



2<sup>nd</sup> Annual Report  
**2010**



# Contents

Directors' Report.....	3-6
Company Information .....	7
Company Profile.....	8-11
Organogram.....	12
Auditors' Report.....	13-20
Balance Sheet as on 31.12.2010.....	21-22
Profit and Loss Account for the year ended 31.12.10.....	23
Fire Revenue Account for the Year Ended 31.12.10.....	25
Marine Revenue Account for the Year Ended 31.12.10 ..	26
Others Revenue Account for the Year Ended 31.12.10 ..	27
Fire Schedule (1-3) .....	28
Marine Schedule (1-3) .....	29
Others Schedule (1-13) .....	30-34
Financing & Investment Balance Sheet as at 31.12.10 .....	35
Financing & Investment Revenue A/c for the year ended 31.12.10 .....	36
Schedule 1-7.....	37-38
Cash flow Statement for the year ended 31.12.10.....	39
Schedule 14.....	40-41
Schedule 15.....	42-43



Directors' REPORT

What's precious to us can also be our source of despair!



WE REACH WHERE WE ARE NEEDED!

Our Motor Insurance is your safest bet!



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**Bhutan Insurance Limited**

*Protecting Security. Building Confidence.*

Post Box# 779, Chorten lam, Thimphu.

Toll free # 201 [www.bhutaninsurance.com.bt](http://www.bhutaninsurance.com.bt) PABX 339892/93/94 Fax# 339895

Your insurer of CHOICE

## Dear Shareholders,

On behalf of the Board of Director's I would like to present to you the 2nd Annual Report for BIL. The year 2010 is the first full year of business activity for the company and I am happy to report that we have achieved some significant milestones:

### Business Performance

In the year 2010, our company has written a gross premium of Nu148.98 million, in which Fire Insurance constitutes 33%, while the Miscellaneous Category, fuelled mainly by the rapid growth of Motor Insurance accounted for 65% of the total, and the Marine portfolio constituting a total of 2% of the overall premium collection. Gross claims for the year amounted to Nu100.69 million and the overall net claim ratio achieved was 40.07% which signifies the strength of the company's underwriting process as well as its reinsurance program. The company has earned a pre-tax profit of Nu19.08 million for the year.

### Establishment of New Divisions

Two new divisions have been established during the year. The Financing & Investment Department (FID) and the Private Provident Fund (PPF) both of which will have extremely important impacts on the future growth of the company and its diversification of services.

### Opening of Branch and Extension Offices

To enhance our services nationally we opened a new Extension Office in Mongar as well as a new Branch Office in Samdrupjongkhar. The Wangdi Extension Office has been upgraded to a Branch Office during the current year. We now have a total of 4 Branch Offices and 3 Extension Offices.

### Human Resources

With the introduction of the Financing & Investment Department and the Private Provident Fund Department the Head Office has now increased its staff strength to 34 employees. Further, with the opening of the new Branch and Extension Offices our overall staff strength has grown from 43 employees to a total of 53 employees thus reflecting the rapid growth in business. Since the commencement, the employees have undergone in-house training as well as training in India and other third countries thus continually improving the quality and knowledge of the staff. The details of the trainings are as follows:

Sl. No.	Course/Training	Conducted by	No. of Staffs Attended	Year	Place
1	Driglam Namzha	Lopen Gangkhar	16	2009	In-house, BIL, Thimphu
2	Business Writing & Training Report	IMS	22	2009	IMS, Thimphu
3	Under-writing / Reinsurance	Mr.K.L.Naik (J.B.Boda, Mumbi, India)	16	2009	In-house, BIL, Thimphu
4	General Insurance	Heritage Insurance Brokers Pvt. Ltd.	3	2009	Kolkata, India
5	Training Need Analysis	MoLHR	1	2010	Thimphu
6	Marketing Survey Method	BCCI	1	2010	Thimphu
7	Internal Auditor Training	N.C.Mitra & Company (CA Company)	1	2010	Kolkata, India
8	Customer Relationship Management	BCCI	1	2010	Thimphu
9	Insurance Management System	Paibare learning laboratorie	3	2010	Philippines
10	Frontline Marketing Strategies	NIA	5	2010	Pune, India
11	Comprehensive Technical Programme in General Insurance	NIA	8	2010	Pune, India
12	New Product Development	Nepal Insurance	2	2010	Katmandu, Nepal

On behalf of the distinguished board members of BIL and on my own behalf, I would like to express our sincere gratitude to all our valued clients, to the Royal Government and its various Ministries and Departments, and to the notable individuals in organizations such as the RMA for their continued support. To our reinsurance partners and surveyors in India we would like to thank them for the profound technical support and friendship that they provide us.

With my very best wishes,



Ugyen Rinzin  
Chairman

## Financial and Operational Review

The year 2010 has been a very good year of growth for BIL. Full-fledged commercial operation encompassing almost all the activities of a financial Institution commenced from this year. A new department called 'Financing & Investment Department' has been created with effect from April 2010 to take care of the emerging investment requirement of the country. Functional achievement of Insurance Department and Financing & Investment Department are highlighted below:-

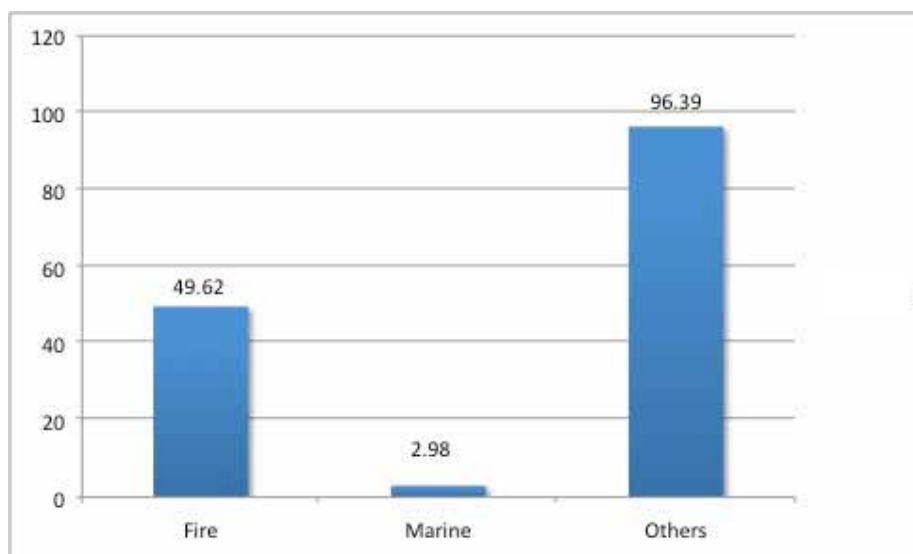
### A) Insurance Department

#### Statement showing Insurance Premium and Claim

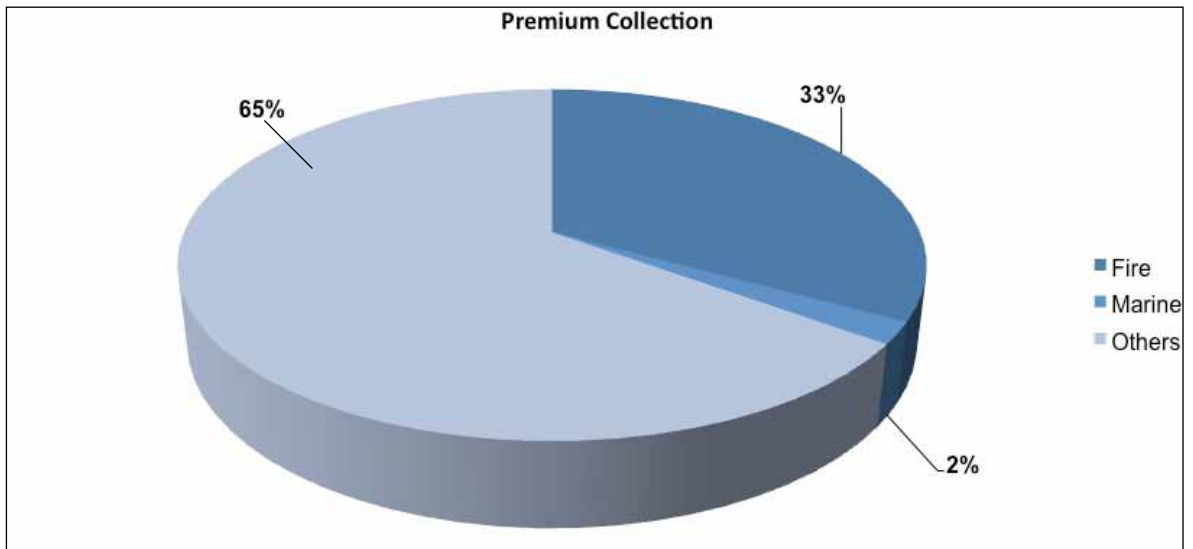
Segments	Premium			Claims		
	Gross Premium (Nu.)	Re-Insurance (Nu.)	Net Premium (Nu.)	Gross Claim (Nu.)	Re-Insurance (Nu.)	Net Claim (Nu.)
Fire	49,615,513.00	40,292,734.00	9,322,779.00	49,735,190.00	47,023,551.00	2,711,639.00
Marine	2,980,374.00	2,059,739.00	920,635.00	1,602,157.00	1,281,726.00	320,431.00
Others	96,386,957.00	6,613,207.00	89,773,750.00	49,359,621.00	12,313,393.00	37,046,228.00
<b>Total</b>	<b>148,982,844.00</b>	<b>48,965,680.00</b>	<b>100,017,164.00</b>	<b>100,696,968.00</b>	<b>60,618,670.00</b>	<b>40,078,298.00</b>

Net premium after deducting the reinsurance premium is Nu.100.02 million; correspondingly, the gross claim amount is Nu.100.70 million and net claim amounts to Nu.40.08 million. The overall net claim ratio is 40.08 % which denotes strong underwriting process of the company. Spontaneous support and progressive patronage from public have enabled BIL to make its mission successful in all segments.

