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**Royal Insurance Corporation
of
Bhutan Limited**



ལོ་བསྟར་སྒྲུབ་ལྗོད།

ANNUAL REPORT 2008

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GENERAL INFORMATION

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

REGISTERED & HEAD OFFICE

Post Box No. 77, Samdrup Lam,
Phuntsholing, Bhutan
Tele Fax No. +975-5-252640 RICB PLG Bhutan
Tele Fax No. 0890-305-RICB PLG BT (from India)
0890-305- RICB PLG BT (from Abroad)
Phone No. PABX +975-5- 252453/252482/252509/252869
Hot Line: 151
E-mail: ricbho@druknet.bt
Website: www.ricb.com.bt

REGIONAL OFFICE

Post Box No. 315
Thimphu, Bhutan
Tele Fax No. +975-2-323677
Phone No. PABX +975-2-322426/328308/321036/321037
(Modem - 325725)
Hot Line: 181
E-mail: insure@druknet.bt

BRANCHES IN BHUTAN

Gelephu	Tel/Fax	+975-6-251070
Samdrup Jongkhar	Phone	+975-7-251095, Fax: 251492
Bumthang	Tel/Fax	+975-3-631101
Mongar	Tel/Fax	+975-4-641116
Paro	Tel/Fax	+975-8-271281, Fax: 272019
Samtse	Phone	+975-5-365235, Fax: 365591
Trashigang	Phone	+975-4-521156, Fax: 521298
Khuruthang	Phone	+975-2-584310, Fax: 584309
Gedu	Tel/Fax	+975-5-272330

PRINCIPLE BANKERS

BANK OF BHUTAN
H.O. Phuentsholing, Bhutan

BHUTAN NATIONAL BANK
H.Q. Thimphu, Bhutan

BARCLAYS BANK PLC
54, Lombard Street
Post Box No. 554. London - EC3v 9Ex

AUDITORS

Gupta & Co.
Chartered Accountants
53A, Mirza Ghalib Street, Kolkata - 700 016

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**Directors' Report for the Year 2008****To the Members:**

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 34th Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2008.

Operational & Performance Highlights

Financial Year 2008 was yet another year of impressive growth, in which the Company recorded total business worth of Nu.733.03 million with the growth of 17.89% compared to Nu. 621.75 million in the previous year. The general insurance business alone contributed about Nu 335.55 million followed by investment business of Nu. 291.94 million, and the remaining contribution registered from Life Insurance and GIS business.

The total business achieved from the insurance sectors is about Nu. 441.09 million, and the net premium after affecting the re-insurance premiums posted Nu. 274.50 million. Correspondingly, the gross claims amounted to Nu. 178.65 million, and the net claims after considering reinsurance premiums posted Nu.127.95 million. The overall net claim ratio during the financial year 2008 stands at 46.61% compared to 44.85% in the previous year.

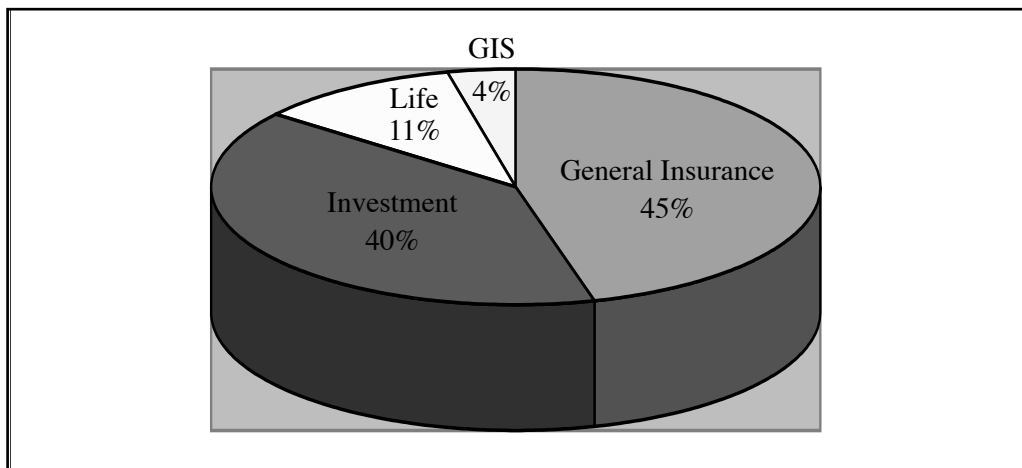
The overall underwriting insurance net revenue posted Nu. 128.48 million compared to Nu.106.42 million last year, which is transferred to profit and loss account of the corporation. The investment division also continues to perform well. The gross interest earned for the year 2008 posted to Nu.291.94 million with the growth of 25.77% and the net interest earned after suspending the interest in line with the RMA prudential regulation 2002 landed to Nu. 262.19 million. The interest expenses for both the internal funds and external borrowings together recorded Nu.135.91 million, and Nu. 61.61million has been provided for additional provision on loans and advances.

For the Period ended 31.12.2008

	Figures in (Nu. Million)	Premium			Claims		
		Gross Premium	Reinsurance	Net Premium	Gross Claims	Reinsurance	Net Claims
	Fire	107.87	76.36	31.51	21.84	3.73	18.11
	Miscellaenous	215.57	77.49	138.08	123.18	44.81	78.37
	Marine	12.11	11.03	1.08	1.94	2.16	(0.22)
A	General Insurance	335.55	164.88	170.67	146.96	50.7	96.26
B	Life Insurance	78.89	1.710	77.180	18.49	-	18.49
C	GIS & GISL	26.65	-	26.650	13.200	-	13.20
	Total = (A+B+C)	441.09	166.59	274.50	178.65	50.70	127.95
D	Investment	<i>Gross Interest Earned</i>	<i>Interest Suspense</i>	<i>Net - Interest Earned</i>	<i>Interest Expenses</i>	<i>Interest Differential</i>	<i>Further Provs.</i>
		291.94	29.75	262.19	135.91	126.28	61.61
	(A+B+C+D)	Total Business		733.03			

Particulars	2008 (Nu. Million)	2007 (Nu. Million)	Variance '08 & '07 %
<u>Income</u>			
General Insurance	127.51	105.50	20.86
Investment (Net)	56.23	54.96	2.31
Life (Surplus)	0.97	0.93	4.30
Other	6.68	8.15	-18.04
Total: (I)	191.39	169.54	12.89
<u>Expenses</u>			
Deprecation	7.40	6.75	9.63
Contribution to Gratuity Fund	8.72	7.00	24.57
Other Expenses	4.90	3.88	26.29
Total: (II)	21.02	17.63	19.23
Profit Before Tax (I) - (II)	170.37	151.91	12.15
Earning Per Share	124.23	110.77	12.15
Book Value Per Share	672.97	553.68	21.54
Net-worth of the Company	646.05	531.54	21.54
Return on Core Equity	124.23	110.77	12.15

It is significant to note that the Insurance sectors continue to contribute the major portion of the business income with 60.17%. The General Insurance Department alone has contributed about 45.77 % of the total income to the tune of Nu. 335.55 million, followed by investment department by 39.82% to the tune of Nu.232 million and remaining from Life and GIS Insurance business.

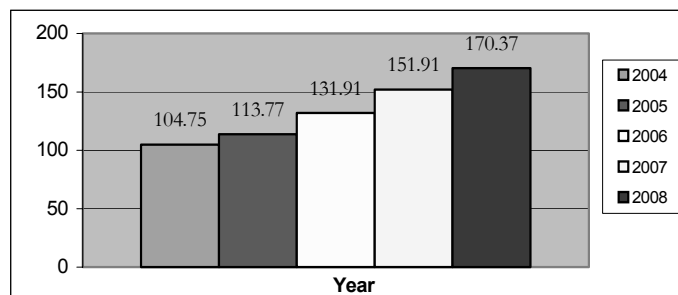


In line with the growth of the business income and subsequent allocation of profit to the Capital Fund, the earnings per share during the year posted Nu. 124.23 vis-à-vis Nu. 110.77 in the last financial year. The net worth of the company as on 31.12.2008 stands at Nu.646.05 million compared to Nu. 531.54 million in the last financial year and the book value per share translate to Nu. 672.97 compared to Nu. 553.68 during the last financial year. The return to core equity has increased to 124.23% from 110.77% during the last financial year.

Based on the profitability and considering the fund position, the Board recommended a dividend to the Shareholders at 30% of the face value of share (Nu.30 per share) for the financial year 2008 (previous year 25%).

Performance Highlights (Gross Profit) from 2004 - 2008

Year	Nu. In Million	Incr/(Ders) %
2004	104.75	67.04%
2005	113.77	8.61%
2006	131.91	15.94%
2007	151.91	15.16%
2008	170.37	12.15%



In terms of the growth of the profit y-o-y, the company continued to perform consistently with the double digit growth of 12.15% during the financial year 2008, which translated to Nu.170.37 million compared to Nu. 151.91 million in the previous year. The above growth would be the basis for the Company to set the target to perform in the future and add value to the shareholders.

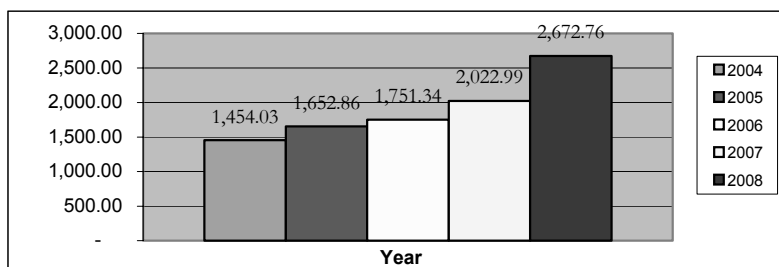
Financial Highlights

The total asset of the company has increased by 32.12% to Nu.2.67 billion during the year compared to Nu. 2.02 billion in the previous financial year of which about 77% of the total assets are in forms of loans and advances (net of provisions). The fixed assets increased to Nu. 114.33 million from Nu. 107.89 million during the year.

It is significant to note that the cash and bank balances during the year have increased to Nu. 364.07 million (excluding Nu. 36.18 million parked in RMA-T bill) vis-à-vis Nu. 106.08 million during the financial year 2007.

The net worth of the company/Capital Fund has increased to Nu.646.05 million, an increase by about 21.54% from the previous year of Nu. 531.54 million, which was transferred from profit and loss account along with the general provisions of Nu. 47.71 million. Further the net fund balance has increased to Nu. 1,694.39 million from Nu.1,211.86 million in the previous year. The Corporation is expected to contribute about Nu. 51.11 million, to the national exchequer in form of Corporate Income Tax during financial year 2008. The growth of the size of Balance sheet is presented below:

Year	Nu. in Million	Incr/(Ders)%
2004	1,454.03	-2.76%
2005	1,652.86	13.67%
2006	1,751.34	5.96%
2007	2,022.99	15.51%
2008	2,672.76	32.12%



Statutory Compliances

Royal Monetary Authority

Most of the RMA prudential norms have been complied with. Comparative analysis of Recovery rate, Statutory Liquidity Ratio, and the ratio of NPL for the last five years are given below:

Y e a r	R e c o v e r y R a t e	S t a t u t o r y L i q u i d i t y R a t i o	R a t i o o f N P L
2 0 0 4	9 0 . 6 0 %	4 . 4 7 %	2 3 . 6 5 %
2 0 0 5	9 1 . 0 9 %	4 . 4 3 %	1 9 . 7 5 %
2 0 0 6	9 1 . 3 8 %	1 0 . 0 8 %	2 5 . 4 9 %
2 0 0 7	9 1 . 3 2 %	7 . 1 1 %	1 8 . 4 3 %
2 0 0 8	9 2 . 3 0 %	1 9 . 7 5 %	1 2 . 3 2 %

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2007. The company is in the process of resolving the issues raised by RAA.

Statutory Auditors

M/s Gupta & Company, Chartered Accountants was appointed as the Statutory Auditors of RICBL for the financial year 2008 in the 33rd Annual General Meeting of the shareholders.

Company Registrar

The Company Registrar has inspected and audited the company's compliances to the Companies Act of the Kingdom of Bhutan 2000 in the financial year 2008 and no adverse comments were note.

Business Plans for 2009 - 2010

In the current fiscal, RICBL is focused towards improvement of performance, continuing the steady growth and leveraging strength in the insurance business.

In order to harness the business potential in the insurance sectors, the RICBL has already initiated the following activities and the Company is yet to realize the benefits during the financial year 2009:

- Complete the implementation of the new software for Insurance Business;
- Launch the Integrated Credit and Investment Management Systems (ICIMS);
- All Branch Offices to be made online;
- Upgrade at least three Branches to Regional Offices;
- Delegate the authority of underwriting of insurance business and claim settlements to Branches;
- Delegate credit appraisal in branch offices and disbursement of loans thereof;
- Review and redesign new products in Life and Non- Life Insurance front;

- Launch Insurance awareness campaign through advertisement of insurance products of the Company;
- Prospectus on Corporate Bond is to be cleared during the year;
- Restructuring of Human Resource in the Company to be completed during the financial year.
- Draft Human Resource Development Plan in line with the approved Budget for the financial year and implement the identified training programs effectively.

Besides above activities, the Company would be continuing to strengthen the internal control systems and ensure that all the business risks in each line of business are identified and timely addressed.

Future Challenges of the Company

Corporate Culture and Public Image

Obviously one of the challenges facing the company today is with the inherited legacies where the old system is deeply entrenched. Bringing about changes in such environment would be an odious task that would require lot of hard work and wisdom. Restoration of Company's public image would be the first and foremost task of the Company which would entail overhauling of the system and change the mindset of the employees. Conducting the business professionally and instilling the sense of belongingness to the company would be the first step forward for the Company to bring about change in the Company's image in the public domain.

Human Resource Development

The performance and the sustainability of the Company in future hinges on the quality of the employees and the need to create and develop a pool of professionals in insurance areas and put in proper management succession plan is also identified as one of the challenges of the Company. In order to develop strong and quality human resource, the Company would provide professional trainings to the identified group of potentials employees within the organization or make campus recruitment.

Future Business Competition

Changing business environment in the financial sector in the country exacerbated by global economic downturn is obviously a big challenge that the company need to address. Direct competition from the General Insurance business and strategizing to retain the existing market share would be an important task of the company. A way forward for the company is to reassess its business strategy and culture, review its business processes, reassess the underlying risks and re-pricing it, and review of all the products in view of the needs of the market are some of the options available for the Company. Exploration of new insurance markets and creation of public awareness on the insurance products are also some of the steps to face above challenges.

Restructuring the Business Model of the RICBL

Of late, the RMA initiated restructuring exercise of the RICBL wherein the ADB consultant had recommended for separation of Investment activities from the insurance business. Investment activities of RICBL being one of the major sources of business of the Company with 77% of the total asset lying in the Investment Department, it would put RICBL in financially unfavorable position notwithstanding the Company to grapple with the other challenges facing the Company at this stage. RICBL would take appropriate steps to address the above issue with concerned regulatory authorities, agencies and other stakeholders to ensure that the business structure of the Company remain status quo.

Acknowledgement

On behalf of the Board of Directors, and on my own behalf, I would like to take the opportunity to thank all our business partners and valued clients whose enduring confidence and faith reposed in the Company has made possible the result achieved during the year. The Board also places on record its deep appreciation to the Royal Government and its various agencies for continued support and co-operation provided to the Royal Insurance Corporation of Bhutan Limited (RICBL). In particular, I would like to thank Royal Monetary Authority of Bhutan, the Royal Audit Authority of Bhutan, the Department of Revenue and Customs for their patronage and continued support.

The Directors are also pleased to place on record their sincere appreciation to all our agents, and reinsurance partners and surveyors in India without whose support it would have been difficult to achieve the plans and goals of the Company.

