



3rd Annual Report
2011



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Directors' REPORT



In **sure** with
Bhutan Insurance

Your insurer of choice

Providing Security, Building Confidence

Dear Shareholders,

On behalf of the BIL Directors it is my pleasure to submit to you the third Annual Report along with Audited Statement of Accounts for the financial year ended 31st December, 2011.

The year 2011 was the second full operational year for our company. We are in the process of building the Bhutan Insurance Brand which has started commanding confidence in the eyes of the general public.

1. Functional achievement of Insurance Department and Financing & Investment Department are highlighted below:-

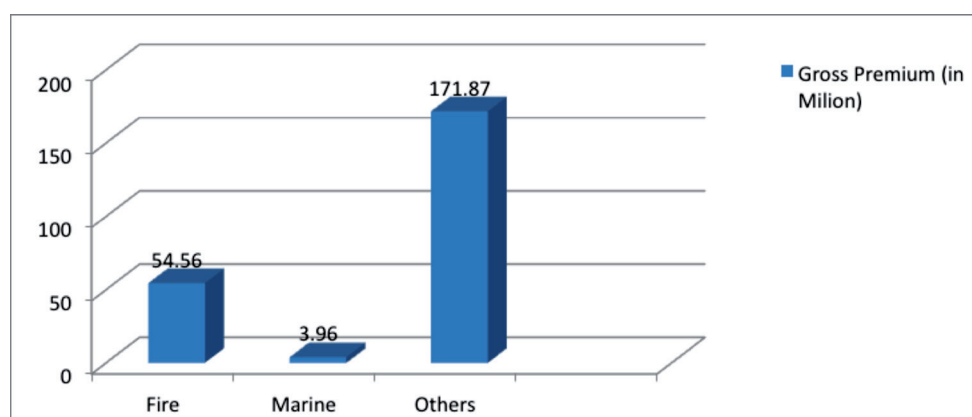
A. Insurance Department

Statement showing Insurance Premium and Claim

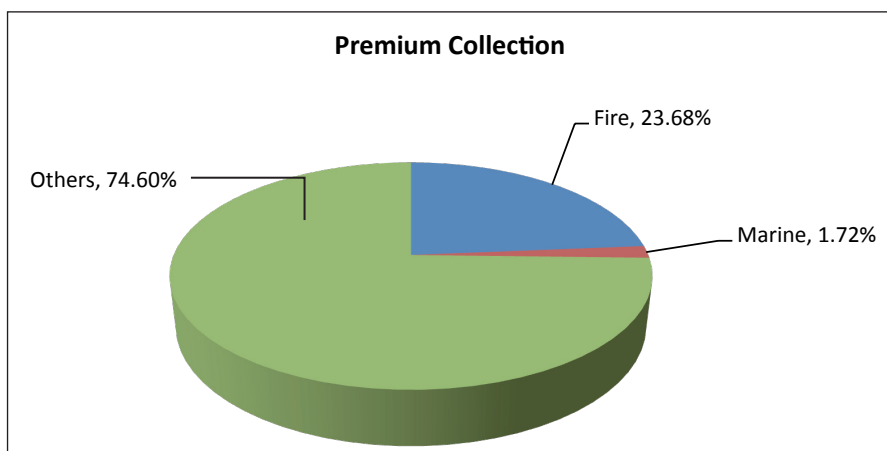
Segments	Premium			Claims		
	Gross Premium (Nu.)	Re-Insurance (Nu.)	Net Premium (Nu.)	Gross Claim (Nu.)	Re-Insurance (Nu.)	Net Claim (Nu.)
Fire	54,555,224	44,511,984	10,043,241	10,425,818	13,207,707	(2,781,889)
Marine	3,959,779	2,733,298	1,226,481	(589,508)	495,756	(1,085,264)
Others	171,865,707	20,780,252	151,085,455	126,491,866	38,257,045	88,234,821
Total	230,380,710	68,025,534	162,355,176	136,328,176	51,960,509	84,367,668

Net premium after deducting the reinsurance premium is Nu.162.36 million; correspondingly, the gross claim amount is Nu.136.33 million and net claim comes to Nu.84.37 million. The overall net claim ratio is 51.96% 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:-



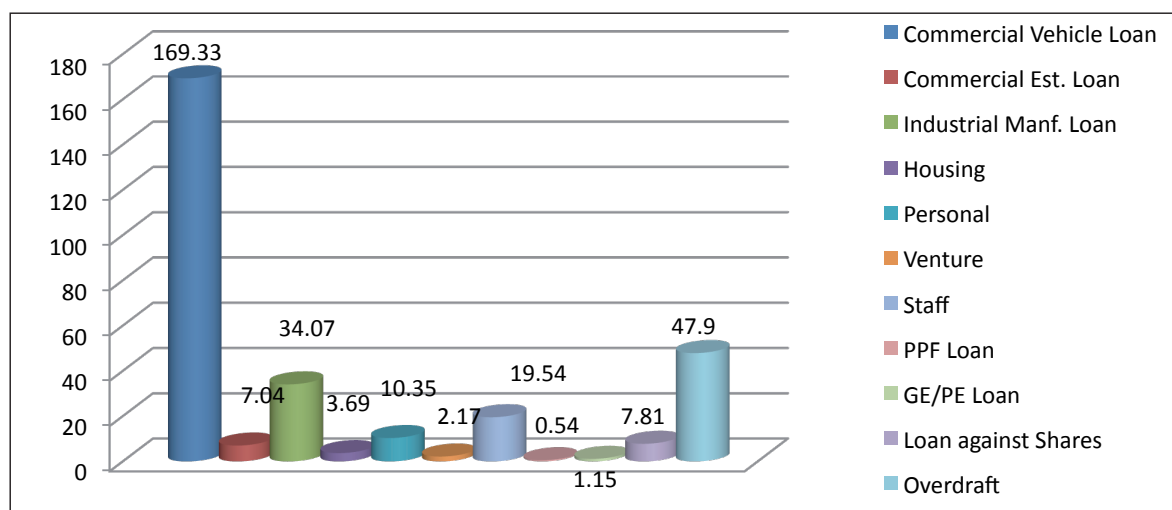
From the total premium collection of Nu.230.38 million, Fire segment represents 23.68% amounting Nu.54,555,224.00, Marine segment represents 1.72% amounting Nu.3,959,779.00 and other segment which is mainly influenced by motor represents 74.60% amounting Nu.171,865,707.00.

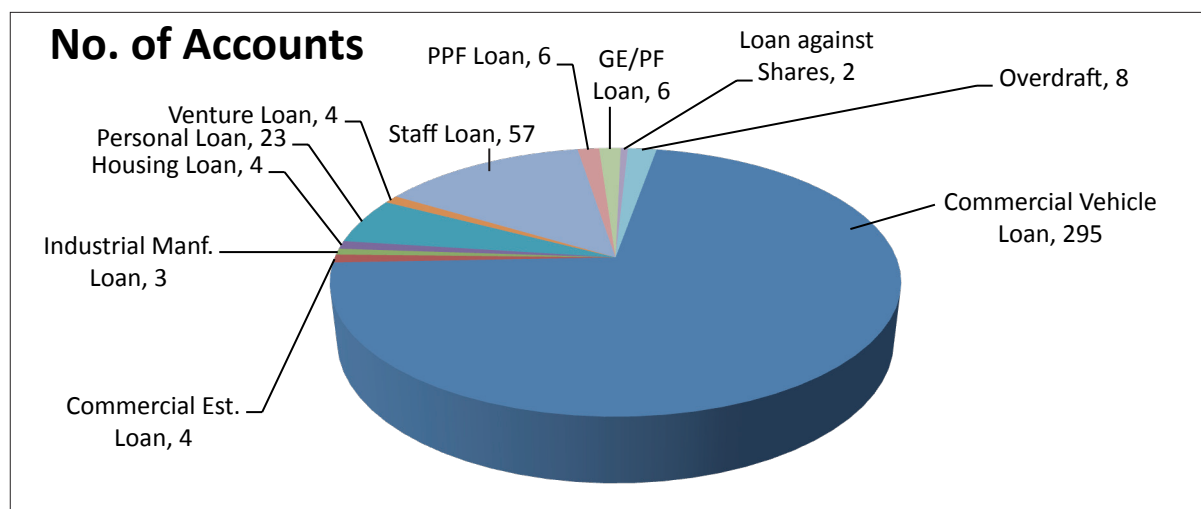


B. Financing & Investment Department

Statement showing position of Investment Portfolios

Type of Loans	Number of Accounts	Amount Outstanding (Nu.)
Commercial Vehicle	295	169,328,227
Commercial Est. loan	4	7,042,009
Industrial Manf. laon	3	34,067,104
Housing	4	3,685,308
Personal	23	10,352,280
Venture	4	2,166,798
Staff	57	19,535,030
PPF Loan	6	538,287
GE/PE Loan	6	1,145,738
Loan against shares	2	7,809,617
Overdraft	8	47,896,532
Total	412	303,566,930





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.9,764,316.00 during the year.