Collection of premium – consistent growth of collection is depicted in the following diagram:-



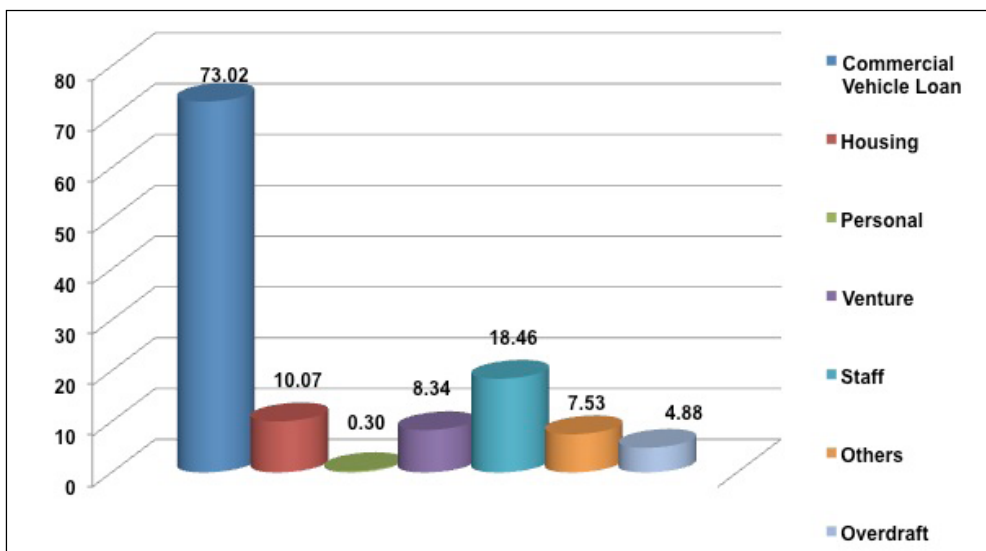
From the total premium collection of Nu.148.98 million, Fire segment represents 33% amounting Nu.49,615,513.00, Marine segment represents 2% amounting Nu.2,980,374.00 and other segment which is mainly influenced by motor represents 65% amounting Nu.96,386,957.00.

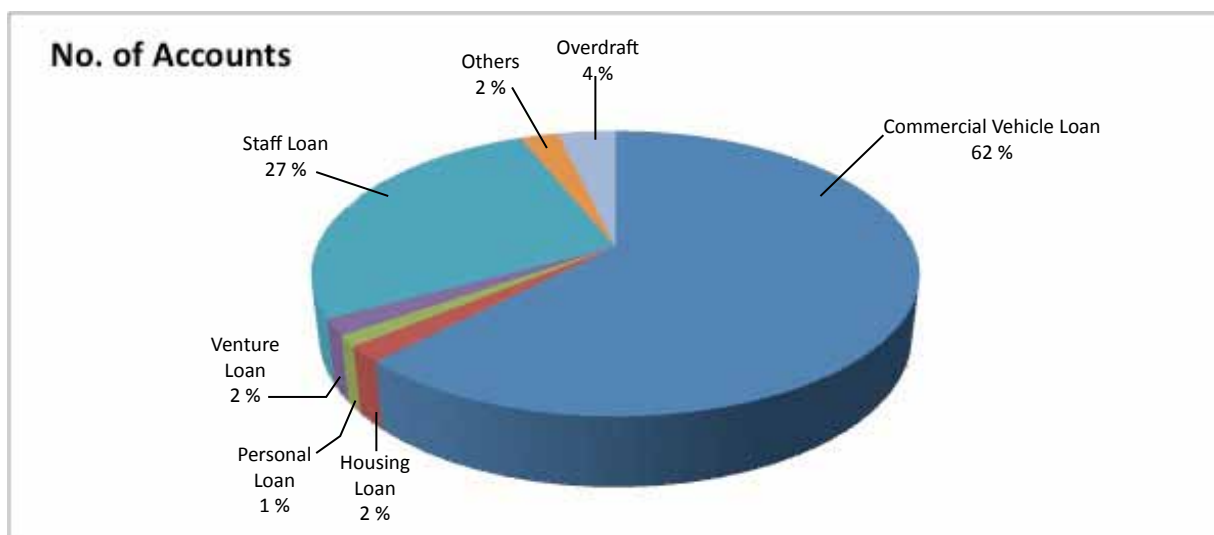


**B) Financing & Investment Department**

**Statement showing position of Investment Portfolios**

Type of Loans	Number of Accounts	Amount (Nu.)
Commercial Vehicle	102	73,016,394.00
Housing	3	10,065,100.00
Personal	2	296,180.00
Venture	3	8,335,001.00
Staff	44	18,457,931.00
Others	4	7,533,000.00
Overdraft	6	4,877,078.00
<b>Total</b>	<b>164</b>	<b>122,580,684.00</b>





Launching of 'Financing & Investment Department' by BIL has evoked strong response from service holders, business communities and public at large. The Net Operating Income earned by Financing and Investment Department was Nu.2,646,692.00

The company has earned Nu.19.08 million as profit (before tax) during this first year of commercial operation. Specific analysis of profit is given hereunder.

Particulars	Nu.	Nu.
<b>Gross Income:</b>		
Insurance-	148,982,844.00	
Investment(Interest & others)	<u>11,362,089.00</u>	
	<b><u>160,344,933.00</u></b>	
<b>Operating Profit:</b>		
Insurance –	9,240,062.00	
Investment –	<u>10,343,687.00</u>	
	<b><u>19,583,749.00</u></b>	
Non-operating Expenditure (Net):	501,453.00	
<b>Net Profit Before Tax:</b>		<b><u>19,082,296.00</u></b>
Profit Available for Appropriations:		12,369,685.00
Proposed Dividend (7.5%):		7,500,000.00
Transfer to Nat/Cat Reserve:		1,158,780.00
Transfer to General Reserve:		3,710,906.00
<b>Earnings per Share</b>		<b>12.37</b>



# Company Information

## BOARD OF DIRECTORS

- I. Mr. Ugyen Rinzin (Chairman)**  
Yangphel Adventure and Travels, Thimphu  
Phone No: 02-232393  
Email: [ugyen@zhiwaling.com](mailto:ugyen@zhiwaling.com)  
[urinzin@bhutaninsurance.com.bt](mailto:urinzin@bhutaninsurance.com.bt)
- II. Dasho Ugen Tsechup Dorji (Director)**  
Singye Group of Co.Pvt.Ltd., Thimphu  
Phone No: 02-322183/17119999  
Email: [ugentsechup@gmail.com](mailto:ugentsechup@gmail.com)  
Fax No#02-324152
- III. Mr. Karma Dorjee (Director)**  
Karma Group of Companies  
P.O. Box 177, Thimphu  
Phone No: 02-324163/05254725/17110194  
Email: [karma@druknet.bt](mailto:karma@druknet.bt)  
Fax No: 02-322229/05252391
- IV. Mr. Karma Lotey (Director)**  
Yangphel Enterprise  
P.O. Box 236, Thimphu  
Phone No: 02-323293/323294/17111331  
Email: [md@-yangphel.com](mailto:md@-yangphel.com)  
Fax No: 02-322897
- V. Mr. Tshering Gyaltshen**  
(CEO/Member Secretary)  
Bhutan Insurance Limited  
P.O. Box 779, Thimphu  
Phone No: 02-339893/339894  
Email: [tgyaltshen@bhutaninsurance.com.bt](mailto:tgyaltshen@bhutaninsurance.com.bt)

## AUDITORS

### Nag & Associates

Chowringhee Approach, 1st floor  
Kolkata – 700 072  
Phone No.0091-033-2212-5217  
Fax No.0091-033-2212-7008  
Email:[nagandassociates@gmail.com](mailto:nagandassociates@gmail.com)

## AUDIT COMMITTEE MEMBERS

- I. Mr. Karma Lotey (Director)**  
Yangphel Enterprise  
P.O. Box 236, Thimphu  
Phone No: 323293/323294/17111331  
Email: [md@yangphel.com](mailto:md@yangphel.com)  
Fax No: 322897
- II. Mr. Singye Dorji**  
Internal Auditor  
Bhutan Insurance Limited  
P.O.Box 779, Thimphu  
Phone No.02-339893/339894/77242556  
Email: [singye@bhutaninsurance.com.bt](mailto:singye@bhutaninsurance.com.bt)  
Fax No.02-339895
- III. Mr. Yeshey Lotey**  
Company Secretary cum Compliance  
Officer  
Bhutan Insurance Limited  
P.O.Box 779, Thimphu  
Phone No.02-339893/339894/17603401  
Email: [yl@bhutaninsurance.com.bt](mailto:yl@bhutaninsurance.com.bt)  
Fax No.02-339895