I would also like to congratulate the management and the staff of RICBL for their dedicated service, which has resulted in yet another year of commendable performance of the Corporation. I extend my good wishes to them for the success of the corporation in the years ahead.

Tashi Delek
On behalf of the Board of Directors



(Wangchuk Dorji)
CHAIRMAN

Gupta & Co.
Chartered Accountants

53A, Mirza Ghalib Street
Kolkata-700 016
Cable : Vidimus
Phone : 2229-2638/6241/0871/0872
Fax : (91) (033) 2229-1859
E-mail : guptaco55@hotmail.com

Your Ref. :

Our Ref. :

AUDITORS' REPORT

TO THE MEMBERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

We have audited the attached Balance Sheet of the **Royal Insurance Corporation of Bhutan Limited** ("Corporation") for the year ended 31 December 2008, for the Life Insurance Business, Group Insurance Savings Scheme ("Group Insurance"), General Insurance and Credit & Investment and the relative Profit and Loss Account and Revenue Accounts for Life Insurance, Group Insurance, Fire Insurance, Marine Insurance, Miscellaneous Insurance, Credit & Investment and Cash Flow Statement for the year ended on that date (hereinafter referred to as "financial statements"), all of which we have signed under the reference to this report, in which are incorporated the accounts/returns of eight unaudited branches not visited by us.

We report as under -

1. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain a reasonable assurance as to whether these financial statements are free of any material misstatements. An audit includes examining, on a test basis,



evidences supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

We wish to further state that the actuarial valuation of liabilities for the Life / Group Insurance business is the responsibility of the Corporation's appointed actuary in accordance with the policies adopted by the Corporation. The said valuation has been certified by him, on which we have relied upon to express an opinion on these financial statements of the Corporation.

2. 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 (the "Act") and on the basis of such checks of books and records of the Corporation, as we considered appropriate and according to the information and explanations / management representations given to us, we also set out in Annexure, a statement on the matters specified therein.
3. Attention is drawn in respect of the following notes on Schedule 21 / observations.
 - 3.1 Note 12 (a) regarding loan appraisal processing, disbursement and loan management which has materially affected this financial statement required further scope for improvement and strengthening so as to make it adequate and commensurate with the nature and size of the Corporation's business. We have carried out test checks basis of auditing in accordance with the Generally Accepted Auditing Practices. Thus certain perpetrated irregularities may remain undetected as fraud occurred in the last year still pending in the court.



- 3.2 **Note 14** regarding non-funding of gratuity liability to the extent indicated therein;
- 3.3 **Note 15** regarding non-ascertainment and non-provisioning of bonus payable to employees;
- 3.4 **Note 16(b)** regarding non-ascertainment of further eventual adjustments in respect of unadjusted deposits from policyholders aggregating to Nu. 3.63 Million, which has a corresponding impact on the state of affairs and operational results of the Corporation;
- 3.5 Short -provision of depreciation charge to extent indicated in **Note 17 (f)**;
- 3.6 Non-ascertainment of impact of actuarial valuation for determination of valuation surplus bonus payable for life policyholders based on these accounts, as indicated in **Note 21 (a)**;
- 3.7 **Note 23** regarding recognition of premium on extended policies as income in the year of receipt; and
- 3.8 As indicated in **Note 24**, extent of further adjustments as required to be made in these accounts are not ascertainable at this stage, in respect of the balances of the re-insurers, for both life and non-life policies, in view of the pending completion of the reconciliation processes / confirmation and acceptance of ceding of reinsurance;
- 3.9 Managerial Remuneration awaiting shareholders' approval, as indicated in **Note 27 (a)**; and
- 3.10 Had our observations indicated against paragraph 3.5 been considered, the Profit before Tax and Reserves & Surplus would have been Nu.149.72 million and Nu.529.40 million, respectively, instead of reported amounts of Nu. 170.37 million and Nu. 550.05 million respectively and extent of impact (on the financial state of affairs and operational results of the Corporation) in respect



- of our observations as indicated against paragraph 3.3, 3.4, 3.7 and 3.8 are not ascertained at this stage.
- 4 Without further qualifying our opinion, we also draw attention in respect of the following notes on Schedule 21 / observations:
- 4.1 Certain claims, not provided for, but disclosed as contingent liability to the extent indicated in **Note 8(b)**;
- 4.2 The Anti-Corruption Commission of Royal Government of Bhutan had seized certain related vouchers / supporting and other vouchers for the year 2001-2006 in respect of misuse of entitlements by certain employees of the corporation as indicated in Note 12 (c) and are still lying in their custody;
- 4.3 **Note 17 (b)** regarding non-ascertainment of further adjustments as required to be made in these accounts on completion of reconciliation process between the physical inventory and book balances of fixed assets;
- 4.4 Pending adjustments to the balances of the "Buildings" to the extent indicated in **Note 17(e)**, on completion of reconciliation process in respect of the value of a building transferred to National Pension & Provident Fund;
- 4.5 **Note 18 (a)** regarding reflection of a payments to building contractors pursuant to Court directives under the head "Capital Work-in-Progress" and the same has not been capitalized, pending judicial resolution; and
- 4.6 **Note 31** regarding absorption of certain expenses of the wholly owned subsidiary.
- 5 a) We have obtained all other information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



- b) In our opinion proper books of account have been kept by the Corporation, so far as it appears from the examination of those books, except on the matters stated in paragraph 3 above.
- c) Subject to our observations indicated in paragraph 3 above, 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 carried out in accordance with the generally accepted auditing practices, we state that-
- i) The funds and properties of the Corporation have generally been used economically, efficiently, effectively and in the best interest of the Corporation; and
- ii) We have not come across any instances nor have we been informed by the management of any such following case -
- Excessive/extravagant/unnecessary expenditure incurred during the year;
 - Irregular expenditure and use of properties;
 - Embezzlement of funds;
 - Misuse of funds, inventories and properties of the Corporation; and
 - Transactions not complied with the rules and regulations of the Government.
- d) The said financial statements dealt with in this report have been compiled on the basis of Generally Accepted Accounting Principles and are in agreement with the underlying accounting records and books of account.



- 6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with notes thereon give the prescribed information required by the Act in the manner so required and subject to our observations referred to in paragraph 3 above give, respectively, a true and fair view:
- i) In the case of Balance Sheets, of the state of affairs of the Corporation as at 31 December 2008;
 - ii) In the case of Profit & Loss Account, of the profit of the Corporation for the year ended on that date; and
 - iii) In the case of the Revenue Accounts, of the surplus in respect of the Life Business, Group Insurance Business, Fire Business, Marine Business, Miscellaneous Business and Credit & Investment;
 - iv) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Gupta & Co.

Chartered Accountants

Place: Thimphu

Date : 27th March, 2009



M.K. Gupta
(M.K Gupta)

Partner

Membership No: 6615

ANNEXURE

STATEMENT ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED)

1. (a) Physical verification of Fixed Assets have not been carried out during the year as indicated in **Note 17 (a) on Schedule 21**, the identification numbers and locational details are not stated in the said records and the Corporation is being in the process of updating the same.
(b) Pending reconciliation between the book records and physical inventory as indicated in **Note 17 (b) on Schedule 21**, any discrepancies which may arise are not ascertainable at this stage.
2. None of the fixed assets was revalued during the year.
3. The Corporation had availed loans from National Pension Provident Fund, which are, *prima facie*, not prejudicial to the interest of the Corporation. According to information and explanations provided to us, the Corporation has not availed any loans from companies under the same management.
4. The Corporation has, in normal course of its operations, granted loan to other companies, firms or other parties wherein the rate of interest and the other terms and conditions of loans availed are, *prima facie*, generally not prejudicial to the interest of the Corporation. According to information and explanations provided to us, the Corporation has not granted any loans to companies under the same management.
5. The parties to whom the loans or advances have been given by the Corporation are generally repaying the principal amounts, as stipulated and are also generally regular in payment of interest, except for certain parties in



which cases, the outstanding loan balances comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2002 of the Royal Monetary Authority of Bhutan and for which accrued interest as recognized have been reversed and provisioning for principal amounts have been done as per the said Regulations and as considered prudent and appropriate by the management.

6. The advances to officers / staff are generally granted in keeping with the applicable provisions of service rules and no excessive / frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
7. Read with our comments indicated in paragraph 3.1 above, the Corporation has, in general, established system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Corporation as well as to ensure adherence to the rules/regulations and system and procedures but in our opinion Internal Controls/risk management needs improvement.
8. There has, in general, a system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including equipment and other assets and for the services but the same offers further scope for improvement. Since the Corporation is a financial institution, it is not engaged in the purchase of stores and raw materials and sale of goods.
9. According to information and explanations provided to us, there has been no transactions for purchase and sale of goods and services made in pursuance of contracts or arrangements entered into with the director /(s) or any other party/(ies) related to the director /(s) or with the Companies or firms in which the directors are directly or indirectly interested, except for certain loans to directors which were sanctioned at the prevailing market rate of



- interest. However, Card loans to directors were sanctioned, as complimentary, without taking any security for such loan.
10. According to information and explanations provided to us, there are transactions entered into by the Corporation wherein the directors are directly or indirectly interested which are not prejudicial to the interest of the other shareholders and the Corporation.
 11. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authority, except Gratuity of Nu. 8.72 million not funded. According to the information and explanations given to us and based on the examination of the books of account in accordance with the generally accepted auditing practices, we are of opinion that provision for corporate tax is made @ 30% of book profit as disclosed in **Accounting Policies No. 15 of Schedule No 20** and that necessary adjustments have been made when assessment is completed under the Income Tax Act of Bhutan, 2001, as amended to-date.
 12. According to the information and explanations provided to us, as at the Balance Sheet date, there were no undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions, except the amounts indicated in **Note 14 on Schedule 21**.
 13. During the course of our examination of the books of account in accordance with the generally accepted auditing practices and according to the information and explanations provided to us, we have not come across any instances of personal expenses, which have been charged to the Corporation's accounts, other than those payable under contractual obligations or in accordance with generally accepted business practices nor have we been reported of such case by the management.
 14. The Corporation is engaged in insurance business and its system of screening commission agents is generally adequate, although the Corporation is yet to formulate a structured documented procedures to this effect and the agency



commission structure is in keeping with the industry norms / market conditions considering its monopolistic position, as we have been given to understand by the management. The Corporation has, in general, a system of evaluating performance of each agent on a periodic basis as we are informed, but necessary documentation in this regard were not produced to us for our verification. In our opinion, such systems offer further scope for for improvement.

15. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts but the same offers further scope for improvement. Also, age-wise analysis of outstanding amounts is generally been carried out for management information and follow-up actions, if required.
16. The management of liquid resources particularly cash / bank and short term deposits, etc., are generally adequate and that excessive amounts are not lying idle in non-interest bearing accounts, and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the Corporation.
17. On the basis of examination of the books of account and according to the information and explanations provided to us, the activities carried out by the Corporation are lawful and *intra-vires* to the Articles of Incorporation of the Corporation.
18. Based on the information and explanations / representations given to us and on the basis of the examination of the books of account in accordance with the generally accepted auditing practices, we state that the activities / investment decisions over Nu 10 million and additional 5 million of each such case are made, subject to prior approval of the Board and investment in new projects are generally made only after ascertaining the technical and economic



- feasibility of such new ventures, and nor have we been informed any such case contrary to this.
19. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.
 20. The details of remuneration of the directors of the Corporation are disclosed in the **Note 27 (a) and (b) on Schedule 21** to accounts.
 21. The directives of the Board have been complied with, by the management of the Corporation during the year.
 22. According to information and explanations provided to us and in course of our examination of the books, we have not come across any instance of price sensitive information transmitted by the officials of the Corporation which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves, nor have we been informed of any such case by the management.
 23. Adequate documents and records are generally maintained in respect of loans and advances and that agreements have been drawn up and timely entries have been made therein.
 24. The Corporation has investment in equity shares in companies, however it is not engaged in dealing or trading in shares, securities and other investments.
 25. Reasonable records are generally maintained for funds collected from depositors and for interest payment.
 26. The Corporation follows the accounting policy of making provisions for permanent diminution, if any, in the value of investment in shares. It is noted that the Corporation continued the provision of Nu. 434,478 since last year.
 27. The Corporation has generally complied with the requirements of Financial Institutions Act, 1992 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities, except for the following-



- i) As required, the Audit Committee meetings are to be convened and held once in each quarter of the financial year in pursuance to clause (ii) of Schedule-I of the Prudential Regulations, 2002. In this connection, we observed that only two meetings of the Audit Committee were held during the year i.e on 25.05.2008 and 05.09.2008 which is not in accordance with the requirement aforesaid Regulations.
 - ii) As per Section 20 of the Prudential Regulations, 2002, each Financial Institution should submit certain reports within the period specified in that Section. However, the Corporation has not submitted Liquidity Return in Form FIS- M5 and Form FIS- 08 on related party transactions and there has been delay in submitting such Returns in terms of the said provisions.
28. The Liquidity Ratio requirements relating to provisioning for the non-performing assets including loans and advances have generally been complied with except for certain cases, contrary to the requirements of Clause 10.4.2, Clause 10.5.6 and Clause 10.8.1 of the Prudential Regulations, 2002.
29. Recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2002.
30. For the assets hypothecated against loans and advances, the Corporation, in general, has a system of performing physical verification, proper valuation and execution of mortgage deeds at the disbursement stage and the Corporation also ensure that at that stage, such assets are free of any prior lien or charges, so far the examination of the related records, carried out in accordance with the generally accepted auditing practice on a test basis, revealed and according to the information and explanations / representations given to us.



- revealed and according to the information and explanations / representations given to us.
31. We have been given to understand that the Corporation has, in general, a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily. However, the related documentation were not readily available during the course of our examination.
32. According to the information and explanations given, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.
33. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performance ones). On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, rephrasing has not generally been permitted in respect of non-performing loans.
34. The Corporation, in general, has the system to ensue that additional loans are not granted to those who have defaulted payments of previous advances. However, in some cases repeated restructuring and new loans were sanctioned, despite default in payment by the borrowers.
35. Items 3 to 6, 14 to 17, 21 to 27 and 34 of the matters specified in the Minimum Audit and Reporting Requirements are for Manufacturing, Mining, or Processing Companies, are not applicable, as the Corporation is a financial institution and is not engaged in any manufacture and production activity / sale of goods and has no inventory of finished goods, stores, spare parts and raw materials except for stock of stationery items and consumables. It was noted that there are certain old stationeries are lying in the book, which should be written off/sale as a scrap.



Reporting requirements on computerized accounting environment

36. According to information and explanations provided to us, the organizational and system development controls and other internal controls are generally adequate relative to size and nature of computer installations, read with our comments on such matters relating to back-up facilities and recovery procedures which are reported upon separately herein below.
37. According to information and explanations provided to us, adequate safeguard measures and back-up facilities measures generally exist including maintenance of local stand-by servers at Head Office and Thimphu Regional Office for the database of their respective locations, except-
- (i) Absence of documented of policies regarding back-ups, offsite remote and mirror back-ups.
 - (ii) Absence of structured back-up systems and procedures for the data relating to branch accounts, Credit & Investment Operations and General Administration, maintained in FOXPRO data base.
 - (iii) Absence of proper Documented Disaster Recovery Plans and procedures of its testing results.
38. According to information and explanations provided to us, the operational controls are generally adequate to ensure correctness and validity of input data and output information.
39. According to information and explanations provided to us, the measures to prevent unauthorized access over the computers installations and files are generally adequate accept proper structured documented systems and procedures relating to access controls, including polices and its implantations regarding changing of passwords at periodical intervals and invalidations thereof, in cases of circumstances.