C. The company has earned Nu.42.57 million as profit (before tax) during this second year of full commercial operation. Specific analysis of profit is given hereunder.

Particulars	Nu.	Nu.
Gross Income:		
Insurance-	230,380,710	
Investment(Interest & others)	<u>37,463,222</u>	
	<u>267,843,932</u>	
Operating Profit:		
Insurance –	32,801,609	
Investment –	<u>9,764,316</u>	
Profit Before Tax:	<u>42,565,925</u>	
Profit Available for Appropriations:		<u>29,796,148</u>
Proposed Dividend (15%):		15,000,000
Transfer to Nat/Cat Reserve:		1,500,000
Transfer to General Reserve:		13,296,148
Earnings per Share		29.80

2. Financial & Operational Review:

A. SUMMARISED FINANCIAL RESULTS AS ON 31ST DECEMBER, 2011

Figures in Nu.Million

Particulars		Fire	Marine	Misc	Total
Gross Direct Premium Income	CY	54.56	3.96	171.86	230.38
	PY	49.61	2.98	96.39	148.98
(% Growth)	CY	9.98%	32.89%	78.30%	54.64%
Net Premium	CY	10.04	1.23	151.09	162.36
	PY	9.32	0.92	89.77	100.01
(% Growth)	CY	7.73%	33.70%	68.31%	62.34%
(% to Gross Premium)	CY	18.40%	31.06%	87.91%	70.47%
	PY	18.79%	30.87%	93.13%	67.13%
Addition/Reduction in Un-expired Risk Reserve	CY	0.86	0.21	38.21	39.28
	PY	0.45	0.21	37.87	38.53
(% to Net Premium)	CY	8.57%	17.07%	25.29%	24.19%
	PY	4.83%	22.83%	42.19%	38.53%
Earned Premium*	CY	9.18	1.01	112.88	123.07
	PY	8.87	0.71	51.9	61.48
Incurred Claims Net	CY	-2.78	-1.09	88.23	84.37
	PY	2.71	0.32	37.05	40.08
(% to Earned Premium)	CY	-	-	78.16%	68.55%
	PY	30.55%	45.07%	71.39%	65.19%
Commission Net	CY	-10.70	-0.55	1.91	-9.33
	PY	-9.78	-0.57	1.27	-9.07
Expenses of Management	CY	7.98	0.57	19.95	28.49
	PY	7.02	0.42	13.64	21.08
(% to Earned Premium)	CY	86.93%	56.44%	17.67%	23.15%
	PY	79.14%	59.15%	26.28%	34.29%
Other Income (-)/ Outgo (+) for Insurance	CY	-	-	-	8.57
	PY	-	-	-	7.08
Underwriting Results	CY	14.65	2.07	7.50	24.23
	PY	8.87	0.53	-0.16	9.24
(% to Earned Premium)	CY	159.59%	204.95%	6.64%	19.69%
	PY	100.00%	74.65%	-	15.03%
Total Investment Income	CY	-	-	-	11.37
	PY	-	-	-	0.87
Provision for Doubtful Debts	CY	-	-	-	4.56
	PY	-	-	-	0.61
Other Income for Investment	CY	-	-	-	2.95
	PY	-	-	-	2.39

CONSOLIDATED PROFITABILITY :					
Profit Before Tax	CY	-	-	-	42.57
	PY	-	-	-	18.09
Provision for Tax	CY	-	-	-	12.77
	PY	-	-	-	5.72
Profit After Tax	CY	-	-	-	29.80
	PY	-	-	-	12.37
Proposed Dividend	CY	-	-	-	15.00
	PY	-	-	-	7.50
Transfer to General Reserve/Contingency Reserve	CY	-	-	-	14.80
	PY	-	-	-	4.87

*Net Premium less Unexpired Reserve

CY : Current Year

PY: Previous Year

CAPITAL & FUNDS			
		<u>2011</u>	<u>2010</u>
<u>Shareholders' Fund :</u>			
Paid-up Share Capital		100.00	100.00
General Reserve		23.91	9.12
TOTAL		123.91	109.12
<u>Policyholders' Fund :</u>			
Reserve for Unexpired Risks		89.30	50.01
Estimated liability for outstanding claims at the end of the year.		37.17	38.46
TOTAL		126.47	88.47
TOTAL FUND : SHAREHOLDERS' PLUS POLICYHOLDERS'		250.38	197.59

The increase in total funds in 2011 has been Nu. 52.79 Million.

The total assets of the Company amounted to Nu. 438.64 Million as against Nu. 279.07 Million in the year 2010.

B. Significant Operational Highlights

	2011	2010
1 No. of Policies		
a. Motor	8955	5255
b. Fire	1698	1427
c. Marine	248	416
d. Misc.	330	341
2 No. of Claims		
a. Motor	419	126
b. Fire	57	5
c. Marine	4	1
d. Misc.	23	9
3 Average days for settlement	2:3	1:2
4 No. of claims outstanding		
a. Motor	232	120
b. Fire	60	5
c. Marine	2	3
d. Misc.	11	1
5 No. of Loan Accounts	412	164
6 No. of Provident Fund Accounts	643	332
7 No. of Employees	68	53

3. Branch/Extension Offices

Bhutan Insurance Limited now has ten offices in ten Dzongkhags. The Head Office in Thimphu, Branch Offices in Paro, Phuentsholing, Wangdue, Tsirang and S/jongkhar and Extension Offices in Gelephu, Mongar, T/gang and Bumthang. But in near future, to facilitate our services to the customers with the growth of business, we may open around two or three Branch or Extension Office in different Dzongkhags.

4. Human Resources

The company in its two and half years of operation has grown substantially and in order to meet the business demand, more staff was recruited in 2011, resulting in total staff of sixty eight employees in 2011 from thirty nine employees in 2009.

Since, Human resources plays an important role in growth of the business, the board and the management of BIL emphasized in enriching the efficiency and knowledge of the employees through training, seminars and workshop. The details of the training for the current year are as follows:

Sl.No.	Course/Training	Conducted by	No.of Staffs Attended	Year	Place
1	Effective Claims Management	NIA	2	2011	Pune, India
2	Reinsurance Management	NIA	1	2011	Pune, India
3	HRD for lines Managers	NIA	1	2011	Pune, India
4	Insurance Contract Law	Singapore collage of Insurance	2	2011	Singapore
5	Induction programme on Loan Appraisal & Bank Guarantees	LCIMF	2	2011	Kolkata, India
6	Behavior & Soft Skill Training	LCIMF	3	2011	Kolkata, India
7	General Insurance Finance & Accounts	LCIMF	8	2011	Kolkata, India
8	Insurance Management System	Paibare Learning Laboratories	5	2011	Quezon City, Philippines
9	Comprehensive Technical Programme in General Insurance	NIA	12	2011	Pune, India
10	CISCO Certified Network Associate	IIJT Education Pvt.Ltd.	2	2011	Kolkata, India
11	Insurance Accounting, Audit& Regulation	NIA	1	2011	Pune, India

ACKNOWLEDGEMENTS

On behalf of the distinguished board members of BIL and on my own behalf, I would like to [place on record our appreciation and](#) sincere gratitude to all our valued clients, the Royal Government and its various Ministries and Departments, and also to notable individuals in organizations such as the RMA and RSEBL for their continued [guidance](#). 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. [We look forward to their continued support in the future. And last, but not least to the CEO and the management team of BIL for having surpassed our expectations of growth and profitability.](#)

With my very best wishes,



(Ugyen Rinzin)
Chairman

*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!