## REGISTERED OFFICE

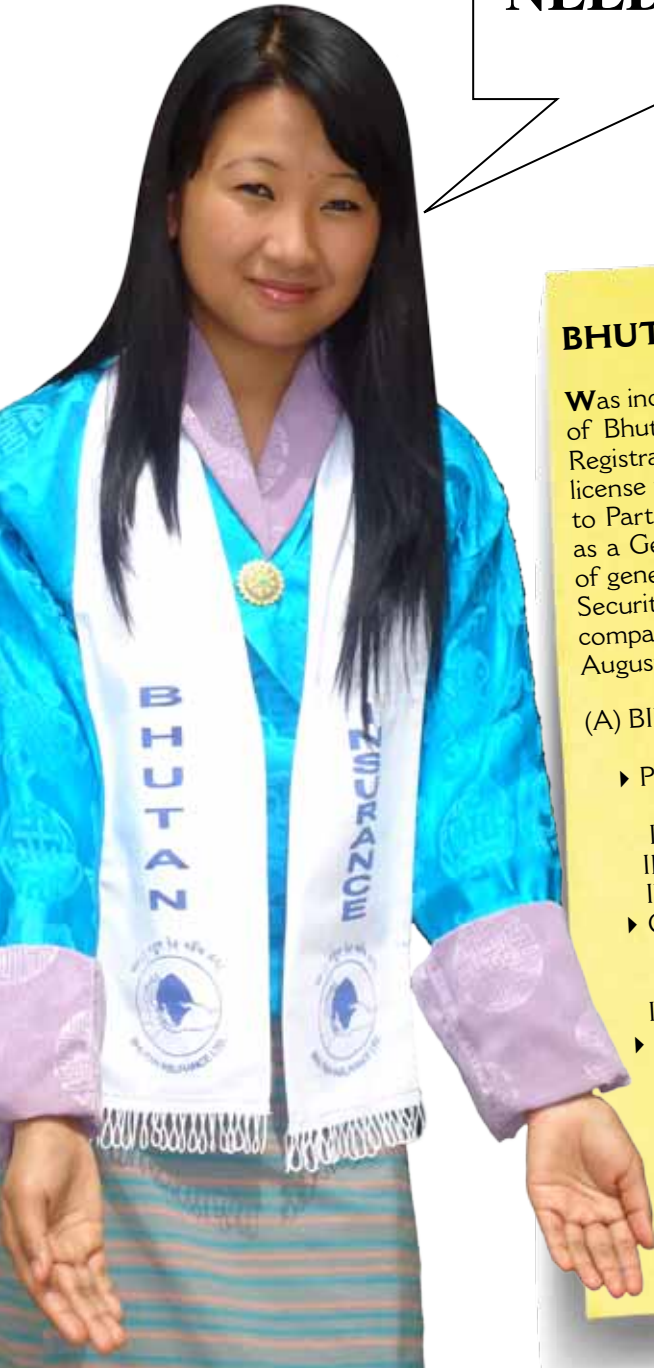
Chorten lam  
P.O.Box No.779  
Phone No.02-339893/339894  
Fax No.02-339895  
Toll Free No. 201  
Email: [info@bhutaninsurance.com.bt](mailto:info@bhutaninsurance.com.bt)  
Website: [www.bhutaninsurance.com](http://www.bhutaninsurance.com)  
(BIL Group Face Book) [www.facebook.com](http://www.facebook.com)

## PRINCIPAL BANKERS

1. Bhutan National Bank Limited
2. Druk PNB Bank Limited

## COMPANY PROFILE

**For all your insurance  
NEEDS, please visit our  
office**



### **BHUTAN INSURANCE LIMITED (BIL)**

Was incorporated under the Companies Act of the Kingdom of Bhutan, 2000, on July 24, 2009 at the Office of the Registrar, Ministry of Economic Affairs, and the Certificate of license was issued by RMA on August 14, 2009, in pursuant to Part II of the Financial Institutions Act of Bhutan, 1992, as a General Insurance Company to engage in the business of general insurance. And the Company is listed with Royal Securities Exchange of Bhutan Limited (RSEBL). The company has been Carrying out Insurance Business since August 20, 2009.

(A) BIL offers all type of Non-Life Insurance services such as:

- ▶ Personal Insurance
  - I. Personal Accident Insurance
  - II. Auto Insurance Policy
  - III. Money Insurance Policy
  - IV. Fire Insurance
- ▶ Commercial Insurance
  - I. Marine Cargo Policy
  - II. Fidelity Guarantee policy
  - III. Aviation Policy
- ▶ Industrial Insurance
  - I. Fire Policy
  - II. Burglary Policy
  - III. Machinery Breakdown Policy
  - IV. Contractors Plant and Machinery Policy
  - V. Construction Project Insurance
  - VI. Fire Loss of Profit Policy

- ▶ Liability Insurance
  - I. Motor Vehicle Third Party
- ▶ Loan Protection Insurance (LPI)
- ▶ Enhanced Rural Fire Policy

(B) In addition to Non-Life Insurance services, we also offer the following services:

- ▶ Vehicle loans
- ▶ Venture loans
- ▶ Housing loan
- ▶ Secured Overdraft
- ▶ Industrial loan
- ▶ Personal loan
- ▶ Loan against Private Provident Fund

(C) And other services provided includes the Bank Guarantees and Private Provident Fund (PPF)

### Re-Insurance

In order to enhance our underwriting capacity and have global spread of local risk, our office have strong reinsurance backup from well established companies like:

- ▶ National Insurance Company, India
- ▶ Oriental Insurance Company, India
- ▶ Asian Re- Thailand
- ▶ PTA Re



**Your INSURER of  
Choice**

Call our **TOLL FREE**  
number **201**

**IT DOES NOT COST YOU ANYTHING**



#### **Capital Structure**

- Issued and paid up capital –Nu.100 million

#### **Shareholding**

It is very hearting to mention that multifarious segments of Bhutanese economy have come forward to participate in the Bhutan Insurance limited's initial Public offer (IPO) of Shares. The company has shareholders from all the Dzongkhags except Gasa.

- Total numbers of shareholders - 4393
- Promoters holding - 38.65%
- Public holding - 61.35%

#### **Promoters**

- Mr.Ugyen Rinzin - 18.65%(Nu.18.65 million)
- Mr.Tshering Gyaltshen - 20%(Nu.20 million)

#### **Office Establishment**

- Head Office - Thimphu
- Branch Offices - Paro, Phuentsholing, Wangduephodrang & Samdrupjongkhar
- Extension Offices - Bumthang , Gelephu & Mongar

#### **Services**

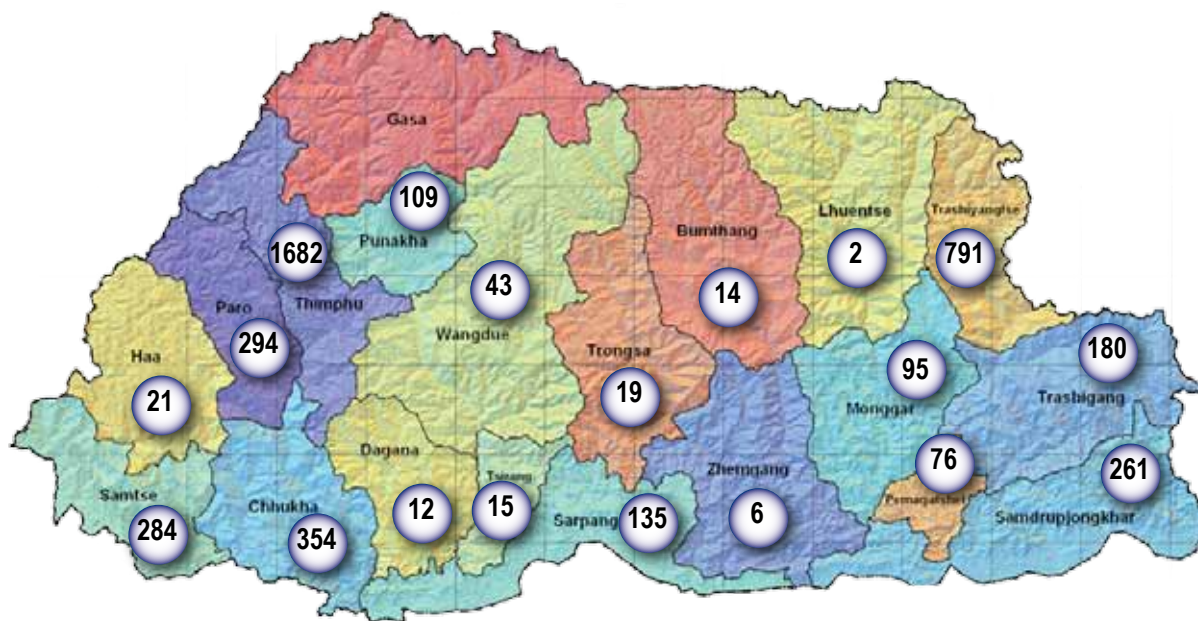
- Door to Door Service
- Fast Claim Settlement
- Personal Touch with Customers