Reporting requirements for general items

40. *Going concern problems*

In view of the financial position, the Corporation is not likely to face going concern problems in the foreseeable future.

41. The significant ratios indicating the financial health and profitability of the Corporation are given in the annexed Appendix.

For Gupta & Co.

Chartered Accountants

Place: Thimphu

Date : 27th March, 2009



M.K. Gupta
(M.K Gupta)

Partner

Membership No: 6615

APPENDIX

(REFERRED TO IN PARAGRAPH 41 OF THE ANNEXURE TO THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED)

STATEMENT OF SIGNIFICANT RATIOS

FINANCIAL RATIOS:			2008	2007
A	STABILITY RATIOS:			
1	Net Worth to Total Assets	(%)	24.17	26.27
2	(Premium Reserve + Due on Reinsurer) to Total Assets	(%)	0.80	1.44
3	(Other Assets + Equity Investments) to Net Worth	(%)	25.30	28.51
4	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.68	4.40
5	Net Worth to Total Liabilities	(%)	24.17	26.27
B	PROFITABILITY RATIOS:			
1a	Claim Paid to earned Premium	(Overall) (%)	46.61	44.86
b	Claim Paid to earned Premium	-Life (%)	23.97	21.84
c	Claim Paid to earned Premium	- GIS (%)	49.52	41.42
d	Claim Paid to earned Premium	- Fire (%)	57.47	55.11
e	Claim Paid to earned Premium	- Marine (%)	(20.53)	22.29
f	Claim Paid to earned Premium	- Misc (%)	56.76	55.18
2a	Mgt. Expenses to Operating Income	- Fire (%)	12.60	14.00
b	Mgt. Expenses to Operating Income	- Marine (%)	24.74	1.18
c	Mgt. Expenses to Operating Income	- Misc. (%)	13.46	13.14
d	Mgt. Expenses to Operating Income	- Life (%)	9.15	9.35
e	Mgt. Expenses to Operating Income	- GIS (%)	9.34	10.89
3	Net Profit to Operating Income - Net	(%)	62.31	62.72
4	Operating Income to Net worth -Net	(%)	29.63	31.90
5	Operating Income to Total Assets	(%)	7.161	8.381
6	Net Profit to Net Worth	(%)	18.46	20.01
7	Net Profit to Total Assets	(%)	4.46	5.26
8	Return on Core Equity	(%)	124.23	110.77
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio		10.04	6.47
2	Long Term Debt to Net Worth		1.49	1.17
3	Net Fixed Assets to Long Term Debt		0.12	0.17
4	Net Fixed Assets to Net Worth		0.18	0.20

Financial Data		2008	2007
Face Value of share	(Nu.)	100.00	100.00
Earning per Share	(Nu.)	124.23	110.77
Book Value per Share	(Nu.)	672.97	553.68
Market price per Share	(Nu.)	500.00	350.00
Dividend per share	(Nu.)	30.00	25.00
No. of Shareholders		1,561.00	1,585.00
Shareholding pattern: No of shares		960,000	960,000
H.M Secretarait	(%)	20.83	20.83
Druk Holding & Investment	(%)	18.41	18.41
Private & Public Holders	(%)	60.76	60.75



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
BALANCESHEET AT 31ST DECEMBER, 2008

ASSETS	Schedule	2008 Nu.	2007 Nu.
Cash and Bank Balances	5	332,971,242	98,613,484
Foreign Currency Balance with a Bank outside Bhutan		31,100,097	7,465,197
		364,071,339	106,078,681
Loans and Investments			
Equity Investment	6	50,665,300	49,415,300
Treasury Bills		36,179,050	-
Loans and Advances	7	2,185,581,996	1,873,954,100
Assets acquired against Loans		56,694,930	3,969,585
		2,329,121,276	1,927,338,985
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		56,694,930	3,969,585
For Loans and Advances		160,685,223	176,966,350
For Interest Suspense		29,747,583	39,065,999
		247,562,214	220,436,412
		2,081,559,062	1,706,902,573
Fixed Assets	8		
Gross Block- at cost		164,931,842	155,603,528
Less: Accumulated Depreciation		59,505,140	52,167,451
Net Block		105,426,702	103,436,077
Capital Work in Progress		8,905,511	4,455,657
		114,332,213	107,891,734
Other Assets			
Interest, Rent and Other Receivables	9	82,338,799	65,337,501
Due from Reinsurance & Insurance Business	10	751,220	-
Advances, Deposits and Prepaid Expenses	11	29,703,596	36,777,119
		112,793,615	102,114,620
		2,672,756,229	2,022,987,608
LIABILITIES			
Capital Fund			
Shareholders' Fund			
Authorised Capital	12	100,000,000	100,000,000
Issued, Subscribed and Paid up Capital	12	96,000,000	96,000,000
Reserves and Surplus	13	550,047,947	435,537,020
		646,047,947	531,537,020
Other Funds			
Insurance Funds	14	730,975,168	590,462,612
Investment and Borrowing Funds	15	2,061,581,470	1,531,573,866
		2,792,556,638	2,122,036,478
Less: Insurance Funds Investments		1,098,163,632	910,171,482
		1,694,393,006	1,211,864,996
Other Liabilities			
Reinsurance Reserves		8,797,580	7,294,780
Sundry Creditors	16	160,045,715	138,850,820
Due on Reinsurance and Insurance Business	17	12,589,552	21,764,563
Outstanding Claims less Reinsurance	18	70,970,278	42,103,020
Corporate Tax payable		51,112,150	45,572,409
Proposed Dividend		28,800,000	24,000,000
		332,315,275	279,585,592
		2,672,756,229	2,022,987,608
Significant Accounting Policies	20		
Notes on Accounts	21		

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

We certify that the values of all assets have been reviewed as at 31st December, 2008 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

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

For Gupta & Co
Chartered Accountants

(M.K. Gupta)
(M.K. Gupta)

Partner
Membership Number: 6615
Place: Thimphu
Date: 27th March, 2009

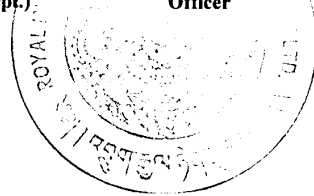


General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of the Board of Directors

Chairman Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
LIFE INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2008

ASSETS	Schedule	2008	2007
Cash and Deposits		Nu.	Nu.
Cash and Bank Balance	5A	85,481	1,418,139
Loans			
Policy Loans		465,156	88,456
Investment Fund			
Life Investment Fund	15AA	276,004,312	219,884,971
Other Assets			
Interest, Rent and other Receivables	9A	17,869,730	14,063,380
Advances, Deposits and Prepaid Expenses	11B	2,958	-
		17,872,688	14,063,380
		294,427,637	235,454,946
 LIABILITIES			
Funds			
Life Insurance Fund	14A	260,037,808	198,970,042
Other Liabilities			
Sundry Creditors [Note 16(a) on Schedule 21]	16A	28,522,791	32,124,679
Due on Reinsurance and Insurance Business	17A	2,200,400	669,910
Outstanding Claims less Reinsurance	18A	3,666,638	3,690,315
		34,389,829	36,484,904
		294,427,637	235,454,946
 Significant Accounting Policies	20		
Notes on Accounts	21		

The schedules referred to above and attached thereto form an integral part of this Balance sheet. We certify that the values of all assets have been reviewed as at 31st December, 2008 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

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

On behalf of the Board of Directors

For Gupta & Co.

Chartered Accountants



M.K. Gupta
(M.K. Gupta)
Partner

[Signature]
General Manager
(F&A Dept.)

[Signature]
Chief Executive
Officer

[Signature]
Chairman
Director

Membership Number: 6615

Place: Thimphu

Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GROUP INSURANCE SAVING BALANCE SHEET AS AT 31ST
DECEMBER, 2008

ASSETS	Schedule	2008	2007
		Nu.	Nu.
Cash and Deposits			
Cash and Bank Balance	5B	1,207,286	433,067
Investment Fund			
Group Investment Fund	15AB	330,384,307	272,392,787
Other Assets			
Interest, Rent and other Receivables	9B	24,995,332	20,584,752
Advances, Deposits and Prepaid Expenses	11A	12,580,618	12,645,914
		37,575,950	33,230,666
		369,167,543	306,056,520
 LIABILITIES			
Funds			
GIS Savings Liability		184,056,101	148,495,529
GIS Interest Liability		162,453,401	143,154,181
GIS Fund		22,020,183	12,112,954
	14B	368,529,685	303,762,664
Other Liabilities			
Sundry Creditors	16B	317,858	353,855
Outstanding Claims	18B	320,000	1,940,000
		637,858	2,293,855
		369,167,543	306,056,519
Significant Accounting Policies	20		
Notes on Accounts	21		

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

We certify that the values of all assets have been reviewed as at 31st December, 2008 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

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

On behalf of the Board of Directors

For Gupta & Co.
Chartered Accountants



M.K. Gupta
(M.K. Gupta)
Partner

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director

Membership Number: 6615

Place: Thimphu

Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE BALANCE SHEET AS AT 31ST DECEMBER, 2008

ASSETS	Schedule	2008 Nu.	2007 Nu.
Cash and Bank Balances	5C	18,845,102	3,300,648
Foreign Currency balance held with a Bank outside Bhutan		31,100,097	7,465,197
		49,945,199	10,765,845
Investments			
Investment Fund	15AC	491,775,013	401,631,893
Other Assets			
Interest, Rent and other Receivables	9C	31,788,758	27,279,639
Due from Reinsurance and Insurance Business		751,220	
Advances, Deposits and Prepaid Expenses	11C	1,091,400	1,500
		33,631,378	27,281,139
		575,351,590	439,678,877
LIABILITIES			
Reserve and Surplus	13B	329,944,397	240,685,045
Funds			
Insurance Funds	14C	102,407,675	87,729,906
Other Liabilities			
Reinsurance Reserves		8,797,580	7,294,781
Sundry Creditors	16C	18,575,140	14,756,229
Due on Reinsurance and Insurance Business	17B	10,389,152	21,094,653
Outstanding Claims less Reinsurance ceded	18C	66,983,640	36,472,705
Corporate Tax payable		38,254,006	31,645,558
		142,999,518	111,263,926
		575,351,590	439,678,877
Significant Accounting Policies	20		
Notes on Accounts	21		

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

We certify that the values of all assets have been reviewed as at 31st December, 2008 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

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

On behalf of Board of Directors

For Gupta & Co.
Chartered Accountants



M.K. Gupta
(M.K. Gupta)
Partner

[Signature]
General Manager
(F&A Dept.)

[Signature]
Chief Executive
Officer

[Signature]
Chairman

[Signature]
Director

Membership Number: 6615
Place: Thimphu
Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CREDIT INVESTMENT DEPARTMENT
BALANCE SHEET AS AT 31ST DECEMBER 2008

ASSETS	Schedule	2008 Nu.	2007 Nu.
Cash and Bank Balances	5	305,485,918	92,988,407
Investments			
Equity Investment	6	50,665,300	49,415,300
Treasury Bills		36,179,050	
Loans and Advances (Net of Credit)	7	2,185,116,840	1,873,865,644
Assets acquired against Loans		56,694,930	3,969,585
		2,328,656,120	1,927,250,529
Less: Provisions			
For Diminution in value of Investment		434,478	434,478
For Diminution in Value of Assets		56,694,930	3,969,585
For Loans and Advances		160,685,223	176,966,350
For Interest Suspense		29,747,583	39,065,999
		247,562,215	220,436,412
		2,081,093,906	1,706,814,117
Other Assets			
Interest, Rent and other Receivables	9D	503,114	724,280
Advances, Deposits and Prepaid Expenses	11D	28,026,613	790,129
		28,529,727	1,514,409
		2,415,109,551	1,801,316,933
LIABILITIES			
Reserves and Surplus	13C	237,824,628	173,296,539
		237,824,628	173,296,539
Funds			
Borrowing Funds	15	2,061,581,470	1,531,573,866
		2,061,581,470	1,531,573,866
Other Liabilities			
Sundry creditors	16D	98,833,141	79,953,746
Corporate Tax payable		16,870,312	16,492,782
		115,703,453	96,446,528
		2,415,109,551	1,801,316,933
Significant Accounting Policies	20		
Notes on Accounts	21		

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

We certify that the values of all assets have been reviewed as at 31st December, 2008 and that the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values. This is the Credit & Investment Balance Sheet referred to in our report of even date.

For Gupta & Co.

Chartered Accountants

M.K. Gupta
(M.K. Gupta)
Partner

Membership Number: 6615

Place: Thimphu

Date: 27th March, 2009



General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors

Chairman

Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008


	Schedule	2008 Nu.	2007 Nu.
OPERATING INCOME			
Surplus transferred from -			
Miscellaneous Insurance Revenue Account		64,416,474	54,770,191
Marine Insurance Revenue Account		3,947,166	2,761,160
Fire Insurance Revenue Account		59,149,719	47,953,842
		127,513,359	105,485,193
Life Insurance Revenue Account		974,829	929,445
Investment Revenue Account		56,234,373	54,975,940
		184,722,561	161,390,578
OTHER INCOME			
Rental Income		5,548,903	5,273,661
Profit on Sale of Assets		1,000	-
Miscellaneous Income		1,126,055	2,877,041
		6,675,958	8,150,702
TOTAL INCOME		191,398,519	169,541,280
OPERATING EXPENSES.			
Repairs and Maintenance		1,407,280	572,740
Contribution to Gratuity Fund (Note 14 on Schedule 21)		8,724,604	7,000,000
Depreciation		7,400,000	6,733,360
Other Expenses		3,492,796	3,327,160
		21,024,680	17,633,260
Profit Before Taxation		170,373,840	151,908,020
Taxation (Note 9 on Schedule 21)		51,112,150	45,572,406
Profit available for Appropriations		119,261,690	106,335,614
APPROPRIATIONS			
Proposed Dividend		28,800,000	24,000,000
Transfer to Catastrophe Fund (Note 11 on Schedule 21)		5,000,000	5,000,000
Transfer to General Reserve		85,461,690	77,335,614
		119,261,690	106,335,614
Significant Accounting Policies	20		
Notes on Accounts	21		

The Schedules referred to above form an integral part of this Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co.
Chartered Accountants

M.K. Gupta
(M.K. Gupta)
Partner
Membership Number: 6615
Place: Thimphu
Date: 27th March, 2009


General Manager
(F&A Dept.)


