit balances included in Trade Receivable, Trade Payables, Short/Long Term Loan and Advances, Other Current Assets and Current Liabilities are pending for confirmations and consequential reconciliation.

43 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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