**BIL Share price growth as on December 25, 2010:**

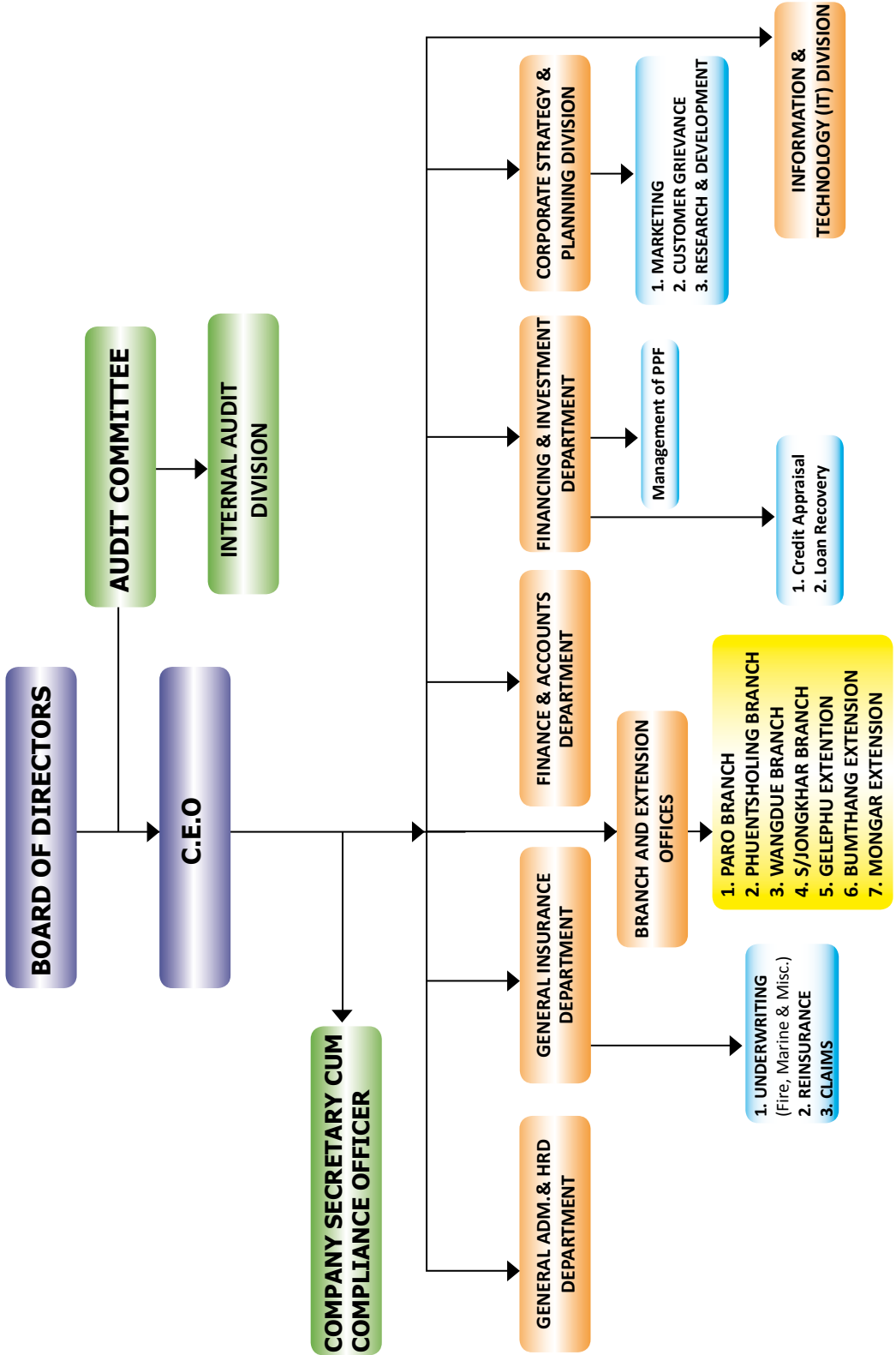
- Face Value (Nu.) – 100.00
- Last Traded Price (Nu.) – 200.00
- Price (Nu.) Offer (Sell) – 250.0

**DZONGKHAG WISE SHARE HOLDING**

**Total No. of Shareholders 4393**



# ORGANOGRAM





Auditors'  
REPORT



**CUSTOMER SERVICE**

**WE DIFFERENTIATE  
OURSELF THROUGH  
OUR EMPLOYEES,  
AGENTS AND OUR  
TOTAL COMMITMENT  
TO CUSTOMER SERVICE.**



## Auditors' Report to the Member

### Bhutan Insurance Limited

1. We have audited the attached Balance Sheet of Bhutan Insurance Limited as at 31<sup>st</sup> December, 2010 and the related Profit & Loss Account and Cash Flow Statement for the year ended on that date, signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3.1 In our opinion and to the best of our information and according to the explanations give to us, the aforesaid financial statements read with the Statement on Significant Accounting Policies and Notes to the Accounts, give the information required by the Companies Act, 2000 of the Kingdom of Bhutan, and subject to Note on Accounts no.6 in schedule 15 regarding reduction in reserve for unexpired risk ratio by 10% as compared to previous year with consequential increase in profit of Nu.10,001,716, give true and fair view
  - a) in the case of the Balance Sheet, of the state of the affairs of the Company as at December 31, 2010;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) in the case of Cash Flow Statement the movement of the Cash during the year ended as on that date.
- 3.2. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- 3.3. In our opinion, proper books of account, as required by law, have been maintained by the Company so far as appears from our examination of those books.
- 3.4. The financial statements dealt with by this report are in agreement with the books of account.



- 3.5. In our opinion, the aforesaid financial statements comply in all material aspects with the applicable Accounting Standards.
- 3.6. Subject to our observations indicated in paragraph 4 below, in our opinion and to the best of our information and according to the explanations given to us and on the basis of such checks, on test basis, as we considered necessary and appropriate to carry out in accordance with generally accepted auditing practices, we state that-
- i) The funds and properties of the company have generally been used economically, efficiently, effectively and in the best interest of the Company; and
  - ii) We have been confirmed by the management that
    - No excessive/ extravagant expenditure incurred,
    - No irregular expenditure was permitted,
    - No embezzlement of funds occurred,
    - No misuse of funds, inventories and properties of the Company were permitted during the year.
- 4. As required by the Minimum Audit Examination and Reporting Requirements under IInd paragraph of Schedule XIV under section 75 of The Companies Act of the Kingdom Of Bhutan 2000, read with Part II of Schedule XIV, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:**
- 4.1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets but codification of fixed asset should be initiated by the management in order to maintain a proper internal control. . No physical verification of fixed assets was conducted during the year.
- 4.2. None of the fixed assets have been revalued during the year.
- 4.3. The company has not taken any loan from Companies under the same management terms of which are prejudicial to the interest of the Company.
- 4.4. The Company has not granted any loan, secured or unsecured to other companies, firms or other parties and/or to companies under the same management terms of which are prejudicial to the interest of the Company.
- 4.5. The Company has not given any Loans other than Staff Advance in normal course of business, recovery whereof are made per stipulation.
- 4.6. No excessive/frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.



- 4.7 In our opinion and according to the information and explanations given to us during the course of the audit, the Company has established an adequate system of internal control to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner especially in case of branches, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures.
- 4.8 As informed to us and *in the absence of the register maintained for the purpose* there is no transaction for purchase and sales of goods and services made in pursuant of contracts or arrangements entered into with the directors or with company or firms in which the directors are directly or indirectly interested.
- 4.9. According to the records, the Company in general is regular in depositing its provident fund, salary tax and health tax, Bhutan sales Tax and other statutory dues with the appropriate authorities.
- 4.10 No undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory dues were outstanding at the year end.
- 4.11. During the course of our examination of books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses (other than those payable under contractual obligation/service rules) which have been charged to the Profit and Loss Account nor we have been informed about such cases by the Management.
- 4.12. The company does have authorized policy distribution / commission agents, and as informed by the management they are screened to fit the specific criteria before being recruited.
- 4.13. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank and short terms deposit etc are reasonably adequate and excessive amounts are not lying idle in non interest-bearing accounts.
- 4.14. According to the information and explanations given to us, and on the basis of examination of books and records on test check basis, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Incorporation of the Company.
- 4.15. Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the techno-economic feasibility of such new ventures.
- 4.16. The Company has established effective budgetary control system.
- 4.17. The details of remuneration paid and payable to the Managing Director and honorarium and sitting fees paid to other directors are disclosed in Note No. 14 of Schedule 15. As there is no separate register being maintained for recording disclosure of interest of Director, our checking is restricted to Board minutes and Management representations while checking the said document(s), we have not come across any cases of disclosure of interest where payments have been made in cash or in kind



to any of the director's relatives (including spouse(s) and child/children) by the Company directly or indirectly.

- 4.18. According to the information and explanations given to us, the directives of the Board have generally been complied with.
- 4.19. We are given to understand by the management that the officials of the Company are refrained from transmitting any price sensitive information which are not publicly available and unauthorized, to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.
- 4.20. The company has maintained adequate documents and records where it has granted loans and advances for which agreement have been drawn up and timely entries have been made therein excepting few cases where some of the document were not available during the course of audit.
- 4.21. The company has generally adhered to the requirements of Financial Institutions Act, 1992 and other applicable laws, rules, regulations and guidelines issued by the appropriate authorities ,
- 4.22. The requirements relating to provisioning for the non performing assets including loan and advances had been complied with.
- 4.23. Recognition of interest income in respect of non-performing asset has been complied with.
- 4.24. Except for few cases assets hypothecated against loan and advances have been physically verified, properly valued and mortgage deed executed and ensured that the assets are free of any prior lien or charges.
- 4.25. The company has 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.
- 4.26. Additional loan are not granted to those who have defaulted payment of previous advances.
- 4.27. **Non-Compliance of Laws**

The company has complied with the requirements of companies act of Kingdom of Bhutan 2000 subject to following violation-

The company has not introduced registrar of charges and register of contracts in which directors are interested with as required U/S 97 of companies act of Kingdom of Bhutan 2000.