Company Information

BOARD OF DIRECTORS

- I. Mr. Ugyen Rinzin (Chairman)**
Yangphel Private Limited, Thimphu
Phone No: 02-232393
Email: ugyen@zhiwaling.com
urinzin@bhutaninsurance.com.bt
- II. Dasho Ugen Tsechup Dorji (Director)**
Singye Group of Co.Pvt.Ltd., Thimphu
Phone No: 02-322183
Email: ugentsechup@gmail.com
Fax No#02-324152
- III. Mr. Karma Dorjee (Director)**
Karma Group of Companies Private Limited
P.O. Box 177, Thimphu
Phone No: 02-324163/05254725
Email: karma@druknet.bt
Fax No: 02-322229/05252391
- IV. Mr. Karma Lotey (Director)**
Yangphel Private Limited
P.O. Box 236, Thimphu
Phone No: 02-323293/323294
Email: md@-yangphel.com
Fax No: 02-322897
- V. Mr. Tshering Gyaltsen**
(CEO/Member Secretary)
Bhutan Insurance Limited
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Phone No: 02-339893/339894
Fax: 02-339895
Email: tgyaltshen@bhutaninsurance.com.bt

AUDITORS

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Email: nagandassociates@gmail.com

AUDIT COMMITTEE MEMBERS

- I. Mr. Karma Lotey (Director)**
Yangphel Enterprise
P.O. Box 236, Thimphu
Phone No: 323293/323294
Email: 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
Fax No.02-339895
- III. Mr. Kinley Rabgay**
Internal Auditor & Asset Declaration
Administrator
Bhutan Insurance Limited
P.O.Box 779, Thimphu
Phone No.02-339893/339894/17635946
Email: keanleyrabgay@hotmail.com
Fax No.02-339895

REGISTERED OFFICE

Chorten lam
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Phone No.02-339893/339894
Fax No.02-339895
Toll Free No. 201
Email: info@bhutaninsurance.com.bt
Website: www.bhutaninsurance.com
(BIL Group Face Book) 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
 - 1. 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 issuing of Bank Guarantees and management of 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
- ▶ Kenya 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 - 4293
- 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

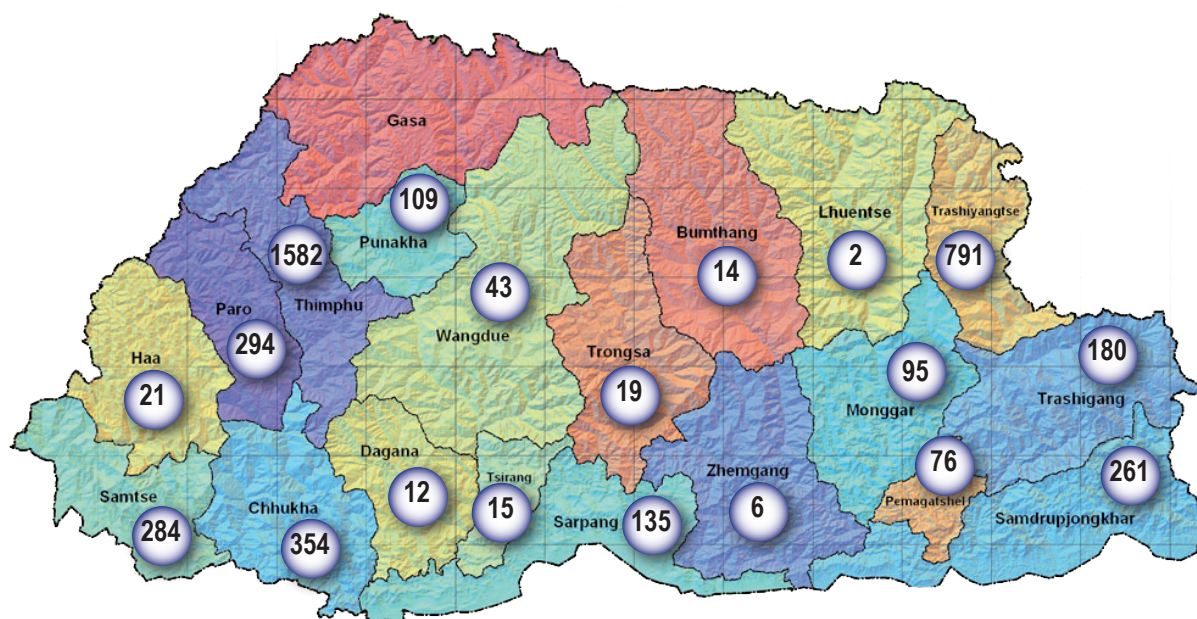
- Head Office - Thimphu
- Branch Offices - Paro, Phuentsholing, Wangduephodrang, Samdrupjongkhar & Tsirang
- Extension Offices - Bumthang, Gelephu, Mongar & Trashigang

Distribution Channel

- Door to Door Service
- Bancassurance
- Referrals
- Direct underwriting
- Social Media (Facebook and website)

DZONGKHAG WISE SHARE HOLDING

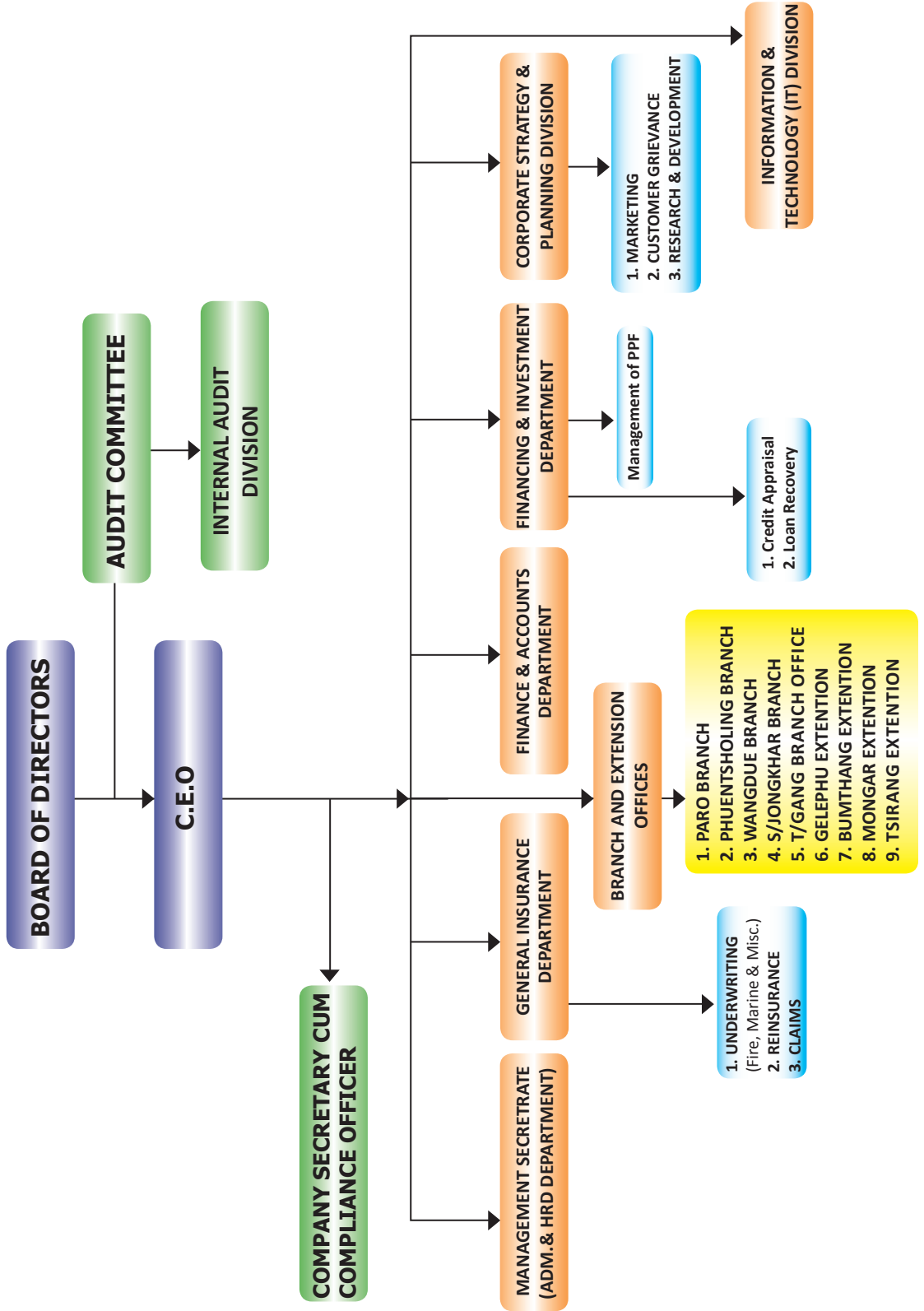
Total No. of Shareholders 4293



BIL Share price growth as on December 24, 2011:

- Face Value (Nu.) – 100.00
- Last Traded Price (Nu.) – 220.00
- Price (Nu.) Offer (Sell) – 250.0

ORGANOGRAM





Auditors’

REPORT



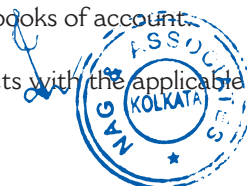
CUSTOMER SERVICE

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

Auditors' Report to the Members,

Bhutan Insurance Limited

1. We have audited the attached Balance Sheet of Bhutan Insurance Limited as at 31st December, 2011 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, (the Act) in the manner so required and 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, 2011;
 - 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 period 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.

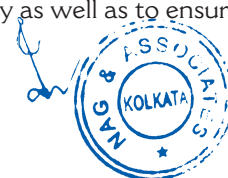


3.6 Subject to our observations indicated in paragraph 4 below, in our opinion and to the best of our information and according to the explanations given to us and on the basis of such checks, on test basis, as we considered necessary and appropriate to carry out in accordance with generally accepted 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 II 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(a) As explained to us transactions in pursuance of contracts or arrangement entered into with company or Firm in which director(s) are directly or indirectly interested have been made as per similar terms & conditions applied for transactions with other parties.
- 4.8(b) The terms & conditions attached to the transactions with the related parties as disclosed in note No.20 are not prejudicial to the interest of the other shareholders & the company.
- 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 is having 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 discloser 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 is in the process of maintaining 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.
- 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 , except for the following:-
- a) Section 63(a) of the Financial Services Act of Bhutan, 2011 requires submission of corporate Governance policy to Royal Monetary Authority. Presently BIL does not maintain well laid policy on Corporate Governance.
 - b) Section 92(b) of the Financial Service Act of Bhutan, 2011 provides for maintenance of adequate & appropriate Disaster Recovery & Business continuity plan indicating the procedures to ensure the resumption of its record & provide for the continuance of its operation in emergency circumstances.
- 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.
- c. As per the information and explanations given to us, the Company needs to improve its backup facilities and disaster recovery measures.
- d. The operational controls are found inadequate to ensure correctness and validity of input data and out put information.
- e. As explained to us, the measures taken by the company to prevent unauthorized access over the computer installation and files are being upgraded to be considered adequate.

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.

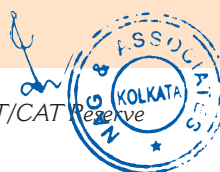
The company, in our opinion is in a position to carry on its business and is not likely to become a sick in the foreseeable near future.

B. RATIO ANALYSIS:

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

Sl. No.	PERFORMANCE RATIO	RATIO/PERCENTAGE FORMULA	2011	2010
1	CAPITAL ADEQUACY	Tier1+ Tier2 Capital/ Total risk weighted assets	31.74%	42.42%
2	Annualized GROSS PREMIUM TO SHAREHOLDERS' FUND	Gross premium/average capital employed	1.977	1.139
3	NET RETENTION	Net Premium/Gross Premium	0.705	0.671
4	NET COMMISSION	Commission net of Re-insurance/Net Premium	0.057	0.09
5	MANAGEMENT EXPENSE TO GROSS PREMIUM	Management Expense/Gross Premium	12.37%	14%
6	COMBINED RATIO	(Gross Claim + Operating Expenses) *100/Gross Premium	71.55%	81.74%
6	TECHNICAL RESERVE* TO NET PREMIUM	Technical Reserve/Net Premium	0.801	0.91
7.	OPERATING PROFIT	(Underwriting profit+Investment Income)/Net Premium	26.21%	19.58%
8.	NET EARNING RATIO	PAT/Net Premium*100	18.35%	12.37%
9.	ANNUALIZED RETURN ON NET WORTH	PAT/Net worth	24.05%	11.38%
10.	UNDERWRITING BALANCE RATIO	Underwriting profit/Net Premium		
		FIRE	9.03%	9%
		MARINE	1.28%	0.05%
		OTHERS	4.62%	(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.



Place: Thimphu, Bhutan

Dated: 10.02.2012

M.No.050531

FRN: 312063E

for Nag & Associates

Chartered Accountants

(Indranath Nag)

Partner

BHUTAN INSURANCE LIMITED

THIMPHU : BHUTAN

Consolidated Balance Sheet as of 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
LIABILITIES			
Share Capital:			
Authorised Capital		500,000,000	500,000,000
Issued, Subscribed and Paid-up Capital	5	100,000,000	100,000,000
Reserve & Surplus	6	23,912,736	9,116,588
Current Liabilities & Provisions			
Borrowings & Funds	7	146,604,013	63,159,179
Other Current Liabilities	8	45,892,566	42,952,255
Provisions	9	122,234,813	63,846,174
Total		438,644,127	279,074,196
ASSETS			
Loan & Overdraft	10	301,863,615	122,580,684
Fixed Assets (Net Block)	17	5,079,819	4,907,573
Current Assets & Cash balances			
Cash & Bank Balance	11	63,605,598	106,890,839
Advance & Other Assets	12	68,095,094	44,257,036
Preliminary Expenses net of written off	13	-	438,064
Total		438,644,127	279,074,196

SIGNIFICANT ACCOUNTING POLICIES 18

NOTES TO ACCOUNTS

For Nag & Associates

Chartered Accountants



IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

On Behalf of The Board of Directors

CEO

Director

Chairman

BHUTAN INSURANCE LIMITED
GENERAL INSURANCE DEPARTMENT
Balance Sheet as of 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
<u>LIABILITIES</u>			
Share Capital	5	100,000,000	100,000,000
Reserve & Surplus	6A	39,271,505	19,694,585
<u>Current Liabilities & Provision</u>			
Current Liabilities	8A	44,311,962	42,683,815
Provision	9A	89,295,347	50,008,582
Total		272,878,814	212,386,982
<u>ASSETS</u>			
Fixed Assets (Net Block)	17	5,079,819	4,907,573
<u>Current Assets & Cash balances</u>			
Cash & Bank Balance	11A	57,614,640	73,304,849
Advance & Other Assets	12A	210,184,355	133,736,498
Preliminary Expenses net of written off	13	-	438,064
Total		272,878,814	212,386,982

SIGNIFICANT ACCOUNTING POLICIES 18

NOTES TO ACCOUNTS 19

For Nag & Associates
Chartered Accountants



[Signature]

IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

[Signature] *[Signature]*
On Behalf of The Board of Directors

[Signature]

CEO

Director

Chairman

BHUTAN INSURANCE LIMITED
FINANCING & INVESTMENT DEPARTMENT
Balance Sheet as of 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
<u>LIABILITIES</u>			
Reserve & Surplus	6B	12,411,008	2,646,692
<u>Current Liabilities & Provision</u>			
Funds	7A	282,722,833	151,447,975
Current Liabilities	8B	9,254,357	2,189,261
Provision	9B	5,169,688	612,903
Total		309,557,886	156,896,831
<u>ASSETS</u>			
Loans & Overdraft	10	301,863,615	122,580,684
<u>Current Assets & Cash balances</u>			
Cash & Bank Balance	11B	5,990,958	33,585,990
Interest Receivable	12B	1,703,313	730,157
Total		309,557,886	156,896,831