Chief Executive
Officer


Chairman


Director



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
LIFE INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008

REVENUE	Schedule	2008 Nu.	2007 Nu.
Premium Less Reinsurance			
Other Policies	1	77,180,512	60,614,526
 Life Fund Brought Forward from Previous Year		<u>198,970,042</u>	<u>153,639,039</u>
		<u>276,150,554</u>	<u>214,253,565</u>
Interest on Investment Fund of Life Fund		17,869,730	13,988,149
Interest on Policy Loan		38,621	18,520
Commission on reinsurance ceded		-	-
Other revenue		1,164,826	1,293
TOTAL (I)		<u><u>295,223,731</u></u>	<u><u>228,261,527</u></u>
 EXPENSES			
Claims Paid And Outstanding Net of Reinsurance By Death/Maturity/Surrender			
Other Policies	2	18,496,546	13,235,792
 Life Policies Bonus [Notes 21 and 22 on Schedule 21] [Inclusive of Interim Bonus Nu. 361007]		4,039,380	5,243,542
Commission & Others		2,868,708	2,902,816
Provision on Policy Loans			
Surplus Allocated to Shareholders - Per Actuarial Report		974,829	929,445
		<u>26,379,463</u>	<u>22,311,595</u>
 MANAGEMENT EXPENSES			
Other Policies	19	8,806,460	6,979,890
TOTAL (II)		<u><u>35,185,923</u></u>	<u><u>29,291,485</u></u>
 LIFE FUND CARRIED FORWARD (I - II)		<u><u>260,037,808</u></u>	<u><u>198,970,042</u></u>
 Significant Accounting Policies	20		
Note on Accounts	21		

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

On behalf of Board of Directors

For Gupta & Co
Chartered Accountants



M.K. Gupta
(M.K. Gupta)
Partner

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director

Membership Number: 6615
Place: Thimphu
Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GROUP SAVINGS - CUM INSURANCE SCHEME
REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008

REVENUE	Schedule	2008 Nu.	2007 Nu.
Premium			
Group Saving Linked Insurance Policies		880,688	614,512
Group Insurance Cum Savings Policies		25,773,488	23,140,984
		26,654,176	23,755,496
 Life Fund Brought Forward From Previous Year		 12,112,954	 2,037,020
		38,767,130	25,792,516
 Interest On Investment Of GIS Fund		 24,995,332	 20,584,752
Other Revenue		87,737	424,288
TOTAL (I)		63,850,199	46,801,556
 EXPENSES			
Claims Paid and Outstanding			
Group Saving Linked Insurance Policies (Death)	2	700,000	340,000
Group Insurance Cum Savings Policies (Death)	2	12,500,000	9,500,000
		13,200,000	9,840,000
 Interest On Group Insurance Cum Savings		 23,494,478	 19,753,626
Group Saving Linked Insurance Policies		300,851	218,204
Others (Medical Expenses)			-
		36,995,329	29,811,830
 Management Expenses			
Group Saving Linked Insurance Policies		43,996	44,379
Group Insurance Cum Savings Policies			
Civil Employees		2,994,121	3,020,184
Armed Forces		1,796,570	1,812,209
	19	4,834,687	4,876,772
TOTAL (II)		41,830,016	34,688,602
Group Fund Carried Forward	(I - II)	22,020,183	12,112,954
Significant Accounting Policies	20		
Notes on Accounts	21		

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

This is the GIS Revenue Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co
Chartered Accountants



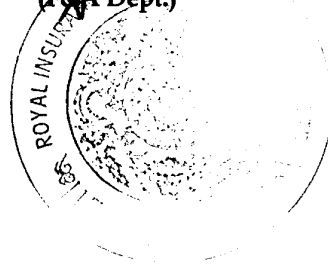
M.K. Gupta
(M.K. Gupta)
Partner

Membership Number: 6615

Place: Thimphu

Date: 27th March, 2009

[Signature]
General Manager
(F&A Dept.)



[Signature]
Chief Executive
Officer

[Signature]
Chairman

[Signature]
Director

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
GENERAL INSURANCE REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

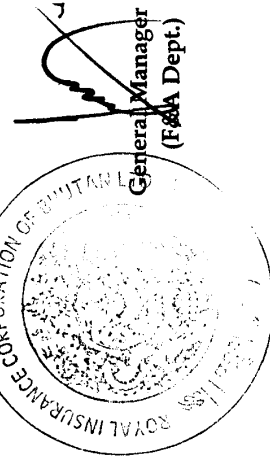
	MISCELLANEOUS		MARINE		FIRE		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007
	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.
INCOME								
Premium less Re-Insurance	138,083,292	113,903,672	1,080,009	930,535	31,516,158	31,382,303	170,679,459	146,216,510
Commission on Re-Insurance								
On re-insurance ceded	21,153,255	17,211,659	2,860,947	2,279,817	48,832,920	45,287,720	72,847,122	64,779,196
Less: on re-insurance accepted.		-		-	2,114,946	6,792,846	2,114,946	6,792,846
Interest on Investment	21,153,255	17,211,659	2,860,947	2,279,817	46,717,974	38,494,874	70,732,176	57,986,350
Miscellaneous Income	20,067,812	15,697,117	1,127,467	790,875	10,041,951	9,347,573	31,237,230	25,835,565
Change in Fund Balance	2,304,270	103,396	129,495	5,209	1,160,345	61,572	3,594,110	170,177
Brought forward from previous year	68,342,203	58,392,176	558,321	473,405	18,829,382	16,084,994	87,729,906	74,950,575
At the end of the year	82,849,975	68,342,203	648,005	558,321	18,909,695	18,829,382	102,407,675	87,729,906
	(14,507,772)	(9,950,027)	(89,684)	(84,916)	(80,313)	(2,744,388)	(14,677,769)	(12,779,331)
TOTAL (I)	167,100,857	136,965,817	5,108,234	3,921,520	89,356,115	76,541,934	261,565,206	217,429,271
EXPENSES								
Claims Paid/ Outstanding (Net of Reinsurance)	78,369,799	62,854,372	(221,702)	207,395	18,113,494	17,295,924	96,261,591	80,357,691
Commission to Agent	49,378	52,885	-	906,605	11,264	11,722	60,642	971,212
Management Expenses	22,497,240	17,994,092	1,263,959	46,360	11,257,638	10,715,413	35,018,837	28,755,865
Miscellaneous Expenses	1,767,966	1,294,277	118,811		824,000	565,033	2,710,777	1,859,310
TOTAL (II)	102,684,383	82,195,626	1,161,068	1,160,360	30,206,396	28,588,092	134,051,847	111,944,078
Transfer to Profit and Loss Account (I - II)	64,416,474	54,770,191	3,947,166	2,761,160	59,149,719	47,953,842	127,513,359	105,485,193
Significant Accounting Policies								
Notes on Accounts								

The Schedules referred to above and attached thereto form an integral part of this Revenue Account.
This is the General Insurance Revenue Account referred to in our report of even date.
For Gupta & Co.



M.K. Gupta
(M.K. Gupta)
Partner

Membership Number: 6615
Place: Thimphu
Date: 27th March, 2009



General Manager
(F&A Dept.)

Chief Executive
Officer

On behalf of Board of Directors
Chairman
Director

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CREDIT & INVESTMENT REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008

		2008	2007
		Nu.	Nu.
INTEREST INCOME			
Interest on Loans (net of suspense)		256,855,776	193,422,641
Interest on Fixed Deposit - Gross		480,738	687,843
Interest on RMA Discount Bills		4,851,908	-
	A	262,188,422	194,110,484
LESS:- INTEREST EXPENSES			
Interest on Life Fund		17,869,730	13,988,149
Interest on GIS Fund		24,995,332	20,584,752
Interest on General Fund		31,237,228	25,835,566
Interest on GAD Fund		823,890	2,625,097
Interest on PPF Fund		9,985,498	8,054,428
Interest on Borrowings (NPPF)		50,999,675	27,931,028
Interest on Borrowings (BOBL)		-	9,208,452
	B	135,911,353	108,227,472
NET INTEREST DIFFERENTIAL	(A - B) = (C)	126,277,069	85,883,012
ADD: OTHER INCOME			
Guarantee Commission		5,366,820	3,776,213
Dividends - Gross		7,278,600	7,513,750
Provision Written Back			18,900
Miscellaneous Income		713,653	570,738
	D	13,359,073	11,879,601
TOTAL OPERATING INCOME	(C + D) = (E)	139,636,142	97,762,613
LESS: OPERATING EXPENSES.			
Bad Debts/Other Assets Written Off			100,001
Miscellaneous Expenses		91,242	2,326,036
Provisions		61,608,247	20,863,212
	(F)	61,699,489	23,289,249
OPERATING PROFIT	(E - F) = (G)	77,936,653	74,473,364
Less: Management Expenses	H	21,702,280	19,497,424
Transfer to Profit & Loss Account	(G - H)	56,234,373	54,975,940
Significant Accounting Policies	20		
Notes on Accounts	21		

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

This is the credit & Investment Revenue Account referred to in our report of even date.

On behalf of Board of Directors

For Gupta & Co.
Chartered Accountants



M.K. Gupta
(M.K. Gupta)
Partner

General Manager
(F&A Dept.)

Chief Executive
Officer

Chairman

Director

Membership Number: 6615

Place: Thimphu

Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2008

	<u>2008</u>	<u>2007</u>
	<u>Nu.</u>	<u>Nu.</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX- As per Profit and Loss Account	170,373,840	151,908,020
ADD:- Depreciation (Net of adjustment)	7,400,000	6,733,360
	177,773,840	158,641,380
Less:- Profit on sale of Assets	-	-
	177,773,840	158,641,380
Add/(Less):Increase/(Decrease) in Other Liabilities	42,389,942	35,062,368
Add/(Less):Increase/(Decrease) in Other Assets	(10,678,995)	(22,256,281)
Add/(Less):Increase/(Decrease) in Loans and Investments	(401,782,291)	(281,879,987)
Add/(Less):Increase/(Decrease) in Provisions	52,289,830	24,781,317
NET CASH FLOW FROM OPERATING ACTIVITIES -	(A) (140,007,675)	(85,651,203)
Taxation	(B) (46,687,205)	(40,456,259)
NET CASH FLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		
Dividend paid	(C) (24,000,000)	(19,200,000)
NET CASH FLOW FROM CAPITAL EXPENDITURE		
Sale of Fixed assets	1,889.17	-
Purchase of Fixed Assets	(13,842,360)	(19,591,603)
NET CASH FLOW FROM INVESTMENT ACTIVITIES-	(D) (13,840,471)	(19,591,603)
FINANCING ACTIVITIES:		
BORROWINGS ACCEPTED (NET)/(REPAYMENTS-NET)	342,015,453	31,362,789
INVESTMENT FUNDS MANAGEMENT	187,992,150	147,437,585
INSURANCE FUNDS MANAGEMENT	(47,479,594)	(39,499,839)
NET CASH FLOW FROM FINANCING ACTIVITIES-	(E) 482,528,009	139,300,535
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ((A) + (B)+ (C)+ (D)+ (E))	257,992,658	(25,598,530)
OPENING BLANCE OF CASH AND CASH EQUIVALENTS- CASH AND BANK BALANCES	106,078,681	131,677,211
CLOSING BLANCE OF CASH AND CASH EQUIVALENTS-CASH AND BANK BALANCES	364,071,339	106,078,681
	257,992,658	(25,598,530)

1. This Schedules referred to above form an intergal part of this Cash Flow Statement.
 2. This Cash Flow Statement is prepared under "Indirect Method" as reallocation required for the proper arrangement as made by the Corporation.
 3. Figures in parentheies is indicated Out Flows.
 4. Previous year figures have been regrouped/rearranged wherever necessary.
- This is the Cash Flow Statement referred to in our report of even date.

For Gupta & Co.

Chartered Accountants

M.K. Gupta
(M.K Gupta)

Partner

Membership Number: 6615

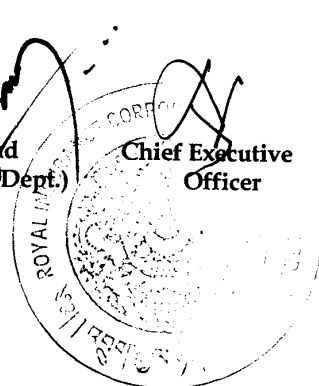
Place: Thimphu

Date: 27th March,2009



Head
(F&A Dept.)

Chief Executive
Officer



On behalf of Board of Directors

Chairman

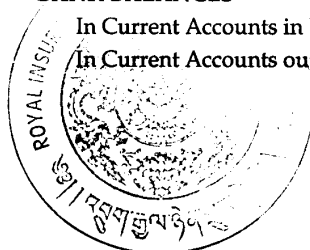
Director

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31ST DECEMBER, 2008

	2008 Nu.	2007 Nu.
1 PREMIUM LESS REINSURANCE		
LIFE POLICES		
FIRST YEAR PREMIUM (A)	16,712,604	14,539,679
RENEWAL PREMIUM (B)	62,174,018	46,080,377
(A+B)	<u>78,886,622</u>	<u>60,620,056</u>
Less Reinsurance	1,706,110	5,530
	<u><u>77,180,512</u></u>	<u><u>60,614,526</u></u>
2 CLAIMS PAID AND OUTSTANDING		
(A) Group Saving Linked Insurance-GSLI (by Death)		
Paid during the year	700,000	340,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	-	-
	<u>700,000</u>	<u>340,000</u>
Less: outstanding at the end of the previous year	-	-
TOTAL CLAIMS PAID	<u><u>700,000</u></u>	<u><u>340,000</u></u>
(B) Group Saving Scheme Insurance (By Death)		
Paid during the year	14,120,000	7,960,000
Add: Total estimated liability in respect of outstanding claims at the end of the year.	180,000	1,940,000
	<u>14,300,000</u>	<u>9,900,000</u>
Less:- Outstanding at the end of the previous year	1,800,000	400,000
TOTAL CLAIMS PAID/PAYABLE	<u><u>12,500,000</u></u>	<u><u>9,500,000</u></u>
CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
Life Insurance		
(C) Other Policies (By Death/Maturity/Survival Benefits/Surrender)		
Paid during the year	18,496,546	11,657,964
Add: Total estimated liability in respect of outstanding claims at the end of the year .	-	3,690,315
	<u>18,496,546</u>	<u>15,348,279</u>
Less: Outstanding at the end of the previous year.	-	2,112,487
	<u><u>18,496,546</u></u>	<u><u>13,235,792</u></u>
3 PREMIUM LESS REINSURANCE (Note 24 on Schedule 21)		
1) Fire Insurance Policies		
Rural Insurance Policies	6,990,736	6,930,595
Other Insurance Policies	100,882,220	103,517,711
	<u>107,872,956</u>	<u>110,448,306</u>
LESS: Reinsurance	76,356,798	79,066,003
NET PREMIUM	<u><u>31,516,158</u></u>	<u><u>31,382,303</u></u>
2) Miscellaneous Insurance Policies		
Motor Insurance Policies	171,830,380	133,864,120
Other Insurance Policies	17,430,537	17,225,203
Aviation Insurance Policies	26,312,178	34,383,411
	<u>215,573,095</u>	<u>185,472,734</u>
LESS: Reinsurance	77,489,803	71,569,062
NET PREMIUM	<u><u>138,083,292</u></u>	<u><u>113,903,672</u></u>
3) Marine Insurance Policies		
Premium	12,111,512	9,344,763
LESS: Reinsurance	11,031,503	8414228
NET PREMIUM	<u><u>1,080,009</u></u>	<u><u>930,535</u></u>



	2008 Nu.	2007 Nu.
4 CLAIMS PAID AND OUTSTANDING NET OF REINSURANCE		
1) Fire Insurance Policies		
<u>Paid during the year</u>		
Rural Insurance Policies	6,990,736	6,930,595
Other Insurance Policies	13,754,402	17,074,042
	20,745,138	24,004,637
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated	1,096,634	327,285
	21,841,772	24,331,922
LESS: Reinsurance	3,728,278	7,035,998
NET CLAIMS	18,113,494	17,295,924
2) Miscellaneous Insurance Policies		
<u>Paid during the year</u>		
Motor Insurance Policies	66,369,432	28,955,360
Other Insurance Policies	(836,589)	4,886,638
Aviation Insurance Policies	5,925,468	-
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.		
Motor Insurance Policies	51,268,123	31,516,433
Other Insurance Policies	450,000	380,000
Aviation Insurance Policies	-	-
	123,176,434	65,738,431
LESS: Reinsurance		
Motor Insurance Policies	36,891,141	917,054
Other Insurance Policies	1,995,952	1,967,006
Aviation Insurance Policies	5,919,542	-
	44,806,635	2,884,060
NET CLAIMS	78,369,799	62,854,371
3) Marine Insurance Policies		
Claims Paid during the year	1,835,676	431,754
Add: Total estimated liability in respect of outstanding claims at the end of the year - Intimated only.	100,000	1,551,296
	1,935,676	1,983,050
LESS: Reinsurance	2,157,378	1,775,655
NET CLAIMS	(221,702)	207,395
5 CASH (including cheques) AND BANK BALANCE		
Cash in Hand		
General Administration Department	-	-
BANK BALANCES		
In Current Accounts in Bhutan		
A Life Insurance Department (LID)	85,481	1,418,139
B Group Insurance Schemes Department (GIS)	1,207,286	433,067
C General Insurance Department (GID)	18,845,102	3,300,648
D General Administration Department GAD)	7,347,455	473,223
	27,485,324	5,625,077
	(A)	
CREDIT & INVESTMENT DEPARTMENT		
Cash in Hand - As Certified by Management	3,937,288	4,135,173
BANK BALANCES		
In Current Accounts in Bhutan	301,504,001	88,808,605
In Current Accounts outside Bhutan (HDFC Bank Ltd.)	44,629	44,629
	305,485,918	92,988,407
	(B)	
TOTAL	332,971,242	98,613,484
	(A + B)	