## **1.28. COMPUTERISED ACCOUNTING ENVIRONMENT**

- a. The company is in the process of developing a customized software system by software developer for maintenance of accounts.
- b. The company needs to provide further adequate safeguard measures and backup facilities and disaster recovery measures.



**4.29. GENERAL****A. GOING CONCERN :**

The company's present operational and financial data indicate that the company is healthy and the accounts are prepared on the assumption that the company is a going concern.

The company, in our opinion is in a position to carry on its business and is not likely to become a sick in the foreseeable near future.

**B. RATIO ANALYSIS:**

Significant Ratios indicating the financial Health and profitability of the company is as follows:-

- i. CAPITAL ADEQUACY RATIO 42.87%

Sl No.	PERFORMANCE RATIO	RATIO/PERCENTAGE FORMULA	2010
1	GROSS PREMIUM TO SHAREHOLDERS' FUND	Gross premium/average capital employed	1.139
2	NET RETENTION	Net Premium/Gross Premium	0.671
3	NET COMMISSION	Commission net of Re-insurance/Net Premium	0.09
4	MANAGEMENT EXPENSE TO GROSS PREMIUM	Management Expense/Gross Premium	14%
5	COMBINED RATIO	(Gross Claim + Operating Expenses) *100/Gross Premium	81.74%
6	TECHNICAL RESERVE* TO NET PREMIUM	Technical Reserve/Net Premium	0.91
7.	OPERATING PROFIT	(Underwriting profit + Investment Income)/Net Premium	19.58%
8.	NET EARNING RATIO	PAT/Net Premium*100	12.37%
9.	RETURN ON NET WORTH	PAT/Net worth	11.38%
10.	UNDERWRITTING BALANCE RATIO	Underwriting profit/Net Premium	9%
		FIRE	0.05%
		MARINE	
		OTHERS	(0.01)%

\* Provisions for Unexpired Risks+ Reserve for outstanding Claims + NAT/CAT Reserve



4.30. **ADHERENCE TO LAWS, RULES AND REGULATIONS:**

Audit of the Company is governed by the Companies Act of Kingdom of Bhutan, 2000 and the scope of the audit is limited to examination and review of the financial statements as produced to us by the management.

In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation and we are unable to state that the company has been complying with other applicable laws (other than Companies Act of Kingdom of Bhutan, 2000 and Financial Institutions Act of Bhutan.1992) rules and regulations, system procedures and practices.



## BALANCE SHEET AS ON 31.12.2010

SOURCES OF FUNDS	SCHEDULE	2010	2009
		Amount(Nu)	Amount(Nu)
SHARE CAPITAL	5	100,000,000	100,000,000
RESERVES & SURPLUS	6	9,116,588	4,246,902
BORROWINGS		50,000,000	-
<b>TOTAL(A)</b>		<b>159,116,588</b>	<b>104,246,902</b>
APPLICATION OF FUNDS	SCHEDULE	Amount (Nu)	Amount (Nu)
INVESTMENTS			
LOANS	7	122,580,684	-
<b>FIXED ASSETS</b>	8	4,907,573	3,802,133
<b>CURRENT ASSETS</b>			
Cash And Bank Balances	9	106,890,839	117,077,799
Advances And Other Assets	10	44,257,036	1,766,846
<b>Sub Total (A)</b>		<b>151,147,875</b>	<b>118,844,645</b>
<b>CURRENT LIABILITIES</b>	11	56,111,434	8,237,709
<b>PROVISIONS</b>	12	63,846,174	11,476,358
<b>Sub Total (B)</b>		<b>119,957,608</b>	<b>19,714,068</b>
<b>NET CURRENT ASSETS (A-B)</b>		31,190,267	99,130,577
<b>MISCELLANEOUS EXPENDITURE</b>	13	438,064	1,314,192
(To the extent not written off or adjusted)			
<b>TOTAL(B)</b>		<b>159,116,588</b>	<b>104,246,902</b>

SIGNIFICANT ACCOUNTING POLICIES 14

NOTES TO ACCOUNTS 15

The schedules referred to above form an integral part of this Balance Sheet  
Per our Report of even date

For Nag & Associates  
Chartered Accountants



IN NAG

Partner  
Membership Number: 050531  
Place: Kolkata  
Date:14.03.2011

On Behalf of The Board of Directors

CEO

Director

Chairman

Two handwritten signatures in blue ink, one above the other, representing the Board of Directors.

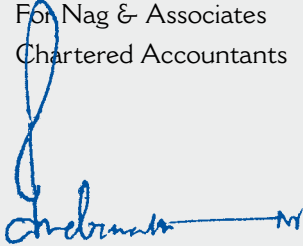


**PROFIT & LOSS FOR THE YEAR ENDED 31/12/2010**

PARTICULARS	2010	2009	
	Amount (Nu)	Amount (Nu)	
<b><u>OPERATING PROFIT /LOSS</u></b>			
<b><u>General Insurance</u></b>			
Fire Insurance	8,867,340	1,485,414	
Marine Insurances	534,054	95,064	
Other Insurance	(161,332)	1,422,397	
<b><u>Financing and Investment Department</u></b>	2,646,692	-	
<b><u>INCOME FROM INVESTMENTS</u></b>			
Interest on Fixed Deposit	5,911,175		
Interest for Financing and Investment Department	7,696,995	1,713,282	
	<u>1,785,820</u>		
<b><u>Other income</u></b>			
Miscellaneous Income	208,988	-	
Liability Written Back	165,688	-	
<b>TOTAL(A)</b>	<b>19,958,425</b>	<b>4,716,157</b>	
<b><u>OTHER EXPENSES</u></b>			
Pre- Operating Expenses Written Off	477,380	115,495	
Preliminary Expenses Written Off	398,748	96,471	
Miscellaneous Expenses	-	257,289	
<b>TOTAL(B)</b>	<b>876,128</b>	<b>469,255</b>	
<b>PROFIT BEFORE TAX</b>	<b>(A-B)</b>	<b>19,082,297</b>	<b>4,246,902</b>
Provision for taxation	5,724,689	-	
Adjustments of taxation for income in earlier year	974,071	-	
Prior period expenses	13,851	-	
<b>PROFIT BEFORE APPROPRIATION</b>	<b>12,369,686</b>	<b>4,246,902</b>	
<b><u>APPROPRIATION:</u></b>			
Proposed dividend	7,500,000	-	
CAT reserve	1,158,780	1,000,000	
<b>Transfer to general reserve</b>	<b>3,710,906</b>	<b>3,246,902</b>	
SIGNIFICANT ACCOUNTING POLICIES	14		
NOTES TO ACCOUNTS	15		

The schedules referred to above form an integral part of this Profit & Loss Account  
Per our Report of even date

For Nag & Associates  
Chartered Accountants



I N NAG  
Partner


Membership Number : 050531

Place: Kolkata

Date: 14.03.2011



On Behalf of The Board of Directors



CEO



Director



Chairman

**FIRE REVENUE ACCOUNT FOR THE YEAR ENDED 31.12.2010**

PARTICUALRS	SCHEDULE	2010 Fire	2009 Fire
Premium earned (net)	1	8,873,873	2,808,048
Commission	3	9,775,563	828,692
Profit on Sales/ Redemption of Investment(Net)			
Exchange gain			
<b>Total (A)</b>		<b>18,649,436</b>	<b>3,636,741</b>
Claims Incurred (Net)	2	2,711,639	92,649
Operating Expenses related to Insurance Business	4	7,018,126	2,058,677
Exchange Loss		52,331	-
<b>Total (B)</b>		<b>9,782,096</b>	<b>2,151,327</b>

**OPERATING PROFIT (A-B) 8,867,340 1,485,414**

The schedules referred to above form an integral part of this Revenue Account

Per our Report of even date

For Nag & Associates  
Chartered Accountants



On Behalf of The Board of Directors

I N NAG  
Partner

CEO

Director

Chairman

Membership Number:050531

Place: Kolkata

Date:14.03.2011

**MARINE REVENUE ACCOUNT FOR THE YEAR ENDED 31.12.2010**

PARTICUALRS	SCHEDULE	2010 Marine	2009 Marine
Premium Earned (Net)	1	709,616	166,070
Commission	3	569,587	49,340
Profit on Sales/ Redemption of Investment(Net)			
Exchange Gain			
<b>Total (A)</b>		<b>1,279,203</b>	<b>215,410</b>
Claims Incurred (Net)	2	320,431	-
Operating Expenses related to Insurance Business	4	421,575	120,346
Exchange Loss		3,143	
<b>Total (B)</b>		<b>745,149</b>	<b>120,346</b>
<b>OPERATING PROFIT</b>	<b>(A-B)</b>	<b>534,054</b>	<b>95,064</b>