SIGNIFICANT ACCOUNTING POLICIES 18

NOTES TO ACCOUNTS 19

For Nag & Associates
Chartered Accountants



[Signature]

IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

On Behalf of The Board of Directors

[Signature]

CEO

[Signature]

Director

[Signature]

Chairman

BHUTAN INSURANCE LIMITED

THIMPHU : BHUTAN

Consolidated Profit and Loss Account for the year ended 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
<u>Profit transferred from Respective Revenue A/c.</u>			
General Insurance Department	R. A/c.	32,801,609	15,447,683
Financing & Investment Department	R. A/c.	9,764,316	2,646,692
Total :-		42,565,925	18,094,375
Profit Before Taxation		42,565,925	18,094,375
Less: Provision for taxation	9(iii)	12,769,778	5,724,689
Profit after taxation		29,796,148	12,369,686
Profit available for Appropriations		29,796,148	12,369,686
<u>APPROPRIATIONS</u>			
Proposed Dividend		15,000,000	7,500,000
Transfer to Catastrophe Reserve		1,500,000	1,158,780
Transfer to General Reserve		13,296,148	3,710,906
TOTAL APPROPRIATIONS		29,796,148	12,369,686

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



[Signature]
IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

[Signature]
On Behalf of The Board of Directors

[Signature]
CEO

[Signature]
Director

[Signature]
Chairman

BHUTAN INSURANCE LIMITED

GENERAL INSURANCE DEPARTMENT

Revenue Account for the year ended 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
<u>OPERATING INCOME</u>			
Surplus transferred from:-			
Fire Insurance	Revenue A/c.	14,654,980	8,867,339
Marine Insurance	do	2,071,939	534,054
Miscellaneous Insurance	do	7,502,258	(161,332)
TOTAL INCOME (A)		24,229,177	9,240,061
<u>OTHER INCOME</u>			
Interest & Other income	14A	9,010,496	8,071,671
TOTAL INCOME (B)		9,010,496	8,071,671
TOTAL (A+B) = (C)		33,239,673	17,311,732
<u>OPERATING EXPENSES</u>			
Preliminary expenses	13	438,064	876,127
Short Provision of Previous year		-	987,922
TOTAL EXPENSES (D)		438,064	1,864,049
Profit before taxation / Transfer to Consolidated Profit & Loss A/c. (C - D)		32,801,609	15,447,683

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

Per our Report of even date

For Nag & Associates
Chartered Accountants



IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

On Behalf of The Board of Directors

G. G. G. G.

CEO

W. M. S.

Director

Q. J. S.

Chairman

BHUTAN INSURANCE LIMITED
FINANCING & INVESTMENT DEPARTMENT
Revenue Account for the year 31st December 2011

Particulars	Schedule	2011 Nu.	2010 Nu.
<u>INTEREST INCOME</u>			
Interest on Loan	14B(i)	25,503,494	3,060,027
Total (A)		25,503,494	3,060,027
<u>Less: INTEREST EXPENSES</u>			
Interest Expenses on borrowing & internal Funds	15	11,541,776	2,054,260
Total (B)		11,541,776	2,054,260
Net Interest Differential (A-B) = (C)		13,961,718	1,005,767
<u>Add: OTHER INCOME</u>			
Misc. Income	14B(ii)	2,949,232	2,390,887
Total (D)		2,949,232	2,390,887
Gross Operating Income (C + D) = (E)		16,910,949	3,396,654
<u>Less: OPERATING EXPENSES</u>			
Management Expenses	16	2,589,847	137,059
Provision against Loans	9B(i-iii)	4,556,785	612,903
Gross Operating Expenses (F)		7,146,633	749,962
Profit before taxation / Transfer to consolidated P&L A/c. (E - F) = (G)		9,764,316	2,646,692

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

Per our Report of even date

For Nag & Associates
Chartered Accountants



[Signature]
IN NAG

Partner

Membership Number: 050531

Place: Kolkata

Date: 10/02/2012

[Signature]

[Signature]
On Behalf of The Board of Directors

[Signature]

[Signature]

CEO

[Signature]

Director

Chairman

BHUTAN INSURANCE LIMITED
GENERAL INSURANCE DEPARTMENT

Revenue Account for the year ended 31st December 2011

PARTICULARS	Schedule	FIRE INSURANCE		MARINE INSURANCE		MISCELLANEOUS INSURANCE		TOTAL	
		2011	2010	2011	2010	2011	2010	2011	2010
Premium Earned (Net)	1	9,180,438	8,873,872	1,012,040	709,616	112,875,933	51,901,452	123,068,411	61,484,940
Commission (Net)	3	10,695,318	9,775,563	546,254	569,587	(1,912,088)	(1,270,899)	9,329,484	9,074,251
Profit on sale/redemption of investment(net)		-	-	-	-	4,779,899	-	4,779,899	-
Exchange gain		-	-	-	-	-	-	-	-
Total (A)		19,875,756	18,649,435	1,558,294	1,279,203	115,743,744	50,630,553	137,177,794	70,559,191
Claims incurred (Net)	2	(2,781,889)	2,711,639	(1,085,264)	320,431	88,234,821	37,046,228	84,367,668	40,078,298
Operating Expenses	4	7,979,635	7,018,126	569,974	421,575	19,949,088	13,643,921	28,498,698	21,083,622
Exchange Loss		23,030	52,331	1,645	3,143	57,576	101,736	82,251	157,210
Total (B)		5,220,777	9,782,096	(513,645)	745,149	108,241,485	50,791,885	112,948,617	61,319,130
Operating Profit (A - B)		14,654,980	8,867,339	2,071,939	534,054	7,502,258	(161,332)	24,229,177	9,240,061

BHUTAN INSURANCE LIMITED

Schedules attached to and forming part of the Accounts for the year ended 31st December 2011

1	<u>PREMIUM EARNED(NET)</u>	FIRE INSURANCE		MARINE INSURANCE		MISC. INSURANCE		TOTAL	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		54,555,224	49,615,513	3,959,779	2,980,374	171,865,707	96,386,957	230,380,710	148,982,844
	Premium from direct business	-	-	-	-	-	-	-	-
	Add: Premium on Reinsurance accepted	44,511,984	40,292,734	2,733,298	2,059,739	20,780,252	6,613,207	68,025,534	48,965,680
	Less: Premium on Reinsurance ceded	10,043,241	9,322,779	1,226,481	920,635	151,085,455	89,773,750	162,355,176	100,017,164
	Less: Unexpired Risk	862,802	448,907	214,441	211,019	38,209,522	37,872,298	39,286,765	38,532,224
	Total Premium earned	9,180,438	8,873,872	1,012,040	709,616	112,875,933	51,901,452	123,068,411	61,484,940

2	<u>CLAIMS INCURRED(NET)</u>	FIRE INSURANCE		MARINE INSURANCE		MISC. INSURANCE		TOTAL	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		21,475,177	227,259	620,092	152,157	115,518,417	27,457,953	137,613,686	27,837,369
	Claims Paid (Including advance)	3,995,401	49,567,931	240,400	1,450,000	32,935,117	21,961,668	37,170,918	72,979,599
	Add: Outstanding claims (excluding advance)	15,044,759	60,000	1,450,000	-	21,961,668	60,000	38,456,427	120,000
	Less: Outstanding claims at the beginning of the year	10,425,818	49,735,190	(589,508)	1,602,157	126,491,866	49,359,621	136,328,176	100,696,968
	Gross claims	-	-	-	-	-	-	-	-
	Add: Reinsurance accepted	13,207,707	47,023,551	495,756	1,281,726	38,257,045	12,313,393	51,960,509	60,618,670
	Less: Reinsurance ceded	(2,781,889)	2,711,639	(1,085,264)	320,431	88,234,821	37,046,228	84,367,668	40,078,298
	Net Claims Paid								