	2008 Nu.	2007 Nu.
6 EQUITY INVESTMENT AT COST - LONG TERM		
Credit & Investment Department In Quoted Equity Shares*		
Bhutan Carbide & Chemicals Ltd. (181370 Nos Share, Face Value Nu. 100/-)	24,311,650	24,311,650
Bhutan Ferro Alloys Ltd. (80000 Nos Share, Face Value Nu. 100/-)	8,100,000	8,100,000
Penden Cement Authority Ltd. (18315 Nos Shares, Face Value Nu. 100/-)	3,169,400	3,169,400
Bhutan National Bank (75000 Nos Shares, Face Value Nu. 100/-)	9,375,000	8,125,000
State Trading Corporation of Bhutan Ltd. (9800 Nos Shares, Face Value Nu. 100/-)	980,000	980,000
Bhutan Board Products Ltd. (11830 Nos shares, Face value Nu. 100/-)	1,229,250	1,229,250
TOTAL QUOTED EQUITY INVESTMENTS (A)	47,165,300	45,915,300
IN UNQUOTED EQUITY SHARES		
Bhutan Development Finance Corpn. (3000 Nos Shares, Face Value Nu. 1000/-)	3,000,000	3,000,000
RICB Securities Ltd. (5000 Nos Shares, Face Value Nu. 100/-)	500,000	500,000
TOTAL UNQUOTED EQUITY INVESTMENTS (B)	3,500,000	3,500,000
TOTAL INVESTMENTS [(A)+(B)]	50,665,300	49,415,300
*Note: Aggregate Marked values of Quoted shares as on 31st December 2008 Nu. 237,266,200/- (2007 Nu. 182,560,000/-)		

7 LOANS AND ADVANCES

A Life Insurance Department Against Life Policies	(I)	465,156	88,456
B CREDIT & INVESTMENT DEPARTMENT Against Mortgagage/Hypothecation of Properties/Fixed Assets in Bhutan			
(A) Secured			
Housing Loans		721,503,364	683,744,151
Business Loans		338,126,597	245,932,450
Industrial Loans		341,614,615	282,055,780
Transport Loans		117,497,954	70,525,923
Staff Loans		69,467	95,508
Shares Loans		13,048,408	21,064,424
Personal Loans		217,699,212	148,157,390
RICB Card Loans		249,024,694	241,018,379
Preferential Loans		78,556,842	60,958,510
Contractor Loans(CRC Scheme)		100,503,325	100,440,665
Private Provident Fund Loan		372,569	
	(II)	2,178,017,048	1,853,993,182
(B) Unsecured			
Housing Loans		1,730,713	9,141,623
Business Loans		2,653,938	9,202,624
Transport Loans		1,692,262	1,434,192
Personal Loans		583,664	-
RICB Card Loans		47,485	18,578
Preferential Loans		391,730	75,445
	(III)	7,099,791	19,872,462
	(II+III)	2,185,116,840	1,873,865,644
	(I+II+III)	2,185,581,996	1,873,954,100



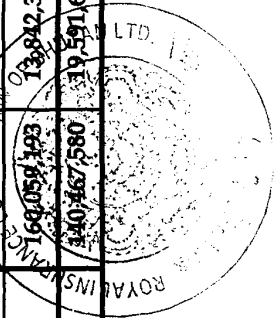
ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

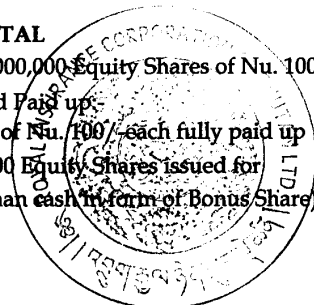
Schedule 8

Statement of Fixed Assets as on 31st December 2008

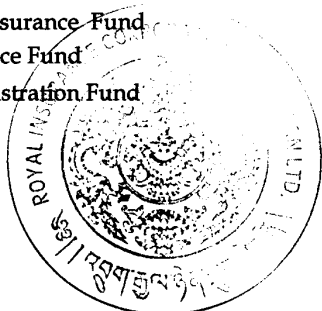
Particulars	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK	
	As at 1st January 2008	Additions during the year	Sales Adjustmt.	As at 31st December 2008	As at 1st January 2008	For the Year	Adj. of Dep.	As at 31st December 2008	As at 31st December 2007	
Land [Note 17(c) on Schedule 23]	13,536,800	3,293,136	-	16,829,936	-	-	-	16,829,936	13,536,800	
Buildings [Notes 17(d) & (e) on Schedule. 23]	63,515,679	438,149	-	63,953,828	11,887,585	1,918,399	-	50,147,844	51,628,094	
Furniture and Fixtures	7,041,582	980,045	-	8,021,628	5,820,123	484,556	-	1,716,949	1,221,460	
Electric Installations [Note 17(f) on Schedule. 23]	34,822,486	-	-	34,822,486	8,899,153	1,737,704	-	24,185,629	25,923,333	
Office Equipment	5,373,779	292,925	64,200	5,602,504	4,683,425	202,845	62,311	778,544	690,354	
Vehicles	1,821,582	1,948,067	-	3,769,650	616,240	386,067	-	2,767,343	1,205,342	
Computer Equipments	29,491,620	2,440,191	-	31,931,811	20,260,926	2,670,429	-	9,000,456	9,230,694	
Total	155,603,528	9,392,514	64,200	164,931,842	52,167,451	7,400,000	62,311	105,426,702	103,436,077	
Capital Work in Progress	4,433,064	4,449,846	-	8,905,511	-	-	-	8,905,511	4,455,664	
Total	160,036,592	13,842,360	64,200	173,837,353	52,167,451	7,400,000	62,311	114,332,212	107,891,741	
Previous Year	140,467,580	19,591,604	408,573	160,059,185	45,434,091	6,733,360	408,573	107,891,734		



	2008 Nu.	2007 Nu.
9 INTEREST, RENT AND OTHER RECEIVABLES		
A Life Insurance Department	17,869,730	14,063,380
Internal Department adjustment	-	-
	17,869,730	14,063,380
B Group Insurance Department	24,995,332	20,584,752
C General Insurance Department	31,788,758	27,279,639
Internal Department adjustment	-	435,621
	31,788,758	26,844,018
D Credit & Investment Department	503,114	724,280
Internal Department adjustment	-	444,858
	503,114	279,422
E General Administration Department		
Interest Receivable from CID	823,890	4,397,431
Stock in hand	1,031,422	
Others	5,326,553	
	7,181,865	4,397,431
Internal Department adjustment	-	831,502
	7,181,865	3,565,929
	82,338,799	65,337,501
10 DUE FROM OTHER ON REINSURANCE AND INSURANCE BUSINESS		
General Insurance Department	751,220	-
11 ADVANCES, DEPOSITS AND PRE-PAID EXPENSES.		
A Group Insurance Department	12,580,618	12,645,914
Internal Department adjustment	-	65,295
	12,580,618	12,580,619
B Life Insurance Department	2,958	-
C General Insurance Department	1,091,400	1,500
D Credit & Investment Department	28,026,613	790,128
Internal Department adjustment	28,026,613	-
	-	790,128
E General Administration Department		
Advance Corporate Tax	14,985,003	21,272,883
Advance to staff	795,973	1,912,096
Others	247,644	219,893
	16,028,620	23,404,872
	29,703,596	36,777,119
12 SHAREHOLDERS' CAPITAL		
Authorized Capital 1,000,000 Equity Shares of Nu. 100/- each	100,000,000	100,000,000
Issued, Subscribed and Paid up:		
960,000 Equity Shares of Nu. 100/- each fully paid up	96,000,000	96,000,000
(out of the above 84,000 Equity Shares issued for consideration other than cash in form of Bonus Share)	96,000,000	96,000,000



	2008 Nu.	2007 Nu.
13 RESERVES AND SURPLUS		
A General Administration		
As per last Account	21,555,437	52,427,138
Less: provision for dividend	(28,800,000)	(24,000,000)
Less: Prior period Tax (Note 9(b) on Schedule 21)	(1,114,788)	(884,522)
Less: Adjustment on account of refund given for Land	(9,361,725)	-
Less: Adjustment of Revenue during the year for General Administration	(9,361,725)	(5,987,179)
	(17,721,076)	21,555,437
B General Insurance		
Catastrophe Fund		
As per Last Account	60,000,000	55,000,000
Add: Transfer from Profit and Loss Account during the year	5,000,000	5,000,000
	65,000,000	60,000,000
General Reserve		
As per Last Account	180,685,045	111,845,409
Add: Transfer from Revenue Account	84,259,351	68,839,636
	264,944,396	180,685,045
TOTAL OF RESERVES AND SURPLUS FOR GENERAL INSURANCE	329,944,396	240,685,045
C Credit & Investment Department		
As per last Account	150,750,323	112,267,165
Add:- Transfer from Revenue Account	39,364,061	38,483,158
	190,114,384	150,750,323
General Provision	47,710,243	22,546,215
	237,824,627	173,296,538
A General Administration	(17,721,076)	21,555,437
B General Insurance Department	329,944,396	240,685,045
C Credit & Investment Department	237,824,627	173,296,538
TOTAL OF RESERVES AND SURPLUS	550,047,947	435,537,021
14 INSURANCE FUNDS		
A Life Insurance Business Account	260,037,808	198,970,042
B Group Insurance Business Account	22,020,183	12,112,954
Group Savings Insurance Business Account	346,509,502	291,649,710
	368,529,685	303,762,664
C Fire Insurance Business Account	18,909,695	18,829,382
Miscellaneous Insurance Business Account	82,849,975	68,342,203
Marine Insurance Business Account	648,005	558,321
	102,407,675	87,729,906
	730,975,168	590,462,612
15		
15A INVESTMENT AND BORROWING FUNDS		
INVESTMENT FUNDS (Note 25 on Schedule 21)		
A Life Insurance Fund	276,004,312	219,884,971
B Group saving Insurance Fund	330,384,307	272,392,787
C General Insurance Fund	491,775,013	401,631,893
D General Administration Fund	-	16,261,831
	1,098,163,632	910,171,482



	2008 Nu.	2007 Nu.
15B BORROWING FUNDS		
A Private Provident Fund	183,417,837	141,402,384
B National Pension & Provident Fund	780,000,000	480,000,000
TOTAL (15A+15B)	963,417,837	621,402,384
	2,061,581,470	1,531,573,866
16 SUNDRY CREDITORS		
A Life Insurance Department		
Bonus Payable	10,320,388	8,906,200
Provision on policy Loans		165,990
Agent Liability	1,364,058	1,142,525
Others	15,361,533	20,706,408
Deposit	1,476,812	1,203,555
	28,522,791	32,124,678
Internal Department Adjustment	-	831,502
	28,522,791	31,293,176
B Group Insurance Department		
Deposit	317,858	353,855
Internal Department Adjustment	-	-
	317,858	353,855
C General Insurance Department		
Rural claim payable	-	2,585,945
Agent Liability	49,183	40,116
Others	1,345,819	1,336,787
Deposit	17,180,138	10,793,381
	18,575,140	14,756,229
Internal Department Adjustment	-	200,000
	18,575,140	14,556,229
D Credit & Investment Department		
Interest on Investment Fund payable	84,911,678	75,394,019
Others	13,921,463	4,559,726
	98,833,141	79,953,745
Internal Department Adjustment	-	-
	98,833,141	79,953,745
E General Administration Department		
BST Payable	-	-
Others	13,796,786	13,439,588
Internal Department Adjustment	-	745,773
	13,796,786	12,693,815
	160,045,715	138,850,820
17 DUE ON REINSURANCE AND INSURANCE BUSINESS.		
A Life Insurance Department (Note 24(a) (ii) on Schedule 21)	2,200,400	669,910
B General Insurance Department	10,389,152	21,094,653
	12,589,552	21,764,563
18 OUTSTANDING CLAIMS LESS REINSURANCE		
A Life Insurance Department	3,666,638	3,690,315
B Group Insurance Department	320,000	1,940,000
C General Insurance Department	66,983,640	36,472,705
	70,970,278	42,103,020



	2008 Nu.	2007 Nu.
19 MANAGEMENT EXPENSES		
Staff Cost	50,197,913	45,509,595
Occupancy Cost	1,960,598	1,533,163
Travelling & Transfer Cost	4,469,710	3,275,133
Communication Cost	3,708,983	3,380,293
Operating Cost	4,269,724	3,971,212
Advertising & Public Relation Cost	3,744,414	1,219,218
Statutory & Consultant Cost	2,010,922	1,221,337
Management Expenses allocated to the respective Department (A)	70,362,264	60,109,951
Life Insurance Department	8,806,460	6,979,890
Group Insurance & Saving Schemes	4,834,687	4,876,772
General Insurance Department	35,018,837	28,755,865
Credit & Investment Department	21,702,280	19,497,424
Total	70,362,264	60,109,951
Human Resource Development Expenses	3,481,250	3,095,109
Deprecation	7,400,000	6,733,360
Contribution to the Employee Gratuity	8,724,604	7,000,000
Repair & Maintenance	1,407,280	572,740
Total (B)	21,013,134	17,401,209
Total Management Expenses (A+B)	91,375,398	77,511,160



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

SCHEDULE - 20

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2008

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles.

2. Revenue Recognition

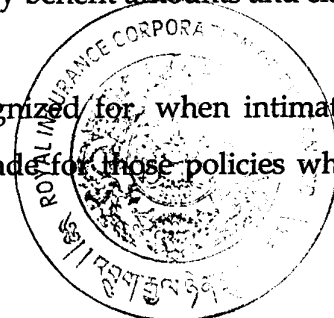
- (i) Items of income and expenditure are accounted on accrual basis, unless otherwise stated.
- (ii) Premiums are recognized as income, as and when due / received on assumption of risk.
- (iii) Reinsurance premium ceded is accounted at the time of recognition of premium income in accordance with the treaty or in-principle arrangement with the re-insurers.
- (iv) Interest income in respect of all securities including loans and mortgage loans against House Property is taken credit to the Revenue Account, as per the Prudential Regulations of Royal Monetary Authority of Bhutan.
- (v) Interest, Dividend, Rent etc., are accounted at gross value before deduction of tax.
- (vi) Dividend income is recognized, as and when received.
- (vii) Interest on policy loan is accounted for on accrual basis.
- (viii) Bonus to employees is accounted for on payment basis.

3. Acquisition Costs

Acquisition Costs are expensed in the year, in which they are incurred.

4. Benefits Paid (including claims)

- (i) Benefits Paid/Claims costs consist of the policy benefit amounts and claim settlement costs, where ever applicable.
- (ii) Surrender, death and other claims are recognized for, when intimated. Provision for outstanding death claims is made for those policies where



the intimation of death has been received up to 31st December. Additional provisions are also made for benefit / claims incurred.