The schedules referred to above form an integral part of this Revenue Account

Per our Report of even date

For Nag & Associates  
Chartered Accountants



On Behalf of The Board of Directors

I N NAG  
Partner



CEO



Director



Chairman

Membership Number :050531

Place: Kolkata

Date:14.03.2011

## OTHERS REVENUE ACCOUNT FOR THE YEAR ENDED 31.12.2010

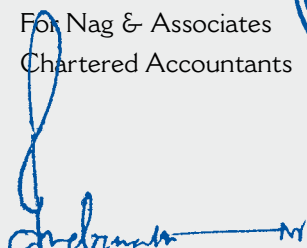
PARTICUALRS	SCHEDULE	2010	2009
		Others	Others
Premium Earned(Net)	1	51,901,452	4,676,787
Commission	3	(1,270,899)	1,381,760
Profit on sales/ Redumption of Investment(Net)			
Exchange Gain			
<b>Total (A)</b>		<b>50,630,553</b>	<b>6,058,547</b>
Claims incurred (net)	2	37,046,228	1,190,091
Operating Expenses related to Insurance business	4	13,643,921	3,446,059
Exchange loss		101,736	-
<b>Total (B)</b>		<b>50,791,885</b>	<b>4,636,150</b>
<b>OPERATING PROFIT</b>	<b>(A-B)</b>	<b>-161,332</b>	<b>1,422,397</b>

The schedules referred to above form an integral part of this Revenue Account  
Per our Report of even date



For Nag & Associates  
Chartered Accountants

On Behalf of The Board of Directors

  
I N NAG  
Partner

  
CEO

  
Director

  
Chairman

Membership Number: 050531

Place: Kolkata

Date: 14.03.2011

**FIRE**  
**Schedule-1**  
**Premium Earned(Net)**

PARTICUALRS	2010	2009
Premium from direct business written	49,615,513	10,775,479
Add: Premium on re-insurance accepted	-	-
Less: Premium on re-insurance ceded	40,292,734	3,755,358
Net premium	9,322,779	7,020,121
Less: Un-expired risk	448,907	4,212,073
<b>Total premium earned (Net)</b>	<b>8,873,873</b>	<b>2,808,048</b>

**Schedule -2**  
**Claim Incurred (Net)**

PARTICUALRS	2010	2009
<b><u>Claim paid</u></b>		
Direct	227,259	163,246
Add: Re-insurance accepted	-	-
Less: Re-insurance ceded	47,023,551	130,597
<b>Claim paid</b>	<b>-46,796,292</b>	<b>32,649</b>
Add: Claim outstanding	49,567,931	60,000
Less: Claim outstanding at the beginning of the year	60,000	
<b>Net claim</b>	<b>2,711,639</b>	<b>92,649</b>

**Schedule-3**  
**Commission**

PARTICUALRS	2010	2009
On re-insurance ceded	11,307,503	1,177,785
Less: On re-insurance accepted	-	-
Less: Agency commission	1,531,940	349,092
<b>Commission earned (Net)</b>	<b>9,775,563</b>	<b>828,692</b>



**MARINE**  
**Schedule-1**  
**Premium Earned(Net)**

<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
Premium from direct business written	<b>2,980,374</b>	<b>633,721</b>
Add: Premium on re-insurance accepted	-	-
Less: Premium on re-insurance ceded	2,059,739	218,545
Net premium	920,635	415,176
Less: Un-expired risk	211,019	249,105
<b>Total Premium earned (Net)</b>	<b>709,616</b>	<b>166,070</b>

**Schedule -2**  
**Claim Incurred (Net)**

<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
<b>Claim paid</b>		
Direct	152,157	-
Add: Re-insurance accepted	-	-
Less: Re-insurance ceded	1,281,726	-
<b>Net claim paid</b>	<b>-1,129,569</b>	<b>-</b>
Less: Claim outstanding	1,450,000	-
Less: Claim outstanding at the beginning of the year		-
<b>Net claim</b>	<b>320,431</b>	<b>-</b>

**Schedule-3**  
**Commission**

<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
On re-insurance ceded	661,610	69,655
Less: On re-insurance accepted	-	-
Less: Agency commission	92,023	20,316
<b>Commission earned (net)</b>	<b>569,587</b>	<b>49,340</b>



**OTHERS****Schedule-1****Premium Earned(Net)**

<b>PARTICUALRS</b>	<b>2009</b>	<b>2010</b>
Premium from direct business written	96,386,957	17,929,512
Add: Premium on re-insurance accepted	-	-
Less: Premium on re-insurance ceded	6,613,207	6,237,545
Net premium	89,773,750	11,691,967
Less: Un-expired risk	37,872,298	7,015,180
<b>Total Premium earned (Net)</b>	<b>51,901,452</b>	<b>4,676,787</b>

**Schedule -2****Claim Incurred (Net)**

<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
<b><u>Claim paid</u></b>		
Direct	27,454,028	1,130,091
Add: Claim on RI accepted	-	-
Less: Claim on RI ceded	12,313,393	
<b>Net claim paid</b>	<b>15,140,635</b>	<b>1,130,091</b>
Add: Claim outstanding	21,961,668	
Add: Claim expenses	3,925	60,000
Less: Claim outstanding at the beginning of the year	60,000	-
<b>Net claim</b>	<b>37,046,228</b>	<b>1,190,091</b>

**Schedule-3****Commission on Re Insurance**

<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
On re-insurance ceded	1,707,343	1,961,593
Less: On re-insurance accepted	-	-
Less: Agency commission	2,978,242	579,833
<b>Commission earned (Net)</b>	<b>-1,270,899</b>	<b>1,381,760</b>





**Schedule-4**  
**Operating Expenses**

	<b>EXPENSES</b>	<b>2010</b>	<b>2009</b>
1	Employees remuneration and Welfare benefit	12,352,712	2,945,343
2	Travel conveyance and Vehicle running expenses	1,977,349	191,871
3	Training expenses	562,361	84,597
4	Rent ,Rate and Taxes	824,226	243,559
5	Repairs	15,980	11,980
6	Printing and Stationary	632,637	369,567
7	Communication	967,536	477,388
8	Legal and Professional charges	590,100	238,774
9	Auditors fees , expenses etc	175,000	100,000
10	Advertisement and Publicity	875,396	487,324
11	Interest and Bank charges	31,321	-
12	Others	1,349,053	474,679
13	Depreciation	729,951	-
	<b>TOTAL</b>	<b>21,083,622</b>	<b>5,625,082</b>
	<b>Allocated to:-</b>		
	<b>FIRE</b>	<b>7,018,126</b>	<b>2,058,677</b>
	<b>MARINE</b>	<b>421,575</b>	<b>120,346</b>
	<b>OTHERS</b>	<b>13,643,921</b>	<b>3,446,059</b>

**Schedule -5**  
**Share Capital**

	<b>PARTICUALRS</b>	<b>2010</b>	<b>2009</b>
1	Authorized capital (5000000 Equity share of Nu 100 each)	500,000,000	500,000,000
2	Issued, Subscribed And Paid-up (1000000 Equity share of Nu 100 each)	100,000,000	100,000,000
		100,000,000	100,000,000



### Schedule -6 Reserve and Surplus

Product	2010	2009
<b>1. General reserve</b>		
Balance as per last account	3,246,902	-
Add Transfer from Profit and Loss account	3,710,906	3,246,902
	6,957,808	3,246,902
<b>2. CAT reserve</b>	2,158,780	1,000,000
<b>Total</b>	<b>9,116,588</b>	<b>4,246,902</b>

### Schedule -7 LOAN

Product	2010	2009
Commercial vehicle	73,016,394	-
Commercial	7,533,000	-
Housing	10,065,100	-
Personal	296,180	-
Venture	833,500	-
Staff	184,579	-
Overdraft	487,707	-
<b>Total</b>	<b>122,580,684</b>	<b>-</b>

### Schedule -8 Statement of Fixed Assets as on 31.12.2010

Particulars	Gross Block			Depreciation				Net Block		
	as at 1.1.2010	Addition during the year	Sales	as at 31.12.2010	as at 1.1.2010	For the year	Dep Adj	as at 31.12.2010	as at 31.12.2010	as at 31.12.2009
<b>EQUIP- MENT</b>	253,004	288,780	0	541,784	5,815	69,218.76	0	75,033.76	466,750.24	247,189
<b>FURNITURE</b>	652,168	309,258	0	961,426	22,029	122,308.64	0	144,337.64	817,088.36	630,139
<b>COMPUTER</b>	1,373,557	1,237,352	0	2,610,909	55,621	284,999.55	0	340,620.55	2,270,288.45	1,317,936
<b>VEHICLE</b>	1,689,492		0	1,689,492	82,623	253,423.80	0	336,046.80	1,353,445.20	1,606,869
<b>Total</b>	<b>3,968,221</b>	<b>1,835,390</b>	<b>0</b>	<b>5,803,611</b>	<b>166,088</b>	<b>729,950.75</b>	<b>0</b>	<b>896,038.75</b>	<b>4,907,572.25</b>	<b>3,802,133</b>



**Schedule -9**  
**Cash and Bank balance**

Particulars	2010	2009
Cash and Bank balance	60,890,839	7,077,799
Fixed deposit	46,000,000	110,000,000
<b>TOTAL</b>	<b>106,890,839</b>	<b>117,077,799</b>

**Schedule -10**  
**Advance and Other assets**

Particulars	2010	2009
Interest receivable from RMA	30,000	
Security deposit	50,300	40,000
Interest on FD receivable	4,022,003	1,675,782
Pre-paid insurance	14,966	21,064
TDS	178,158	-
RMA deposit	100,000	-
Software advance	190,000	-
Re-insurer (receivable )	37,121,622	-
Special HR promotion fund	1,303,995	-
Advance BIT	487,035	-
Interest receivable from loan	730,157	30,000
Other advance	28,800	
<b>Total</b>	<b>44,257,036</b>	<b>1,766,846</b>