3	<u>COMMISSION(NET)</u>	FIRE INSURANCE		MARINE INSURANCE		MISC. INSURANCE		TOTAL	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		12,589,705	11,307,503	681,567	661,610	2,823,879	1,707,343	16,095,151	13,676,456
	Commission on Reinsurance Ceded	-	-	-	-	-	-	-	-
	Less: Commission on Reinsurance accepted	1,894,387	1,531,940	135,313	92,023	4,735,967	2,978,242	6,765,667	4,602,205
	Less: Agency commission	10,695,318	9,775,563	546,254	569,587	(1,912,088)	(1,270,899)	9,329,484	9,074,251
	Net Commission								

	<u>2011</u>	<u>2010</u>
4 OPERATING EXPENSES (Gen. Insurance Dept.)		
Employees remuneration and welfare benefit	15,655,602	11,633,334
Travel, Conveyance and vehicle running expenses	1,848,423	1,977,349
Training expenses	1,375,434	562,361
Rental charges	920,184	824,226
Repairs & Maintenance	478,878	15,980
Printing and stationary	1,378,284	632,637
Communication	1,043,723	967,536
Legal and Professional Charges	924,768	765,100
Advertisement and publicity	1,809,809	875,396
Interest and bank charges	63,665	31,321
Other Misc. Expenses	72,599	1,349,053
Gratuity Fund contribution	986,859	719,378
Bonus to Staff expenses	986,859	-
Depreciation	953,610	729,951
Total:-	28,498,698	21,083,622
<u>Expenses Allocation:</u>		
Fire Insurance	7,979,635	7,018,126
Marine Insurance	569,974	421,575
Miscellaneous Insurance	19,949,088	13,643,921
Total Expenses allocation	28,498,698	21,083,622
5 CAPITAL FUND		
Authorised capital	500,000,000	500,000,000
(5000000 Equity share of Nu 100 each)	500,000,000	500,000,000
Issued, Subscribed And Paid-up	100,000,000	100,000,000
(1000000 Equity share of Nu 100 each)	100,000,000	100,000,000
6 RESERVE & SURPLUS		
General Reserve as per last year Account	6,957,808	3,246,902
Add: Transferred from current year Account	13,296,148	3,710,906
Total (A):-	20,253,956	6,957,808
CAT Reserve as per last Account	2,158,780	1,000,000
Add: Transferred from current year Account	1,500,000	1,158,780
Total (B):-	3,658,780	2,158,780
Total Reserve & Surplus (A+B)	23,912,736	9,116,588

	<u>2011</u>	<u>2010</u>
<u>6A. General Insurance Dept.</u>		
General Reserve as per last year Account	6,469,896	4,246,902
Add: Transferred from current year Account	32,801,609	15,447,683
Total:-	39,271,505	19,694,585
<u>6B. Financing & Investment Dept.</u>		
As per last year Accounts	2,646,692	-
Add: Transfer from current year Account	9,764,316	2,646,692
Total:-	12,411,008	2,646,692
7 <u>BORROWINGS & FUNDS</u>		
Borrowings from Druk PNB	85,000,000	50,000,000
Borrowings from NPPF	40,000,000	-
Funds from PPF Division	21,404,013	13,159,179
Funds from SWF	200,000	-
Total:-	146,604,013	63,159,179
<u>7A. Financing & Investment Dept.</u>		
Borrowings from Druk PNB	85,000,000	50,000,000
Borrowings from NPPF	40,000,000	-
Funds from General Insurance Dept.	136,118,820	90,000,000
Funds from PPF Division	21,404,013	11,447,975
Funds from SWF	200,000	-
Total:-	282,722,833	151,447,975
8 <u>CURRENT LIABILITIES</u>		
Outstanding expenses	921,686	712,850
Outstanding claim	37,170,918	38,456,427
Agent Commission Payable	3,396,543	2,795,160
Stale Cheques	129,720	-
Gratuity Fund	1,706,237	719,378
Bonus to staff payable	986,859	-
Interest payable for external borrowing (PNB)	420,411	187,500
Interest payable for PPF fund	983,498	80,940
Interest payable to SWF	5,227	-
CIB charges payable	5,700	-
Interest in suspense A/c.	165,767	-
Total:-	45,892,566	42,952,255

	<u>2011</u>	<u>2010</u>
<u>8A. General Insurance Dept.</u>		
Outstanding expenses	921,686	1,432,228
Outstanding claim	37,170,918	38,456,427
Agent Commission payable	3,396,543	2,795,160
Stale cheques	129,720	-
Gratuity Fund	1,706,237	-
Bonus to staff payable	986,859	-
Total:-	44,311,962	42,683,815
<u>8B. Financing & Investment Dept</u>		
Interest payable to Druk PNB	420,411	187,500
Interest payable to General Insurance Dept.	5,957,510	1,785,820
Interest payable to PPF Division	983,498	80,941
Interest payable to SWF	5,227	-
CIB Charges payable to RMA	5,700	-
Mgt. Expenses payable to Gen. Insurance	1,716,243	135,000
Interest in suspense A/c.	165,767	-
Total:-	9,254,357	2,189,261
9 <u>PROVISIONS</u>		
i) Provision for un expired risk	89,295,347	50,008,582
ii) Provision for Loan	5,169,688	612,903
iii) Provision for taxation	12,769,778	5,724,689
iv) Provision for dividend	15,000,000	7,500,000
Total (i + ii + iii + iv):-	122,234,813	63,846,174
<u>9A. General Insurance Dept.</u>		
Provision for un expired risk as per last Account	50,008,582	11,476,358
Add: Provision for unexpired risk current year	39,286,765	38,532,224
Total:-	89,295,347	50,008,582
<u>9B. Financing & Investment Dept.</u>		
i) Provision for standard Loan as per last year A/c.	612,903	612,903
Add:- Additional Provision for current year	1,440,527	-
Total:-	2,053,430	612,903
ii) Provision for Watch Loan as per last year A/c.	-	-
Add:- Additional Provision for current year	1,373,835	-
Total:-	1,373,835	-
iii) Provision for Sub standard Loan as per last year A/c.	-	-
Add:- Additional Provision for current year	1,742,423	-
Total:-	1,742,423	-
Total (i + ii + iii):-	5,169,688	612,903

	2011	2010
10 LOANS & OVERDRAFT		
Commercial Vehicle Loan	168,033,731	73,016,394
Commercial Establishment Loan	7,006,934	7,533,000
Industrial Manufacturing Loan	33,928,703	-
Housing Loan	3,673,833	10,065,100
Personal Loan	10,276,448	296,180
Venture Loan	2,136,049	8,335,001
Staff Loan	19,512,447	18,457,931
PPF Loan	527,604	-
GE/PE Loan	1,140,242	-
Loan against Shares	7,796,800	-
Overdraft Loan	47,823,355	4,877,078
Late fees outstanding	7,470	-
Total:-	301,863,615	122,580,684

11 CASH & BANK BALANCE		
Cash & Bank Balance	23,605,598	60,890,839
Fixed Deposit	40,000,000	46,000,000
Total:-	63,605,598	106,890,839

11A. General Insurance Dept.

Cash & Bank Balance	17,614,640	27,304,849
Fixed Deposit	40,000,000	46,000,000
Total:-	57,614,640	73,304,849

11B. Financing & Investment Dept.