- (iii) Repudiated claims disputed before judicial authorities are provided based on management prudence, considering the facts and evidences available in respect of such claims.
- (iv) Salvage recoveries are accounted for on realization basis.
- (v) Reinsurance Recoveries, when applicable, are accounted in the same period.

5. Investments

Investments are stated at cost. Provision is made for diminution, other than temporary, in the value of investments at amounts, as considered appropriate by the management. Year-end market values based on last traded price of quoted equity investments are also disclosed.

6. Fixed Assets

- (i) Fixed Assets are stated at cost less depreciation.
- (ii) Depreciation is calculated as per the applicable provisions of Income Tax Act of Bhutan 2001, as amended to-date on straight-line basis at the prevailing rates and in the manner as prescribed. The written down values as on 1st January 1992 are considered as cost for application of straight-line method.

7. Retirement/Employee Benefits

- (i) Gratuity is administered through trust. Liability for gratuity to employees is provided on accrual basis, as determined upon actuarial valuation at the year-end.
- (ii) Provision for leave encashment benefit is made in the accounts on accrual basis based on the eligible leave balances of the employees at the year-end.
- (iii) Contributions to Provident Fund and other funds are accounted for, as and when accrued.



8. Risk Reserves

Reserves for un-expired risks are created in Revenue Accounts in respect of General Insurance Business at 60% of the net premium income for the year. Reinsurance reserves are created on the basis of respective treaty arrangements with various agencies outside Bhutan.

9. Liability for Life policies

The policyholders' liabilities are determined by the Corporation's appointed actuary pursuant to his annual investigation of the Corporation's Life and Group Insurance business of the immediate previous year. The insurer's appointed actuary has adopted appropriate valuation assumptions after taking into consideration the various relevant factors like interest, mortality, morbidity, expenses, inflation, commission, lapses and future bonuses.

10. Foreign Currency Transaction/Group Insurance Policies

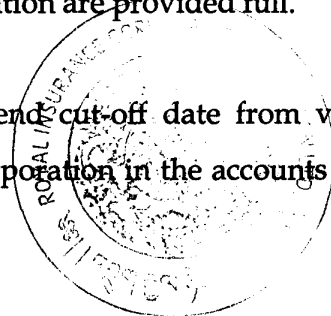
All Assets and Liabilities in foreign currencies relating to reinsurance are converted at the rate of exchange prevailing as on the Balance Sheet date. The exchange gain /loss arising thereof are transferred to General Insurance Revenue Account. However, in respect of treaties, rates of exchange applied are similar rates as at 30th June and 31st December for the first half-year and second half-year, respectively.

11. Loan Asset Classification and Provisioning for Non- performing Assets

- (i) Loans are stated at historical cost, subject to provisions.
- (ii) Assets representing loans, mortgage loans against House Property are classified based on record of recovery as standard, watch, sub-standard, doubtful and loss assets, as per the guidelines issued by Royal Monetary Authority of Bhutan.
- (iii) Provisioning for non-performing loans and mortgage loans against House Property is made as per the guidelines issued by Royal Monetary Authority of Bhutan and Laons under litigation are provided full.

12. Returns from Foreign Treaty Companies

Returns to the extent received up to the year-end cut-off date from various foreign treaty companies are considered for incorporation in the accounts of the relevant year / period.



13. General

- (i) Premium rates on policies under the Life Insurance are charged at Corporation's table of rates based on actuarial calculations and on the General Insurance Business at Corporation's tariff based on the rates of Insurance Regulatory Development Authority of India.
- (ii) Total expenses of branches and common allocable management expenses are allocated and charged on a basis as decided by the management.
- (iii) 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.
- (iv) Interest on saving portion of GIS scheme 1987 is credited to individual member's account @ 8% p.a. on accrual basis.
- (v) Transfers to Catastrophe Fund and General Reserves are made as per the amount decided by the management from time to time.

14. Use of Estimates

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

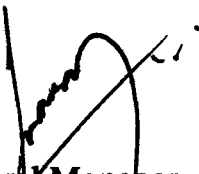
15. Provision for Income Tax.

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




16. Provisions and Contingencies.

The Company creates a provision for litigation, assessment, fines, penalties, claims, including insurance claims, etc., when there is present obligation as a result of the past events that probably requires an outflow of resources and a reliable estimates can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources, considering the circumstances existing as on the date of the financial statements. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. However, contingent assets are not recognized on prudent basis.


**General Manager
(F&A)**


Chief Executive Officer


Chairman

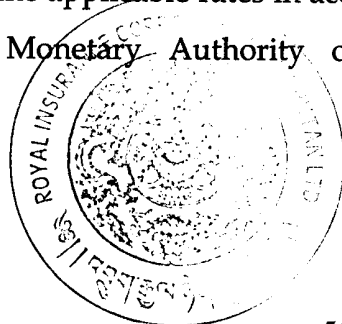

Director

Place: Thimphu
Date: 27th March, 2009



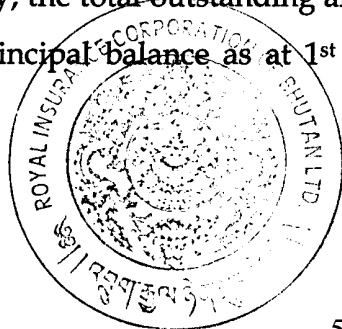
ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED**SCHEDULE - 21****NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2008**

1. Royal Insurance Corporation of Bhutan Limited (RICBL), hereinafter referred to as "Corporation", erstwhile Royal Insurance Corporation of Bhutan (RICB) originally incorporated under the Royal Charter in 1975, was subsequently registered in the year 1991 under the Companies Act of the Kingdom of Bhutan 1989. The Royal Government has since enacted Financial Institutions Act in 1992 and pursuant to Part II of the said Act, Corporation was licensed as a Financial Institution by the Royal Monetary Authority of Bhutan in the year 1994 specifying the areas of its activities. The Corporation has changed its name from RICB to RICBL, by virtue of amendments made in its Articles duly endorsed by the Registrar of Companies with effect from the year 2004.
2. The financial statements for the year have been drawn up in accordance with the prescribed formats of Royal Monetary Authority of Bhutan and the Companies Act of the Kingdom of Bhutan 2000, as far as practicable. Consolidations of Balance Sheets of General Insurance, Life Insurance, Group Insurance Scheme and Credit & Investment Business have been done after netting the inter - departmental investments.
3. For the purpose of compliance of Prudential Regulations of Royal Monetary Authority of Bhutan effective from the year 2002, un-recovered portion of interest aggregating Nu. 29,747,583 (Previous Year Nu. 39,065,998) on account of advances, which are classified as non-performing assets, has not reckoned as income.
4. Provision for possible loss against loans and advances aggregating to Nu.208,395,466 (Previous Year Nu.199,512,565) has been retained in these accounts at the applicable rates in accordance with the Prudential Regulations of the Royal Monetary Authority of Bhutan, 2002 on the basis of such



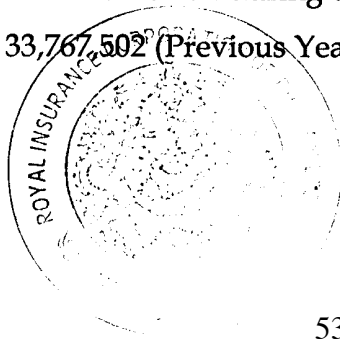
considerations which management considered to be prudent and appropriate. The said provisions include, both Specific and General, are net of adjustments on account of write back in respect of Specific Provision amounting to Nu.16,281,127 (Previous Year Nu. Nil), which has been duly reflected in the Investment Revenue Account.

5. (a) The overall Capital Adequacy Ratio as at 31st December, 2008 is 25.37% (Previous Year 24.98) and the Core Capital adequacy Ratio as on that date comes to 23.50% (Previous Year 23.92%) against at least 8% and 4% respectively, as laid down in the Prudential Regulations of Royal Monetary Authority of Bhutan.
 - (b) The total exposure to a single borrower as at 31st December, 2008 amounted to 28.40% (Previous Year 18.83%) of Capital Funds, as compared to 30% limit prescribed by Prudential Regulations of Royal Monetary Authority of Bhutan.
 - (c) The total ten large advances extended as at 31st December, 2008 aggregated to 23.32% (Previous Year 20.30%) of total advances as against 30% maximum limit laid down in the Prudential Regulation of Royal Monetary Authority of Bhutan.
 - (d) The liquidity ratio as at 31st December 2008 is 19.75% (Previous Year 7.11%) as against 10% minimum, as prescribed in Prudential Regulations of Royal Monetary Authority of Bhutan.
 - (e) The ratio of total large loans to capital fund comes to 214.27% as on 31st December 2008 (Previous Year 163.04%) as against maximum 800% limit laid down in Prudential Regulation of Royal Monetary Authority of Bhutan.
6. The mode of calculation of interest on loans was revised as per Royal Monetary Authority of Bhutan Circular Nos. FIRD/03/96/648 & 649 of September 1996. Accordingly, the total outstanding amount as at 30th September 1996 is treated as opening principal balance as at 1st October 1996 for calculation of interest on



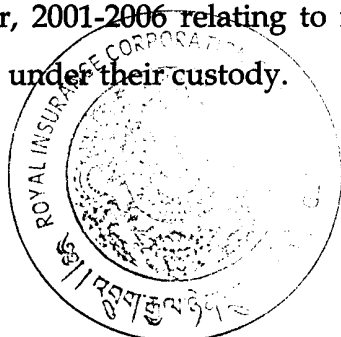
- simple daily product method. Interest is charged on the principal balance outstanding at the rates declared by the Board of Directors from time to time.
7. The Corporation centrally manages through its Credit & Investment Department, the investible/borrowed funds comprising of Banking and Non-Banking borrowings, Private Sector Provident Fund, Group Insurance-cum-Savings Fund and Insurance Funds. Interests/returns on such funds are credited to the respective entities/departments at the rates decided by the management from time to time.
 8. Contingent liabilities as at the Balance Sheet date (as certified by the management) :
 - (a) Claims against the Corporation not acknowledged as debts-
 - i) Income Tax demands for which the Corporation has preferred appeals with appropriate authorities - Nu. Nil (Previous Year Nu. 1,244,626)
 - ii) Claims and counter claims on employees related matters - Nu. 358,750 (Previous Year Nu. Nil)
 - (b) Certain claims in respect of General Insurance business (including third party claims on motor car accidents) - Nu. 1,495,000 (Previous Year Nu. 10,339,926)
 - (c) Outstanding Guarantees given on behalf of various parties - Nu. 251,550,370 (Previous Year Nu 239,216,215)
 - (d) Commitments :

The estimated amount of contracts remaining to be executed on Capital accounts (net of advances) is Nu. 5,850,000 (Previous Year Nu. Nil). Commitments made and outstanding for loans is Nu.Nil (Previous Year Nu. Nil).
 9. (a) Provision @ 30% on book profit is made in these accounts towards Corporate Income Tax during the year after considering further provision of Nu. 33,767,502 (Previous Year Nu.20,863,212) on loans, bad debts, other

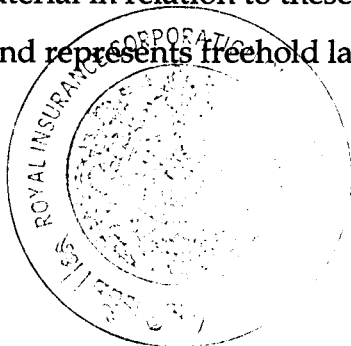


loan assets written off aggregating to Nu. Nil (Previous Year Nu. 100,001) and Provisions for leave encashment benefit of Nu. 2,016,189 (Previous Year Nu. 2,604,490).

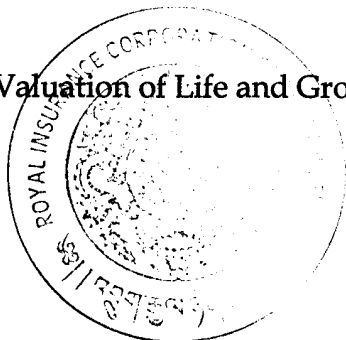
- (b) The additional tax paid during the year amounted to Nu. 835,923 (Previous Year Nu. 884,522), which pertains to Income Tax assessment of the Corporation in respect of earlier years.
10. Reserves for un-expired risks amounting to Nu.102,407,675 (Previous Year Nu. 87,729,906) created in the Revenue Accounts in respect of General Insurance Business at 60% of the net premium income during the year which have been duly reflected as General Insurance Funds in the Balance Sheet.
11. During the year, Nu. 5 million (Previous Year Nu. 5 million) has been appropriated from the Profit and Loss Account to Catastrophe Fund.
12. (a) In the year 2007, there has been a reported perpetration of irregularities at the stage of loan disbursements in the Credit & Investment Department to one of the clients at Gelephu Branch Office. In this connection, two employees have been held responsible and the case has been lodged in the appropriate Court of Law, which is still pending. Accordingly, in reference to this case amounts aggregated to the extent of Nu. 11.406 million (Previous Year 30.30 million) has been provided in these accounts.
- (b) The Anti-Corruption Commission had charged certain employees of the Corporation against misuse of the employee's entitlement to the tune of Nu. 2.43 millions for the financial years 2001 to 2006 in the Court of Law, and the case relating to TA/DA was fully acquitted by the High Court, however, the case pertaining to medical bills, the employees were asked to refund amounting to Nu. 219,763 which is not settled in the current year.
- (c) The Anti-Corruption Commission of Royal Government of Bhutan had seized certain vouchers/supporting and other vouchers for the financial year, 2001-2006 relating to misuse of employees entitlements which are still under their custody.



13. Certain Assets are acquired in satisfaction of loans including interest due thereon amounting to Nu.56,694,930 (Previous Year Nu.3,969,585) consequent to decrees obtained and surrender of properties by the borrowers, which has been reckoned in these accounts, as per the prudential considerations of the management.
14. Year-end gratuity as per actuarial valuation was Nu. 27.19 million, which has been fully provided but Nu. 8.72 million was not funded (Previous Year Nu. 33.94 million)
15. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.
16. Sundry Creditors include -
 - (a) Provision for bonus to policyholders amounted to Nu. 10,320,591(Previous Year Nu. 8,906,200).
 - (b) Unadjusted deposits in respect of General and Life/Group Insurance policies aggregating to Nu. 1,987,826 and Nu. 1,639,327 respectively are outstanding on account of pending policy documentation and reconciliation process, against which eventual adjustments thereof are not ascertainable at this stage.
17. Fixed Assets (Schedule 11) -
 - (a) Physical verification of the fixed assets has not been carried out by the management during the year. This will be done in a phase manner.
 - (b) Codification of moveable fixed assets and incorporation of the same / locational details of all the assets in the Fixed Asset Register of the Corporation has been initiated by the management in order to maintain a proper Fixed Assets Register. Consequently, reconciliation of the book records and physical inventories will be made on completion of the aforesaid exercise. Presently any further adjustments, as required to be made, are not ascertainable and in the opinion of the management, the same may not be material in relation to these accounts.
 - (c) Land represents freehold land.