**Schedule -11**  
**Current Liabilities**

PARTICUALRS	2010	2009
Outstanding expenses	1,432,228	1,317,888
Outstanding claim	38,456,427	120,000
PF fund	13,159,179	-
Interest payable for external borrowing	187,500	-
Interest payable for Provident fund	80,940	-
Others	2,795,160	6,799,821
<b>Total</b>	<b>56,111,434</b>	<b>8,237,709</b>



**Schedule -12**  
**Provision**

Particulars	2010	2009
Provision for taxation	5,724,689	-
Provision for un-expired risk	50,008,582	11,476,358
Provision for loan	612,903	-
Proposed dividend	7,500,000	-
<b>Total</b>	<b>63,846,174</b>	<b>11,476,358</b>

**Schedule -13**  
**Preliminary Expenses**

Particulars	2010	2009
Preliminary and Pre-incorporation expenses	1,314,191	1,526,158
Less: Expenses written off	876,128	211,966
<b>Total</b>	<b>438,064</b>	<b>1,314,191</b>



## FINANCING &amp; INVESTMENT DEPARTMENT

Balance Sheet as at 31.12.2010

Particulars	Schedule	Nu
<b><u>Liabilities</u></b>		
<b>a) Reserve &amp; Surplus</b>	-	2,646,692
<b>b) Fund</b>	<b>5</b>	151,447,975
<b>c) Current Liabilities &amp; Provision</b>	-	
Interest Payable to borrowed fund	<b>6</b>	2,054,261
Provision	<b>7</b>	612,903
Liability for operating expenses		135,000
		<b>156,896,831</b>
<b><u>Assets</u></b>		
<b>a) Cash &amp; Bank Balance</b>	-	33,585,990
<b>b) Investment</b>	-	-
<b>c) Loan</b>	<b>3</b>	122,580,684
<b>d) Other Assets</b>	-	-
Interest Receivable from loan	<b>4</b>	730,157
		<b>156,896,831</b>

The schedules referred to above form an integral part of this Profit & Loss Account

For Nag & Associates  
Chartered Accountants



On Behalf of The Board of Directors

Partner

CEO

Director

Chairman

Membership Number:050531

Place: Kolkata

Date: 14.03.11

**FINANCING & INVESTMENT DEPARTMENT**  
**Revenue Account for the year ended 31.012.10**

# SI.No	Particulars	Schedule	Nu
<b>1</b>	<b><u>Interest Income</u></b>		
	Interest on Loan	<b>1</b>	3,060,027
		<b>A</b>	3,060,027
<b>2</b>	<b><u>Less: Interest expenses</u></b>		
	Interest on Borrowed Fund(IIB)		187,500
	Interest on General Fund		1,785,820
	Interest on P.F		80,940
		<b>B</b>	2,054,260
<b>3</b>	Net Interest Differential(A-B)	<b>C</b>	1,005,767
	Add: <b><u>Other Income</u></b>		
	Administrative Charges		32,820
	Guarantee Commission		2,358,067
		<b>D</b>	2,390,887
<b>4</b>	<b>Gross Operating Income(C+D)</b>	<b>E</b>	<b>3,396,654</b>
	<b><u>Less Operating Expenses</u></b>		
	Bank Charges		2,059
	Management Expense		135,000
	Provision against standard Asset	<b>2</b>	612,903
<b>5</b>	<b>Gross Operating Expenses</b>	<b>F</b>	749,962
<b>6</b>	<b>Net Operating Income (E-F)</b>		<b>2,646,692</b>

The schedules referred to above form an integral part of this Revenue Account Per our Report of even date

For Nag & Associates  
Chartered Accountants



On Behalf of The Board of Directors

*[Signature]*  
NAG

Partner  
Membership Number:050531  
Place: Kolkata  
Date:14.03.2011

*[Signature]*  
CEO

*[Signature]*  
Director

*[Signature]*  
Chairman

**Schedule-1  
Interest on Loan**

<b>Product</b>	<b>Nu</b>
Commercial Vehicle Loan	1,103,340
Housing Loan	160,886
Personal Loan	32,712
Commercial Loan	488,249
Staff Loan	1,169,154
Venture Loan	105,686
<b>Total</b>	<b>3,060,027</b>

**Schedule-2  
Provision**

	<b>Nu</b>
Provision for standard loan	612,903
Provision for watch loan	-
Provision for sub standard loan	-
<b>Total</b>	<b>612,903</b>

**Schedule -3  
Loans**

<b>Product</b>	<b>Nu</b>
Commercial Vehicle	73,016,394
Commercial	7,533,000
Housing	10,065,100
Personal	296,180
Venture	8,335,001
Staff	18,457,931
Overdraft	4,877,078
<b>Total</b>	<b>122,580,684</b>



**Schedule -4**  
**Interest Receivable**

Product	Nu
Commercial Vehicle Loan	230,924
Housing Loan	141,440
Personal Loan	10,162
Commercial Loan	208,704
Venture Loan	55,900
Staff Loan	67,377
Overdraft	15,650
<b>Total</b>	<b>730,157</b>

**Schedule -5**  
**Fund**

	Nu
Borrowed from Druk PNB (IIB)	50,000,000
Borrowed (from Insurance Department)	90,000,000
PPF	11,447,975
<b>Total</b>	<b>151,447,975</b>

**Schedule -6**  
**Interest Payable to borrowed fund**

	Nu
Interest Payable to Druk PNB for Inter-Institutional Borrowing	187,500
Interest Payable to General Insurance Fund	1,785,820
Interest Payable on Provident fund	80,941
<b>Total</b>	<b>2,054,261</b>

**Schedule-7**  
**Provision**



	Nu
Provision for standard loan	612,903
Provision for watch loan	-
Provision for sub standard Loan	-
<b>Total</b>	<b>612,903</b>





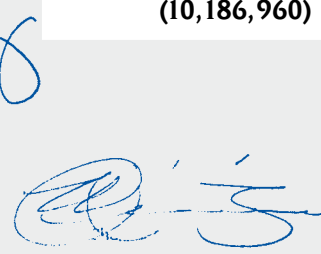
**Bhutan Insurance Limited**  
**Cash flow statement for the year ended 31st December, 2010**

<b>1. Cash Flow from Operating Activities</b>		<b>Nu.</b>
<b>Profit before tax</b>		<b>19,082,296</b>
Add: Depreciation	729,950	
Add: Amortisation	876,128	1,606,078
		<b>20,688,374</b>
Add: Increase in Current Liabilities		47,873,725
Add: Increase in Provision		39,145,127
Less: Increase in OA		(42,490,190)
		<b>65,217,036</b>
Less: Prior Period Expenses		(13,851)
		<b>65,203,185</b>
Less: Tax Paid		974,071
<b>2. Cash Flow from Investing Activities:</b>	<b>(A)</b>	<b>64,229,114</b>
Purchase of Fixed Assets	<b>(B)</b>	<b>(1,835,390)</b>
<b>3. Cash Flow from Financing Activities:</b>		
Borrowings	50,000,000	
Loans	(122,580,684) <b>(C)</b>	(72,580,684)
<b>4. Net Cash Flow (Total)</b>	<b>(A+B+C)</b>	<b>(10,186,960)</b>
<b>5. Change in Cash &amp; Cash Equivalents</b>		
Closing cash & Cash Equivalents		106,890,839
Less: Opening Cash & Cash Equivalents		117,077,799
<b>Changes in Cash &amp; Cash Equivalents</b>		<b>(10,186,960)</b>

  
 For Nag & Associates  
 Chartered Accountants  


  
  
 Director

  
  
 Chief Executive Office

  
 Chairman

IN NAG  
 Membership No.: 050531  
 Place : Kolkota  
 Date : 14.03.2011

## SCHEDULE 14

### SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2010.

#### 1. Accounting Convention

The Balance Sheet, Profit & loss Account and Revenue Account are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles, to the extent applicable and conform to the statutory provisions and practices prevailing in the General Insurance and various inspections, circulars and guidelines issued by the Royal Monetary Authority (RMA) of Bhutan from time to time unless otherwise stated.

#### 2. Revenue Recognition

- i) Items of income and expenditure are accounted for on accrual basis, except for Guarantee commission which is considered on cash basis.
- ii) Premiums are recognized as income, as and when due on assumption of risk.
- iii) Reinsurance premium ceded is accounted at the time of recognition of premium income in accordance with the treaty or in-principle arrangement with the re-insurers.
- iv) Interest on fixed deposits is accounted for on accrual basis.
- v) Interest, Rent etc., are accounted at gross value before deduction of tax.
- vi) Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days, in respect of which the interest income as per the guidelines issued by the Royal Monetary Authorities of Bhutan, is shown under the head. "Interest Suspense" which is taken to Profit & Loss Account on actual realization only.

#### 3. Benefits Paid (including claims)

- i) Benefits paid/claims' costs consist of the policy benefit amounts and claim settlement costs, where ever applicable.
- ii) Cancellation and other claims are recognized when intimated. Provision for outstanding claims is made for those policies where the intimation has been received up to 31<sup>st</sup> December. Additional provisions are also made for benefit(s)/claim(s) incurred, wherever necessary.
- iii) Salvage recoveries are accounted for on realization basis.
- iv) Reinsurance recoveries, when applicable, are accounted in the same period.