Cash & Bank Balance	5,990,958	33,585,990
Total:-	5,990,958	33,585,990

12 ADVANCE & OTHER ASSETS

RMA Reserve A/c	30,000	30,000
Security deposit for office space	41,000	50,300
Interest on Fixed Deposit receivable	6,675,371	4,022,003
Pre paid insurance	22,557	14,966
Advance BIT & TDS Paid	3,829,713	665,193
RMA Penalty Deposit A/c.	100,000	100,000
Software advance Paid for FID	440,000	190,000
Re-Insurer (receivable)	46,906,963	37,121,622
HR promotion fund Receivable from RMA	2,050,211	1,303,995
Interest on Loan Receivable	1,703,313	730,157
Other advance	125,965	28,800
Capital contribution for FI training Institute	3,000,000	-
Sale of Salvages Receivable	3,170,000	-
Total:-	68,095,094	44,257,036

	<u>2011</u>	<u>2010</u>
<u>12A. General Insurance Dept.</u>		
RMA Reserve A/c.	30,000	30,000
Security deposit for office space	41,000	50,300
Interest on Fixed Deposit receivable	6,675,371	4,022,003
Interest on Investment fund Receivable (FID)	5,957,510	-
Pre paid insurance	22,557	14,966
Advance BIT & TDS Paid	3,829,713	665,193
RMA Penalty Deposit A/c.	100,000	100,000
Software advance for FID	440,000	190,000
Re-Insurer (receivable)	46,906,963	37,121,622
HR promotion fund Receivable from RMA	2,050,211	1,303,995
FID Expenses receivable	1,716,243	135,000
Investment Fund with FID	136,118,820	90,000,000
Other advance	125,965	103,419
Capital contribution for FI training Institute	3,000,000	-
Sale of salvages receivable	3,170,000	-
Total:-	210,184,355	133,736,498
<u>12B. Financing & Investment Dept.</u>		
<u>INTEREST RECEIVABLE</u>		
Commercial Vehicle Loan	1,294,496	230,924
Commercial Establishment Loan	35,075	208,704
Industrial Manufacturing Loan	138,401	-
Housing Loan	11,475	141,440
Personal Loan	75,832	10,162
Venture Loan	30,749	55,900
Staff Loan	22,583	67,377
PPF Loan	3,213	-
GE/PE loan	5,496	-
Loan against shares	12,817	-
Overdraft Loan	73,177	15,650
Total:-	1,703,313	730,157
13 <u>PRELIMINARY EXPENSES</u>		
Preliminary and pre-operation expenses	438,064	1,314,191
Less: Expenses Written off	438,064	876,127
Total:-	-	438,064
14 <u>INTEREST & OTHER INCOME</u>		
<u>14A. General Insurance Dept.</u>		
Fixed Deposit	3,052,986	5,911,175
Interest Received from FID (Gen. Insurance Fund)	5,957,510	1,785,820
Misc. income	-	374,676
Total:-	9,010,496	8,071,671

	2011	2010
<u>14B. Financing & Investment Dept.</u>		
<u>i) Interest Received</u>		
Commercial vehicle Loan	16,472,067	1,103,340
Commercial Establishment Loan	723,670	488,249
Industrial Manufacturing Loan	2,938,051	-
Housing Loan	917,506	160,886
Personal Loan	387,018	32,712
Staff Loan	1,251,213	1,169,154
Venture Loan	852,007	105,686
PPF Loan	57,786	-
GE/PE Loan	43,688	-
Loan against shares	12,817	-
Overdraft	1,847,673	-
Total:-	25,503,494	3,060,027
<u>ii) Misc. Income</u>		
Guarantee Commission	2,823,792	2,358,067
Administration Charges	117,970	32,820
Late fees Income	7,470	-
Total:-	2,949,232	2,390,887
15 <u>INTEREST EXPENSES</u>		
Interest on borrowing Funds (PNB)	3,889,788	187,500
Interest on borrowing Funds (NPPF)	705,753	-
Interest on General Insurance Fund	5,957,510	1,785,820
Interest on PPF Fund	983,498	80,940
Interest on SWF	5,227	-
Total :-	11,541,776	2,054,260
16 <u>OPERATING EXPENSES (Financing & Inv. Dept)</u>		
Salary,wages,allowance & PF	716,337	135,000
Leave Encashment benefit	87,062	-
LTC	98,415	-
Travelling Expenses	97,396	-
Printing & Stationary expenses	322,409	-
Training Expenses	170,715	-
Postage & Telegram expenses	10,447	-
Legal Charges	9,392	-
Telephone & Fax expenses	176,521	-
Canteen Expenses	27,549	-
CIB operating expenses refunded to RMA	361,524	-
CIB Annual Membership fees	500,000	-
Bank charges	12,080	2,059
Total:-	2,589,847	137,059

17. Fixed Assets Account as on 31/12/2011

Particular	GROSS BLOCK - AT COST				DEPRECIATION			NET BLOCK	
	As at 01/01/2011	Addition during the year	Sales Adj.	As at 31/12/2011	As at 01/01/2011	For the year	Adj. Dep.	As at 31/12/2011	As at 31/12/2010
Equipment	541,784	317,728	-	859,512	75,034	102,763	-	177,796	466,750
Furniture	961,426	258,736	-	1,220,162	144,338	157,666	-	302,003	817,088
Computer	2,610,909	549,392	-	3,160,301	340,621	439,757	-	780,378	2,270,288
Vehicle	1,689,492	-	-	1,689,492	336,047	253,424	-	589,471	1,353,445
Total	5,803,611	1,125,857	-	6,929,468	896,039	953,610	-	1,849,648	4,907,572

BHUTAN INSURANCE LIMITED
THIMPHU : BHUTAN
Cash Flow Statement as of 31st December 2011

			<u>2011</u>	<u>2010</u>
1. Cash flow from Operating Activities				
Profit before tax			42,565,925	19,082,296
Add: Depreciation	953,610			
Add: Amortisation	438,064		1,391,674	1,606,078
Add/Less: Increase/(Decrease) in Current Liabilities			2,940,311	47,873,725
Add/Less: Increase/(Decrease) in Provision			43,843,550	39,145,127
Add/Less: Decrease/(Increase) in Current Assets			(23,838,058)	(42,504,041)
Less: Tax & Dividend Paid for last year profit			(13,224,689)	(974,071)
2. Cash flow from Investing Activities		(A)	53,678,713	64,229,114
Less: Purchase of Fixed Assets		(B)	(1,125,857)	(1,835,390)
3. Cash flow from Financing Activities				
Add/Less: Increase/(Decrease) in borrowings	83,444,834			
Add/Less: Decrease/(Increase) in Loans	(179,282,931)	(C)	(95,838,097)	(72,580,684)
Total		(A+B+C)	(43,285,241)	(10,186,960)
<u>Change in Cash & Cash Equivalents</u>				
Closing Cash Balance & Cash equivalent			63,605,598	106,890,839
Less: Opening Cash balance & Cash equivalent			106,890,839	117,077,799
Net changes in Cash balance & cash equivalent			(43,285,241)	(10,186,960)

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31st DECEMBER, 2011.

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 31st 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

- i) 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 55% 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. Preliminary/preoperative Expenditure

Preliminary/Preoperative 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 st year-0.5/ 2 nd year-1/ 3 rd 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 19**NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2011**

1. Bhutan Insurance Limited (BIL) is registered on 24th 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.154,683,301.75 remain unexpired as on 31st December,2011
 - iii) Un executed amount of capital commitment remaining to be executed as on 31st December,2011 is Nu.9,000,000.00
5. Interest of Nu.165, 767.00 has not been recognized as income & kept under Interest in suspense account.
6. Interest of nu.1, 703,313.00 was not collected during the year but included in the above interest income.
7. Provision against non-performing loans of Nu.1, 742,423.00 has been computed as per the RMA Prudential Guidelines. Additional non specific provision of Nu.3, 427,265.00 has been created to consider probable loss which may arise out of potential non performing loans.
8. 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.21,404.013.00 & Nu.983,498.00 as interest thereon.
9. Reserves for un-expired risks amounting to Nu. 89,295,347.00 created in the Revenue Accounts in respect of General Insurance Business at 55% of the net premium income during the year which have been duly reflected as General Insurance Funds in the Balance Sheet as against 50% held in previous year leading to a decrease in profit by Nu. 8117789.00
10. During the year, Nu. 1,500,000.00 have been appropriated from the Profit and Loss Account to Catastrophe Fund.
11. No actuarial valuation has been adopted by the Company for the purpose of determining the amount of gratuity liability. However, an amount of Nu. 1,706,237.00 ascertained as liability towards gratuity on the presumption that all employees ceases to be employed with the Company as on 31.12.2011. This liability has not yet been funded by way of separate investment.