- (d) Building represents freehold permanent structures and depreciated as per the applicable rates in terms of the accounting policies of the Corporation.
 - (e) A building having written down value of Nu. 160,478 (Previous Year Nu.167,718) as at the Balance Sheet date was transferred to National Pension & Provident Fund in an earlier year but the same has still been reflected in these accounts, until the completion of the reconciliation process.
 - (f) Certain electrical installations and fixtures were capitalized in respect of the Building located at Thimphu under the head "Buildings & Electrical Installations" in earlier years are depreciated at its applicable rates. This has resulted in under-provisioning of depreciation to-date to the extent of Nu. 20.65 million (Previous Year Nu. 16.85 million), had such assets been capitalized under proper heads.
18. Capital Work-in-Progress include -
- (a) In the year 2007 Nu 4,228,357 was paid to M/S Kuenleg Construction Enterprise in connection with the construction of the office building in Thimphu, pursuant to a court order in connection with the settlement of the final bill. Pending final judicial resolution, the said amount has not been capitalized and reflected under this head.
 - (b) Expenses incurred in connection with the software development amounting to Nu. 650,000 (Previous Year Nu. 227,307).
19. The assets of the Corporation in Bhutan are free from all encumbrances, except otherwise stated. The Corporation does not have any assets outside Bhutan except maintenance of certain bank accounts with the banks located outside Bhutan.
20. The total of the loan assets, standard assets, watch assets, sub-standard assets and doubtful assets and loss assets, which are subject to restructuring/re-scheduling/enhancing as at the Balance Sheet date is Nu. Nil (Previous Year Nu. Nil).
21. Actuarial Valuation of Life and Group Insurance



- (a) The Corporation's appointed Actuary has carried out the annual actuarial valuation of the Life and Group Insurance policies, on the basis of the final audited accounts for the year 2007. The valuation assumptions (interest factor, mortality, morbidity, expenses, commission, bonus etc.) conform with the professional guidance notes issued by the Actuarial Society of India (ASI) and accordingly vested bonus amounting to Nu. 3,678,373 (Previous Year Nu. 3,524,279) has been accounted for.
- (b) Valuation surplus and bonus payable to the policy holders based on the current year's accounts have neither been actuarially ascertained, nor been accounted for.
- (c) The segregation of the fees charged by the actuary for the Life and the Group Insurance has been apportioned based on the fee note raised by him..
22. Vested bonus is inclusive of earlier year's charges amounting to Nu. Nil (Previous Year Nu. 1,498,319)
23. Premium in respect of policies on General Insurance extended for more than one year is recognized as income in the year of receipt.
24. Re-insurance:
- (a) Life-
- (i) The ceding of the re-insurance in respect of certain policies (for both new and renewal) are outstanding for the years 2006 to 2008 and related re-insurance premiums are not ascertainable at this stage and accordingly have not been recognized in these accounts.
- (ii) Pending final reconciliation process/confirmation and acceptance of the ceding of the re-insurance, any further adjustments in respect of the balances outstanding to the re-insurers aggregating to Nu.2,204,00 (Previous Year Nu. 669,910) reflected under the head "Sundry Creditors" are not ascertainable at this stage.



- (b) Non-Life-
- (i) The balances outstanding, both debits and credits, as at the Balance Sheet date to various re-insurers aggregating to Nu. 751,220 (Previous Year Nu. 20,282,279) and Nu 10,389,152 (Previous Year Nu. 21,094,653) respectively 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.
- (ii) The debit balances, as indicated above, have been netted off against the claims outstanding.

25. Interest on borrowed funds of Credit & Investment Department is charged to Investment Revenue account during the year at the following rates on simple daily product method on the outstanding balances:-

a) Internal funds:-

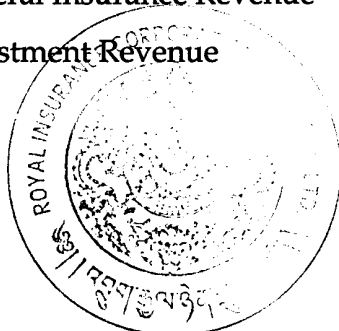
Life Insurance Fund	:	7.00% p.a
General Insurance Fund	:	7.00% p.a
GAD Investment Fund	:	7.00% p.a
Group Insurance Fund	:	8.00% p.a

b) External funds / borrowings:-

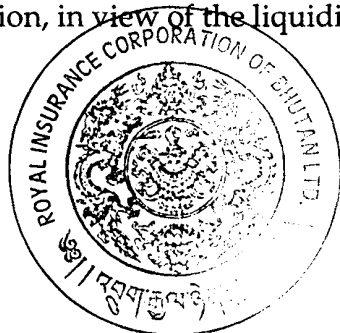
Bank of Bhutan Limited	:	8.00% p.a
Private Provident Fund	:	6.00% p.a
National Pension & Provident Fund	:	8.50% p.a
National Pension & Provident Fund	:	7.75% p.a
National Pension & Provident Fund	:	6.50% p.a

26. The common management expenses are allocated to different Revenue accounts during the year at the following proportions:-

- Life Insurance Revenue	:	12%
- GIS Insurance Revenue	:	8%
- General Insurance Revenue	:	50%
- Investment Revenue	:	30%




27. Management expenses include -
- (a) Managerial Remuneration paid/payable to the Managing Directors (Chief Executive Officers) :
- Remuneration: Nu. 1,465,200 (Previous Year Nu. 1,220,000)
 - Other Benefits: Nu. 708,889 (Previous Year Nu. 475,616)
- The above includes payments to former Chief Executive Officer aggregating to Nu. 875,855. The remuneration paid to the present in-charge is yet to be approved by the shareholders of the Corporation in the General Meeting.
- (b) Directors' Sitting fees : Nu. 546,000 (Previous Year Nu. 278,000)
- (c) Audit fee payable : Nu. 100,000 (Previous Year Nu. 90,000) and provision for audit expenses Nu. 316,000 (Previous Year Nu. 260,000)
28. The miscellaneous income pertaining to General Insurance Department consists of gain on the bank account in US \$ maintained outside the country at the year-end balance Nu. 3,243,093 (Previous Year Nu. 147,415)
29. The amount of policy bonus written back during the year Nu. Nil (Previous Year Nu. Nil) due to excess provisions made in earlier years.
30. Security details of the borrowings-
- Borrowings from Bank of Bhutan Limited were secured, by mortgage of all fixed assets, both movable and non-movables and pledge of equity investments. Consequent to repayment of the outstanding loan balance in Bank of Bhutan Limited, the securities comprising of all the fixed assets and securities of the Corporation have been released and pledged solely against the borrowings from the National Pension & Provident Fund and the outstanding loan balance as of 31st December, 2008 amounted to Nu. 780 million.
31. The Corporation has absorbed the emoluments paid/payable to the brokers amounting to Nu. 325,733 (Previous Year Nu. 272,192), being the proportion of expenses attributable to RICB Securities Ltd., the wholly owned subsidiary of the Corporation, in view of the liquidity crisis forced by them.



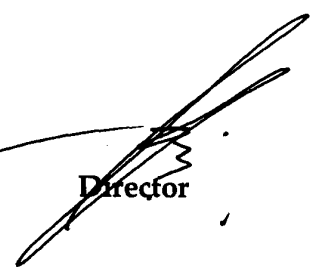
32. The **break-up** between claims paid/outstanding for inside and outside Bhutan are not ascertainable at **this** stage.
33. Premium Deficiency has not been created since, in the opinion of the management, the expected claim costs along with the related expenses and maintenance cost of the insurance products in force would not exceed the related Reserve for Unexpired Risks.
34. In the opinion of the management, acquisition costs for the new and renewal long duration insurance contracts have been expensed out, as and when incurred and not deferred, since the same do not vary materially in a constant relationship to premium or insurance in force or are level or recurring in nature.
35. In the opinion of management, there is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.
36. Figures of financial statements of previous year have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 21

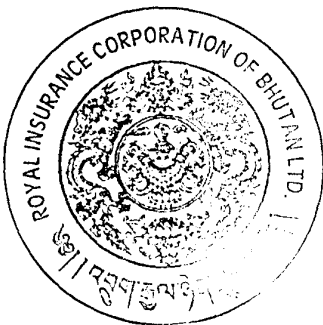

General Manager
(F&A)


Chief Executive Officer


Chairman


Director

Place: Thimphu
Date: 27th March, 2009



RICB SECURITIES LIMITED
(A wholly owned subsidiary Company of RICBL)
 Directors' Report of the year 2008

On behalf of the Board of Directors of Royal Securities Ltd, I have the pleasure in presenting the 16th Annual report together with Audited Accounts for the year ended 31st December, 2008.

Business Information

RICB Securities Ltd. (a wholly owned subsidiary Company of RICBL) was established and registered on 1st May, 1993 under the Companies Act of the Kingdom of Bhutan to carry on the business of a security Broker. The Company was established as per Government directives, to promote securities trading in the country. Over the years, going concern of the company has been an issue with the accumulated loss of Nu.141,209 as on 31st December 2008, vis-a-vis Nu.210,671 in the previous year. Despite the above financial position of the company, the Board is of the opinion that the Capital Market in Bhutan would become more active in future with the government policy of private sector development in the country. With more industries coming up in the country, the Initial Public Offers (IPO) is expected to increase, offering more business opportunities to the brokerage firms in the country. The performance of the company for the last two years is presented below:

	<u>2008</u>	<u>2007</u>
Profit/(loss) before tax	69,462	13,136
Provision for corporate tax	-	-
Accumulated Loss After adjustment	(141,209)	(210,671)

The company posted profit of Nu.69,462 during the financial year 2008 compared to Nu. 13,136 in the previous year. This was mainly due to earning of fee from the Penden Cement Authority Ltd. relating to issue of Bonus Shares to its shareholders.

Conclusion

I wish to express my sincere thanks to all our clients and to our staffs who contributed to this Company. On behalf of the Board of Directors


 (Namgyal Lhendup)
 Chairman

AUDITORS' REPORT

Your Ref. :

Our Ref. :

To the Members of
RICB Securities Limited

We have audited the attached Balance Sheet of **RICB SECURITIES LIMITED** ("The Company") as at 31st December 2008 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date (hereinafter referred to as the "financial statements") which we have signed under the reference to this report. We report that:

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

2. 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 (the "Act"), we also set out an Annexure, a statement on the matters specified therein.



3. Without qualifying our opinion, attention is drawn to following notes on Schedule 8 to accounts.

3.1 Note 1 regarding preparation of accounts on going-concern basis; and

3.2 Note 2 non-provisioning of expenses on account of salaries to brokers and traders apportionable to these accounts, based on the resolution adopted by the Board of Directors of the Company.

4. Further to our comments hereinabove-

(i) 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.

(ii) In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books.

(iii) The financial statements dealt with in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the underlying accounting records and books of account.

(iv) During the course of our examination in accordance with the generally accepted auditing practices, we have not come across any instances of the following:-

a) The fund and property of the Company have generally been used economically, efficiently, effectively and in the best interest of the Company.

b) According to the information and explanations provided by the Company and on the basis of examination of the books of accounts



carried out in accordance with the generally accepted auditing practices, we report that there are no case of-

- Excessive/extravagant/unnecessary expenditure incurred during the year,
- Irregular expenditure and use of property,
- Embezzlement of fund;
- Misuse of fund, inventory and property of the Company; and
- Transactions not complied with the rules and regulations of the Government.

(v) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon and attached thereto give the prescribed information required by the Act, in the manner so required and give, respectively, a true and fair view:

- i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2008;
- ii) In case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- iii) In case of the Cash Flow Statement of the cash flows of the Company for the year ended on that date.

For Gupta & Co.

Chartered Accountants

Place:

Date:



M.K. Gupta
(M.K. Gupta)

Partner

ANNEXURE

[Referred to in paragraph 2 of our report of even date]

1. The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets. The Fixed Assets have been physically verified during the year and no discrepancies were noted on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
4. The Company is regular in depositing rates and taxes, provident funds and other statutory dues with the appropriate authority.
5. There are no undisputed amounts payable in respect of rates and taxes, provident funds and statutory dues outstanding at the year-end.
6. During the course of our examination in accordance with the generally accepted auditing principles we have not come across that no personal expenses of employees or directors have been charged to the Company accounts other than that payable under contractual obligations or in accordance with generally accepted business practice.
7. The management of liquid resources particularly cash and bank are adequate and that excessive amount are not lying idle in non-interest bearing accounts.
8. The activities carried out by the Company are lawful and intravires to the Articles of Incorporation of the Company.
9. The directives of the Board have been complied with.



10. According to information and explanations provided to us and in course of our audit we have not come across any instance of price sensitive information transmitted by the officials of the Company which are not made publicly available, unauthorisedly to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
11. Proper records of the transactions and contracts have been maintained and timely entries have been made therein for dealing and trading in shares, securities and other investments.

Reporting requirements on computerised accounting environment

12. According to information and explanations provided to us, the organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
13. According to information and explanations provided to us, adequate safeguard measures and back up facilities exist.
14. There is no system of off-site storage of files.
15. According to information and explanations provided to us, the operational controls are adequate to ensure correctness and validity of input data and output information.
16. According to information and explanations provided to us, the measures to prevent unauthorized access over the computer installations and files are adequate.

Reporting requirements for general items

17. **Going concern problems.**

In view of the accumulated losses of the Company over a period resulted in complete erosion of reserves and part of paid-up capital of the Company. Furthermore, in view of the volume of business, the Board of Directors have decided not to reckon a



portion of salaries of brokers/traders apportionable to the Company or otherwise it would further adversely affect the net worth of the Company. Attention is drawn to paragraph 3.2 above in this regard.

18. The significant ratios indicating the financial health and profitability of the Company are given below: -

Ratios	2008	2007	Remarks
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.59	0.30	There has been increasing trend in the current ratio which reflects favorable impact on the liquidity position of the Company.
$\frac{\text{Profit/(Loss) on Net profit/(loss) after Tax Capital Employed}}{\text{Capital employed}}$	0.14	0.03	It reflects there has been some improvement during the current year.
$\frac{\text{Profit/(Loss) on Net profit/(loss) after Tax Turnover}}{\text{Total Turnover}}$	0.38	0.18	These comparative ratios indicate slight improvement compared to last year.

For Gupta & Co.
Chartered Accountants

Place: Thimphu
Date: 27th March, 2009



M.K. Gupta
(M.K. Gupta)
Partner

RICB SECURITIES LIMITED

[[A Wholly Owned Subsidiary of Royal Insurance Corporation of Bhutan Limited (RICBL)]]

BALANCE SHEET AS AT 31ST DECEMBER 2008

	Schedule	2008 Nu.	2007 Nu.
<u>SOURCES OF FUND</u>			
Share Capital	1	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
<u>APPLICATIONS OF FUND</u>			
Fixed Assets (Net Block)	2	4	4
Investment (At Cost)-Long term 5000 shares of 100/- each (Unquoted) In Royal Securities Exchanges of Bhutan Limited		<u>500,000</u>	<u>500,000</u>
Current Assets	3	201,346	88,421
Less: Current Liabilities and Provisions	4	342,559	299,096
Net Current Assets/ (Liabilities)		(141,213)	(210,675)
Profit and Loss Account-Debit Balance (As annexed)		<u>141,209</u>	<u>210,671</u>
TOTAL		<u><u>500,000</u></u>	<u><u>500,000</u></u>
Significant Accounting Policies	7		
Notes on Accounts	8		

The Schedules referred above form an integral part of the Balance Sheet.

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

For Gupta & Co.
Chartered Accountants

On behalf of the Board of Directors

M.K. Gupta
(M.K. Gupta) General Manager
Partner
(F&A)

N. D. Sanku
Chief Executive Officer
Chairman

Membership No. 6615

Place: Thimphu

Date: 27th March 09



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2008.