#### 4. Fixed Assets

- i) Fixed Assets are stated at cost less depreciation.
- ii) Depreciation is calculated as per the applicable provisions of Income Tax Act of Bhutan 2001, as amended to –date on straight-line basis at the prevailing rates and in the manner as prescribed.
- iii) Fixed assets are verified on Annual basis and are entered in the Fixed Asset Register. Discrepancies if any are accounted for during the year.
- iv) Impairment loss on Fixed Assets are identified and treated in the accounts accordingly.

#### 5. Loans

Loans are stated at Principal amount plus interest accrued thereon.



#### 6. Retirement/Employee Benefits

- i) Contribution to Provident fund and other funds are accounted for, as and when accrued
- ii) Gratuity is provided on accrual basis, as per the Company's Service rule read with the guidelines framed by the Royal Civil Service Commission of Bhutan, presuming that all employees cease to work as of the year end.

## 7. Risk Reserves

- i) Reserves for unexpired risks are created in Revenue Account in respect of General Insurance Business at 50% of net premium income for the year.
- ii) Re-insurance Reserves are created on the basis of existing treaty arrangement.

## 8. General

- i) Management expenses and interest earned from investment related to General Insurance business are apportioned among the various types of business on the basis of respective gross premium.
- ii) Transfer to Catastrophes Fund and General Reserves are made as per the amount decided by the management from time to time.

## 9. Use of Estimates

The preparation of the financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Examples of the estimates include future obligation under employee benefits plans, useful lives of fixed assets as well as provision for unexpired risk, etc. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of the financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized accordingly in current and future periods.

## 10. Miscellaneous Expenditure

Miscellaneous Expenditures are amortized over a period of three accounting years as per the applicable provisions of Income Tax Act of Bhutan 2001, as amended to –date.

## 11. Provision for NON-PERFORMING LOANS

Provision for Non-Performing Loans is made as per the guidelines issued by the Royal Monetary Authority of Bhutan at the following rate:-

Category	Provision on Outstanding Principal amount (%)
1. Standard (upto 30days)	1. 1 <sup>st</sup> year-0.5/ 2 <sup>nd</sup> year-1/ 3 <sup>rd</sup> year onwards-1.5
2. Watch (31-90 days)	2. 1.5
3. Sub-standard (91-180 days)	3. 20;30 for sector with highest exposure
4. Doubtful (181-365 days)	4. 50;60 for Sector with highest exposure
5. Loss (>365 days)	5. 100%

## 12. Net PROFIT OR LOSS

The result declared in the Profit & Loss Accounts is after considering:-

1. Provision on non- Performing loans
2. Provision for depreciation on Company's Property, and
3. Other usual/necessary provisions as required.



**SCHEDULE 15****NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2010**

1. Bhutan Insurance Limited (BIL) is registered on 24<sup>th</sup> July, 2009 under The Companies Act of the Kingdom of Bhutan, 2000.
2. The financial statements for the year have been drawn up in accordance with the industry practice as well as prescribed formats of Royal Monetary Authority of Bhutan and the Companies Act of the Kingdom of Bhutan 2000, as far as practicable.
3. Resources of Insurance Department, Provident Fund and Fund obtained through borrowing are centrally managed through Finance & Investment Department.
4. Contingent liabilities as at the Balance Sheet date (as certified by the management)
  - i) The liability and corresponding charge in Income Statement arising out of 'Incurred But Not Reported' items are not provided for in view of nascent stage of operations of the company.
  - ii) Guarantee issued by the Company amounting to Nu.85,559,296.60/- remain unexpired as on 31<sup>st</sup> December, 2010.
5. Income Tax provision not considered in earlier year in view of application for tax holiday, pending approval of the same by the Government, for Nu 974070.63, calculated at 30% of Profit before tax on a gross basis is accounted for as 'Short provision of CIT in earlier year'.
6. Reserves for un-expired risks amounting to Nu. 50,008,582.00 created in the Revenue Accounts in respect of General Insurance Business at 50% of the net premium income as per practices followed internationally, which have been duly reflected as General Insurance Funds in the Balance Sheet as against 60% held in the previous year leading to an increase in profit by Nu.10,001,716.
7. During the year, Nu. 1,158,780.00 has been appropriated from the Profit and Loss Account to Catastrophe Fund.
8. No actuarial valuation has been adopted by the Company for the purpose of determining the amount of gratuity liability. However, an amount of Nu. 672572.00 ascertained as liability towards gratuity on the presumption that all employees ceases to be employed with the Company as on 31.12.2010. This liability has not yet been funded by way of separate investment.
9. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.
10. The assets of the Company in Bhutan are free from all encumbrances.
11. Premium in respect of policies on General Insurance extended for more than one year is recognized as income in the year of service being rendered.
12. Re-insurance:
  - a. The balances outstanding, both debits and credits, as at the Balance Sheet date to re-insurers are also pending final reconciliation process/ confirmation and acceptance of the re-insurance and consequently any further adjustments thereof are not ascertainable at this stage, are netted off at Nu 37121622.00 in Schedule 10.
13. Management expenses include-
  - a. Managerial Remuneration paid/payable to the Managing Director (Chief Executive Officer) is subject to Board's approval-



-Remuneration: Nu. 982475.00

-Other Benefits: Nu. 310350.00

b) Directors sitting fees: Nu. 40000.00

14. The Audit Fees and Expenses

a) Audit fee Nu. 75,000.00

b) Audit expenses Nu. 100,000.00

15. The Company has absorbed the emoluments paid/payable to the Agents amounting to Nu.4,602,205.00 for procurement of business.

16. Premium Deficiency has not been credited since, in the opinion of the management, the expected claim costs along with the related expenses and maintenance cost of the insurance products in force would not exceed the related reserve for unexpired risk.

17. In the opinion of management, there is no impairment of fixed assets of the corporation, which may require any adjustment to be made.

18. Current Liabilities include aggregate Provident Fund Contribution received from various organization for which BIL has been acting as 'Manager to Provident Fund' amounting to Nu.13,159,179 and Nu.80,940 as interest thereon.

19. Previous year's (for the period 20<sup>th</sup> August to 31<sup>st</sup> December 2009) figures have been rearranged/ regrouped wherever considered necessary.

For Nag & Associates

Chief Executive Officer

Director

Chairman

Chartered Accountants

IN NAG  
PARTNER  
Membership No.:050531



Place: Kolkata  
Date:14.03.2011



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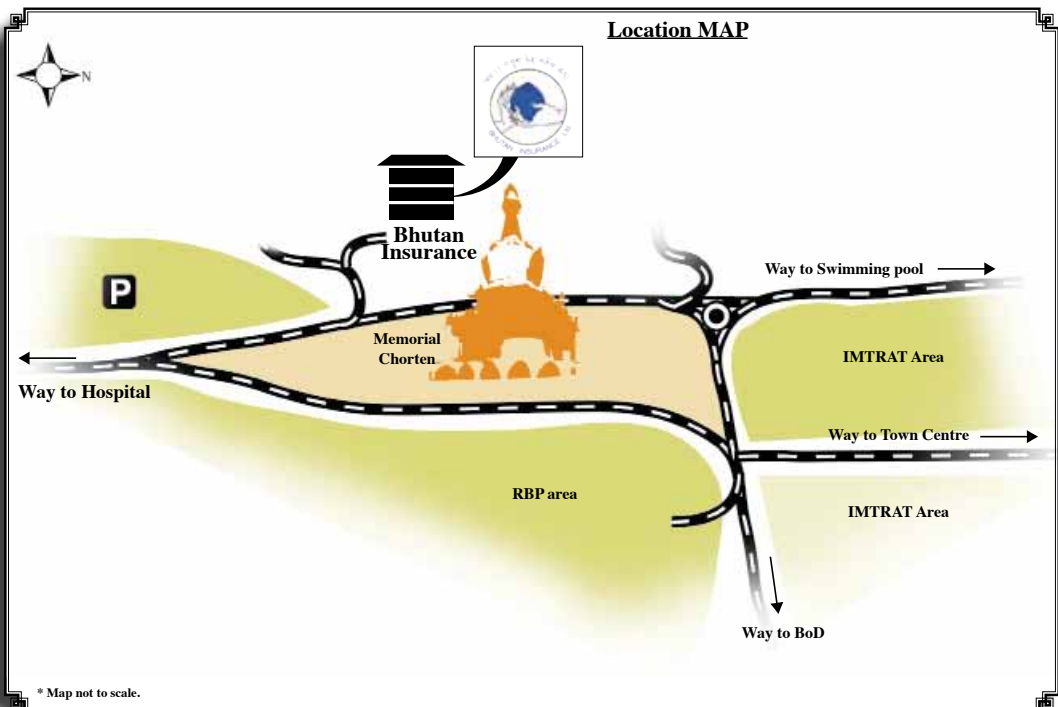
# New services provided by Bhutan Insurance Limited



## Loans and all types of guarantees

It is to inform all concerned that the RMA has granted approval to BIL to issue loans & all types of guarantees.

For further information, please visit our Office located at Chorten Lam, Thimphu (Yangphel Building, above Memorial Chorten) OR Kindly contact us at: 201 toll free, PABX # 339892/93/94, Fax # 339895, email- [info@bhutaninsurance.com.bt](mailto:info@bhutaninsurance.com.bt) Web site- [bhutaninsurance.com.bt](http://bhutaninsurance.com.bt).



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