12. Provision for bonus amounting to Nu.986, 859.00 payable to employees has been ascertained & provided in these accounts.
13. The assets of the Company in Bhutan are free from all encumbrances.
14. 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.
15. Re-insurance:
 - I. 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 46,906,963.00 in Schedule 12.
16. Management expenses include-
 - a) Managerial Remuneration paid/payable to the Managing Director (Chief Executive Officer) is subject to Board's approval-
 - Remuneration: Nu. 1,152,840.00
 - Other Benefits: Nu. 183,220.00
 - b) Directors sitting fees: Nu. 215,000.00
14. The Audit Fees and Expenses
 - a) Audit fee Nu. 75,000.00
 - b) Audit expenses Nu. 125,000.00
17. The Company has absorbed the emoluments paid/payable to the Agents amounting to Nu.6,765,667.00 for procurement of business.
18. 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.
19. In the opinion of management, there is no impairment of fixed assets of the corporation, which may require any adjustment to be made.
20. Particulars of the transactions with the Directors and their relatives and companies in which Directors are interested, as per provisions of the Companies Act of the Kingdom of Bhutan,2000 :
21. The amount of credit exposure (Funded & Non-funded) to Singye Construction Pvt. Ltd. represents 36.99 percent of BIL's Capital fund.
22. Previous year's figures have been adjusted/rearranged/ regrouped wherever necessary to make them comparable with the current year's figure.

For Nag & Associates

Chartered Accountants



A handwritten signature in blue ink, appearing to be "Anil Kumar", followed by a horizontal line and a small "M".

IN NAG

PARTNER

Membership No.050531

Place: Kolkata

Date: 10.02.2012

A handwritten signature in blue ink, appearing to be "On behalf of The Board of Directors".

On behalf of The Board of Directors

A handwritten signature in blue ink, appearing to be "G. Paulston".

CEO

A handwritten signature in blue ink, appearing to be "V. K. S.".

Directors

A handwritten signature in blue ink, appearing to be "R. S.".

Chairman

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 Web site- bhutaninsurance.com.bt.



འབྲུག་མིའི་བདེ་སྲུང་ལྷན་ཁག་
Bhutan Insurance
Providing Security, Bu

This Insurance Policy is specifically designed

Borrowers and their family can have peace of mind and payment protection. Bhutan Insurance Limited at a very minimum cost. As most employees avail loan by pledging their property, their family members will be hard hit specially if the post retirement benefits of the employee are cut through the Loan Protection Insurance cover, the pecuniary interest of the borrower is at risk. The loan balance.

This policy provides the following covers:



In the event of insured's Permanent Total Disability due to accident, Bhutan Insurance will pay the outstanding principle loan balance as on the event of the claim or sum insured whichever is less.



In the event of insured's death due to Accidental cause, Bhutan Insurance will pay the outstanding principle loan balance as on the event of the claim or sum insured whichever is less.

LOAN PROTECTION

འཇམ་བཟོན་ཚེངས།
 Bhutan Insurance Limited
 Building Confidence

Your insurer of
CHOICE

for the loan clients of the Financial Institutes.

By availing 'Loan Protection Insurance policy' offered by Bhutan Insurance, their post retirement benefits, should misfortune happen to the clients, their bread earner have to be adjusted against the outstanding loans. Thus, the family members will be protected to the extent of outstanding principle



In the event of insured's Termination from employment, Bhutan Insurance will provide cover to the extent of 50% of the principle loan balance as on the event of the claim or sum insured whichever is less.



In the event of insured's Termination from employment, Bhutan Insurance will provide cover to the extent of 50% of the principle loan balance as on the event of the claim or sum insured whichever is less.

LOAN INSURANCE

We offer attractive premium discounts for taking the policy cover for more than 12 months.

Terms and Conditions

- Members must be of 18 years or above
- Maximum loan repayment period should not be more than 60 months
- Coverage ceases when member reaches the age of 61
- The coverage shall be on the loan sanctioned amount or loan balance whichever is lower.

General Exclusions

- Arising out of events other than those specifically mentioned in the policy Schedule.
- Arising or resulting from the Insured Person committing any breach of the law with criminal intent as proven by competent Court of Law.
- Due to, arising out of, or directly or indirectly connected with or traceable to war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection, mutiny, military or usurped power, seizure, capture arrests, restraints and detainment of all Heads of State and citizens of whatever nation and of all kinds and acts of terrorism.
- Directly or indirectly caused by or contributed to by or arising from ionizing radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel. For the purpose of this exception, combustion shall include any self

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an one year/entire loan term.

which ever is less

sustaining process of nuclear fission.

- Directly or indirectly caused by or contributed to by or arising from nuclear weapon materials.
- Due to suicide or age more than 61 or loan period exceeding 60 months.
- Due to Permanent Total Disability resulting from any injury, sickness or disease for which medical care, treatment, or advice was recommended by or received from a Doctor or from which the Insured Person suffered or which was present before the commencement of the Period of Insurance.
- The Company shall not be liable for any payment in the event of termination from employment of the Insured Person being attributed to absconding from the Country or on conduct of Anti-Government criminal acts.

Note:- These are the summary of the policies and do not contain the full terms and the conditions of the cover which can be found in the policy documents.

02 339895 • email: info@bhutaninsurance.com.bt • Toll Free No. 201



Bhutan Insurance Limited
Providing Security, Building Confidence
 Post Box# 779, Chorten lam, Thimphu.

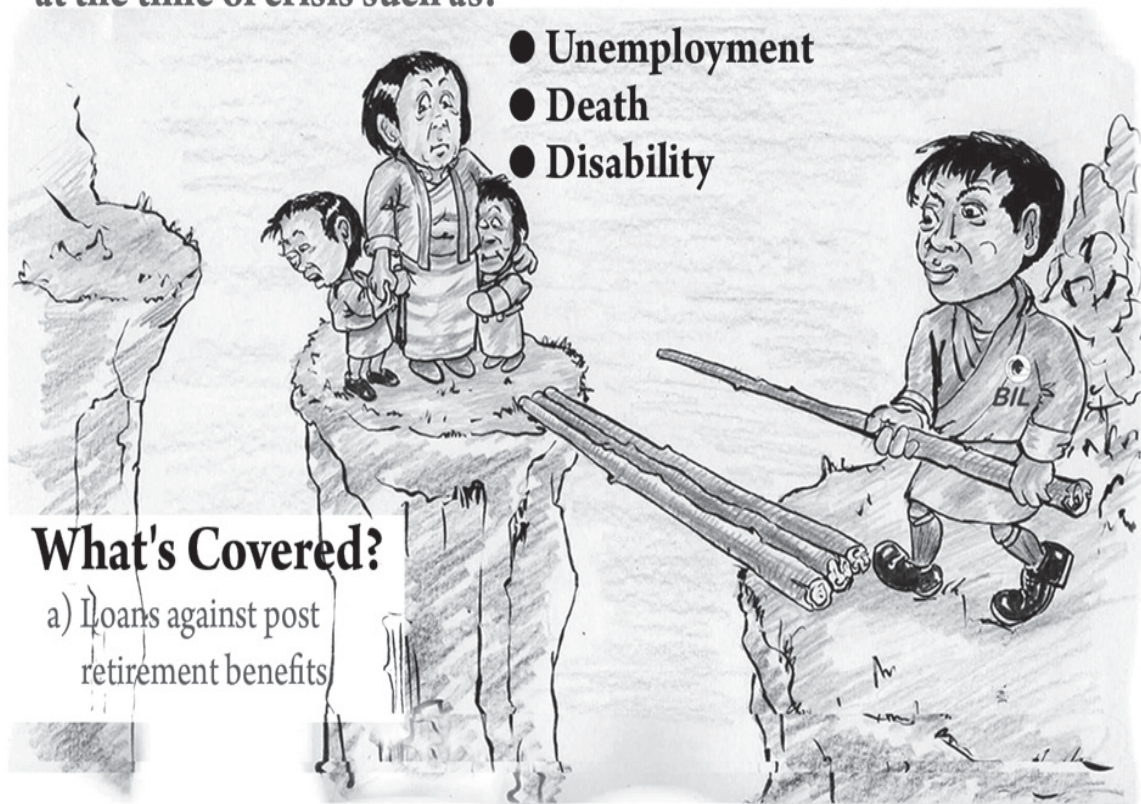
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Bhutan Insurance Limited
 Your insurer of
CHOICE

Toll free # 201

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Loan protection insurance is designed to ease your loan repayments at the time of crisis such as:

- Unemployment
- Death
- Disability



What's Covered?

- a) Loans against post retirement benefits

This policy is available to all Financial Institutes & Individuals at a very affordable cost

APPLY NOW