	Schedule	2008 Nu.	2007 Nu.
<u>INCOME</u>			
Commission		63,552	77,325
Fees		120,000	-
Others	5	-	1,400
TOTAL	A	183,552	78,725
<u>EXPENSES</u>			
Management Expenses	6	114,090	65,589
Depreciation		-	-
TOTAL	B	114,090	65,589
Profit/(Loss) before Tax	(A-B)	69,462	13,136
Provision for Tax (Note 3 on Schedule 8)		-	-
Profit/(Loss) after Tax		69,462	13,136
Balance brought forward		(210,671)	(223,807)
Balance Carried over to Balance Sheet		(141,209)	(210,671)

Significant Accounting Policies 7
Notes on Accounts 8

The Schedules referred above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

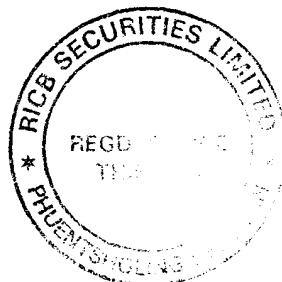
For Gupta & Co.
Chartered Accountants

On behalf of the Board of Directors

M.K. Gupta
(M.K. Gupta) General Manager
Partner (P&A)

Nadasanku
Chief Executive Officer
Chairman

Membership No. 6615
Place: Thimphu
Date: 31st March 2009



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

Cash Flow Statement for the year ended 31st December 2008

	2008 Nu.	2007 Nu.
Net Cash flow from Operating Activities		
Net Profit / (Loss) before Tax	69,462	13,136
Depreciation charges	-	-
(Increase)/Decrease in Other Assets	(2,400)	-
Increase/(Decrease) in Other Liabilities	43,463	(62,494)
Increase/(Decrease) in cash and cash equivalent	<u>110,525</u>	<u>(49,358)</u>
Opening Cash and Cash Equivalents - Bank balances	<u>86,121</u>	<u>135,478</u>
Closing Cash and Cash Equivalents - Bank balances	<u>196,646</u>	<u>86,121</u>

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

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

For Gupta & Co.
Chartered Accountants

On behalf of the Board of Directors

M.K. Gupta
(M.K. Gupta)
Partner

[Signature]
General Manager
(F&A)

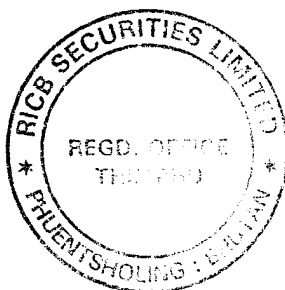
[Signature]
Chief Executive
Officer

[Signature]
Chairman

Membership No. 6615

Place: *Thimphu*

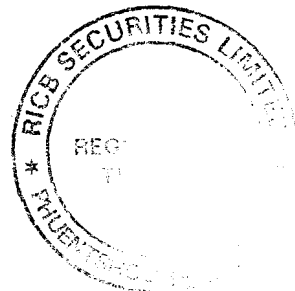
Date: *27th March 2009*



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	2008 Nu.	2007 Nu.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised -		
50,000 Equity Shares on Nu. 1,000/-each	<u>50,000,000</u>	<u>50,000,000</u>
Issued, Subscribed and paid up		
5000 Equity Shares of Nu. 100/each fully paid	<u>500,000</u>	<u>500,000</u>
(All the shares are held by Royal Insurance Corporation of Bhutan Limited, the Holding Corporation)		
 SCHEDULE - 2		
FIXED ASSETS - At cost		
Electrical Installation & Computers		
Gross Block - As per last Account	(A) <u>184,242</u>	<u>184,242</u>
Less: Depreciation		
As per Last Account	184,238	184,238
Add: For the year	-	-
	(B) <u>184,238</u>	<u>184,238</u>
Net Block	(A - B) <u><u>4</u></u>	<u><u>4</u></u>
 SCHEDULE - 3		
CURRENT ASSETS		
Cash at Bank		
In Current Accounts	196,646	86,121
	(A) <u>196,646</u>	<u>86,121</u>
OTHERS		
Tax Deducted at Source	4,700	2,300
- Refundable	(B) <u>4,700</u>	<u>2,300</u>
Total	(A+B) <u><u>201,346</u></u>	<u><u>88,421</u></u>
 SCHEDULE - 4		
CURRENT LIABILITIES AND PROVISIONS		
Outstanding Management Expense	53,704	8,507
Payable to Holding Corporation	288,855	290,588
	<u>342,559</u>	<u>299,096</u>



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)
SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008 (Nu)	2007 (Nu)
SCHEDULE - 5		
OTHER INCOME		
Provision no longer required written back	-	1,000
Miscellaneous	-	400
	<u>-</u>	<u>1,400</u>

SCHEDULE - 6**MANAGEMENT EXPENSES (Note 2 on Schedule 8)**

Salary & Other Benefits	-	-
Telephone Charges	1,200	1,515
Licence Fees/Rates & Taxes	4,500	4,500
Bank Charges	100	787
Printing & Stationery	4,686	-
Membership Fees	50,000	50,000
Audit Fees	7,000	7,000
Audit Expenses	-	-
Trading Fees	46,604	1,407
Miscellaneous Expenses	-	380
	<u>114,090</u>	<u>65,589</u>



RICB SECURITIES LIMITED
(A Wholly Owned Subsidiary of RICBL)

**SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31ST DECEMBER 2008**

SCHEDULE - 7

SIGNIFICANT ACCOUNTING POLICIES


- 1 **Basis of preparation:** The accounts have been prepared on historical cost convention, accrual concept and in accordance with the generally accepted accounting principles
- 1 **Revenue Recognition :** The Income and expenses are considered in the accounts on accrual basis unless otherwise stated.
- 2 **Investment :** Investment made by the Company are stated at cost. Any permanent diminution in the value of investment are provided for.
- 3 **Fixed Assets:** Fixed Assets have been accounted for on the basis of historical cost or capital grant wherever applicable for distinct assets. Depreciation is provided on straight line method at the rates and manner prescribed by the Income Tax Act of the Kingdom of Bhutan, 2001

SCHEDULE - 8

NOTES FORMING THE PART OF ACCOUNTS

- 1 These Accounts have been prepared on the going concern basis, its viability is dependent upon the future business development and financial support from its holding Company.
- 2 Royal Insurance Corporation of Bhutan Limited (the Holding Corporation), has not charged the entire Brokers' salaries and others emoluments amounting to Nu. 325,733/- incurred on behalf of the Company and has been borne by them entirely.
- 3 In view of absence of taxable income, no provision for taxation has been considered necessary in these accounts.
- 4 Figures of the previous year have been regrouped /rearranged wherever necessary.

Signatures to Schedules 1 to 8

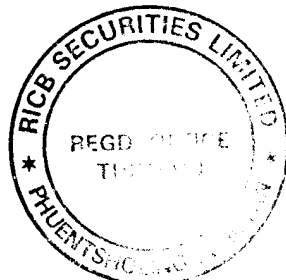

General Manager
(F&A)


Chief Executive Officer


Chairman

Place: *Thimphu*

Date: *27th March 2009*



Your Ref. :

Our Ref. :

AUDITORS' REPORT

To the Board of Directors of
Royal Insurance Corporation of Bhutan Limited

We have audited the attached Balance Sheet of **PRIVATE PROVIDENT FUND** as at 31 December 2008 of Private companies and few Non-Government Organisations managed by the Royal Insurance Corporation of Bhutan Limited and the related Revenue Account of the Fund for the year ended on that date, hereinafter referred to as "financial statements", which we have signed under the reference to the report.

1. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

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. In our opinion, proper books of account have been kept by the corporation so far as appears from our examination of those books.



4. The financial statements dealt with in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the underlying accounting records and books of accounts.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and attached thereto, give, respectively, a true and fair view :
- (i) In case of the Balance Sheet, of the state of affairs of the Fund as at 31st December 2008; and
 - (ii) In case of the Revenue Account, of the Income and Expenditure of the Fund for the year ended on that date.

For Gupta & Co.
Chartered Accountants

Place: *Thimphu*
Date: *27th March, 2009*



M.K. Gupta
(M.K. Gupta)
Partner

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
PHUENTSHOLING BHUTAN

BALANCE SHEET AS AT 31ST DECEMBER 2008

	Schedule	As at	As at
		31 December, 2008	31 December, 2007
		Nu.	Nu.
<u>LIABILITIES</u>			
Employees' & Employers' Contribution	1	157,482,848	121,047,244
Interest Credited to Employees' Account	2	36,942,823	30,574,652
General Reserve	3	260,289	260,289
Other Liabilities	4	7,739	12,686
Bank Balance (Book Overdraft)			338,375
TOTAL		194,693,699	152,233,246
<u>ASSETS</u>			
Deposit with RICBL	5	183,417,837	141,402,384
Cash and Bank Balances	6	1,290,364	2,776,934
Other Assets	7	9,985,498	8,054,428
TOTAL		194,693,699	152,233,746
Significant Accounting Policies	8		
Notes On Accounts	9		

The schedules referred to herein above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Gupta & Co.
Chartered Accountants

General Manager
(Finance & Accounts)

Chief Executive
Officer

Chairman Director

M.K. Gupta
(M.K. Gupta)
Partner
Place: Thimphu
Date: 27th March, 2009



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED (RICBL)

PRIVATE PROVIDENT FUND PHUENTSHOLING BHUTAN

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2008

	For the Year ended 31 December, 2008	For the Year ended 31 December, 2007
Schedule	Nu.	Nu.
<u>INCOME</u>		
Return on Deposits	9,985,498	8,054,428
	9,985,498	8,054,428
<u>EXPENSES</u>		
Return on Employees' Contribution	4,993,394	4,027,792
Return on Employers' Contribution	4,992,104	4,026,636
	9,985,498	8,054,428

Significant Accounting Policies	8
Notes On Accounts	9

The schedules referred to herein above form an integral part of the Revenue Account.

This is the Revenue Account

referred to in our report of even date.

On behalf of Private Provident Fund

For Gupta & Co.
Chartered Accountants

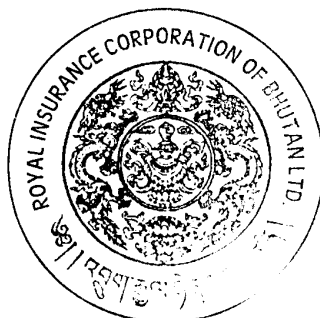
General Manager
(Finance & Accounts)

Chief Executive
Officer

Chairman

Director

M.K. Gupta
(M.K. Gupta)
Partner
Place: *Thimphu*
Date: *27th March, 2009*



ROYAL INSURANCE CORPORATION OF BHUTAN LTD
PRIVATE PROVIDENT FUND
PHUNTSHOLING BHUTAN

SCHEDULE 1

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

EMPLOYEES' AND EMPLOYERS' CONTRIBUTION

	EMPLOYEES' CONTRIBUTION 31December, 2008	EMPLOYERS' CONTRIBUTION 31December, 2008	EMPLOYEES' CONTRIBUTION 31December, 2007	EMPLOYERS' CONTRIBUTION 31December, 2007
	NU	NU	NU	NU
As per last Account	60,523,622	60,523,622	49,562,265	49,562,265
Add: Contribution during the year	26,070,188 86,593,810	26,070,188 86,593,810	19,668,071 69,230,336	19,668,071 69,230,336
Less: Refund during the year	7,852,386	7,852,386	8,706,714	8,706,714
TOTAL	78,741,424	78,741,424	60,523,622	60,523,622

GRAND TOTAL	157,482,848
	121,047,244



ROYAL INSURANCE CORPORATION OF BHUTAN LTD
PRIVATE PROVIDENT FUND
PHUNTSHOLING BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS SCHEDULE 2

INTEREST ON EMPLOYEES' AND EMPLOYERS' CONTRIBUTION

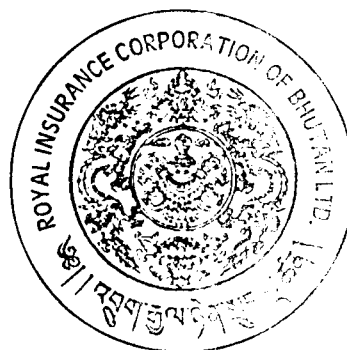
	EMPLOYEES' CONTRIBUTION 31December, 2008	EMPLOYERS' CONTRIBUTION 31December, 2008	EMPLOYEES' CONTRIBUTION 31December, 2007	EMPLOYERS' CONTRIBUTION 31December, 2007
	NU	NU	NU	NU
As per last Account	15,297,533	15,277,119	12,749,761	12,730,501
Add: contribution during the year	4,993,395	4,992,104	4,027,792	4,026,636
	20,290,928	20,269,223	16,777,553	16,757,137
Less: Refund during the year	1,808,664	1,808,664	1,480,020	1,480,018
TOTAL	18,482,264	18,460,559	15,297,533	15,277,119
GRAND TOTAL	36,942,823	36,942,823	30,574,652	30,574,652



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
PHUENTSHOLING BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31 December, 2008 Nu.	As at 31 December, 2007 Nu.
SCHEDULE - 3		
<u>GENERAL RESERVE</u>		
As per last Account	260,289	260,289
TOTAL	260,289	260,289
SCHEDULE - 4		
<u>OTHER LIABILITIES</u>		
Stale Cheques	3,805	
Excess Contribution Refundable	3,934	12,686
TOTAL	7,739	12,686



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

PRIVATE PROVIDENT FUND PHUENTSHOLING BHUTAN

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at 31 December,2008 Nu.	As at 31 December,2007 Nu.
SCHEDULE - 5		
<u>DEPOSIT WITH RICBL</u>		
As per last Account	141,402,384	117,656,557
Add: Addition during the Year (Net)	42,015,453	23,745,827
TOTAL	<u>183,417,837</u>	<u>141,402,384</u>
SCHEDULE - 6		
<u>BANK BALANCES</u>		
Bank Balances	1,290,364	2,776,934
In current Accounts (Bank of Bhutan)		
TOTAL	<u>1,290,364</u>	<u>2,776,934</u>
SCHEDULE - 7		
<u>OTHER ASSETS</u>		
Receivable from RICBL	9,985,498	8,054,428
TOTAL	<u>9,985,498</u>	<u>8,054,428</u>



ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
PRIVATE PROVIDENT FUND
PHUENTSHOLING BHUTAN
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE - 8**SIGNIFICANT ACCOUNTING POLICIES:**

1. The Accounts have been prepared in accordance with the provisions laid down in the Private Provident Fund Scheme 1976 (PPFS) as amended/revised to-date and on the basis of the individual Memorandum of Understanding drawn up between RICBL and the various private companies and Non-Government Organizations.
2. Accounts are prepared on accrual basis except otherwise stated elsewhere.
3. Interest is credited to individual member's accounts on the basis of fixed rate of returns mutually agreed between the private companies and Non Government Organization and RICBL.
4. Employer's contributions have been accounted for in the accounts on the basis of actual remittance received as per the 'recovery schedule' obtained up to 31st December 2008, from various Private Companies and Non Government Organizations and refunds are made as per the intimation record from them.

SCHEDULE - 9**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2008:**

1. Consequent upon delinking of Government Employees Provident Fund with effect from 30 June, 2000, Provident Fund Management for Private Companies and Non Government Organizations remained with Royal Insurance Corporation of Bhutan Limited (RICBL) as per the Government Directives, vide Letter No. MOF/Pension/4841 dated 30th March 2000 and the letter dated 23rd June 2000 from the Ministry of Finance, Royal Government of Bhutan.
2. Management expenses for the current year are entirely borne by the RICBL.
3. Interest on Employees' Contribution and the Employers' contribution for the year ended 31 December, 2008 have been accounted for @ 6% per annum on daily product basis.
4. Previous year's figures have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 9

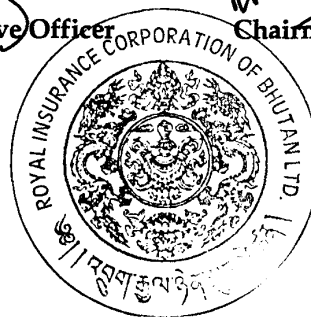

General Manager
(Finance & Accounts)

Place: *Thimphu*
 Date: *27th March, 2009*


Chief Executive Officer


Chairman


Director



ORGANOGRAM

