

**AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1999.**

The Board of Directors,
Bhutan National Bank,
Thimphu,
Bhutan

We have audited the attached Balance Sheet of Bhutan National Bank as at 31st December, 1999 and the relative Profit and Loss Account and Cash Flow Statement (in which are Incorporated general ledger balances and transactions, not audited by us of the branches at Samdrup Jongkhar, Trashigang and Gelephu) for the year ended on that date and report as follows :-

1. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such test of accounting records and other auditing procedures as we considered appropriate for the purpose of our audit.
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 accounts have been kept by the bank so far as appears from our examination of those books.
4. The Balance Sheet and Profit and Loss Account dealt with by this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the books of account.
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 Significant Accounting Policies and Notes on Accounts at Schedule 11 and subject to charging of depreciation (amount unascertained) on assets acquired through Capital Grants to revenue instead of Capital Reserve resulting in understatement of profit for the year (refer note no. 3 Schedule no. 11).

Give the information required by the generally accepted accounting standards and Principles in the manner so required and exhibit a true and fair view:

- a) In case of the Balance Sheet, the state of affairs of the Bank as at 31st December, 1999 and
- b) In case of the Profit and Loss Account of the profit of the Bank for the year ended on that date

17th March, 2000



Debitte Haskins & Sells
DELOITTE HASKINS AND SELLS
CHARTERED ACCOUNTANTS

BALANCE SHEET AS OF 31st DECEMBER 1999

	<u>SCHEDULE</u>	<u>31st DEC 1999</u>		<u>31st DEC 1998</u>	
		Nu.	ch.	Nu.	ch.
<u>ASSETS</u>					
Cash and Bank Balances	1	1,947,047,435.93		631,281,018.15	
Equity Investments	2	14,406,670.00		11,266,675.00	
Loans	3	819,595,420.92		732,062,952.01	
Other Assets	4	10,394,601.72		6,697,095.80	
Fixed Assets (at cost, less depreciation)	5	24,701,258.65		21,509,412.10	
Total Assets		2,816,145,387.22		1,402,817,153.06	
<u>LIABILITIES</u>					
Share Capital	6	59,504,000.00		59,504,000.00	
Reserves	7	122,273,959.24		98,218,497.34	
Deposits	8	2,489,864,120.92		1,110,848,595.56	
Current Liabilities	9	33,421,388.63		15,766,191.76	
Provisions	10	111,081,918.43		118,479,868.40	
Total Liabilities		2,816,145,387.22		1,402,817,153.06	
<u>SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS</u>	11				

The Schedules referred to above form part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Chartered Accountants

Date : 17-Mar-00

[Signature]
CHAIRMAN

[Signature]
MANAGING DIRECTOR



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1999

PARTICULARS	31st DEC 1999		31st DEC 1998	
	Nu.	ch.	Nu.	ch.
Interest on loans	108,504,117.06		104,971,385.17	
Interest on bills & cheques	96,488.25		173,683.93	
Interest on deposits with other banks	54,586,860.34		10,721,665.67	
Interest on RMA bills & CRR	7,543,812.70		5,129,359.14	
Interest Income	170,731,278.35		120,996,093.91	
Interest on savings deposits	8,199,336.54		5,444,263.90	
Interest on fixed deposits	73,499,156.37		43,977,399.76	
Interest on recurring deposits	558,368.13		604,183.00	
Interest on fixed term units	6,677,966.70		10,815,383.84	
Interest on personal funds	0.00		176,247.29	
Interest Expenses	88,934,827.74		61,017,477.79	
Interest Differential	81,796,450.61		59,978,616.12	
Exchange, commissions, & recoveries	9,337,193.18		4,864,998.36	
Dividends	7,842,800.00		5,151,790.00	
Forex gains	9,648,630.23		10,988,033.08	
Surpluses on disposal of assets	80,000.75		5,871.42	
Rents & other receipts	1,593,411.45		621,755.03	
Other Income	28,502,035.61		21,632,447.89	
Gross Operating Income	110,298,486.22		81,611,064.01	
Employment costs	19,895,467.56		16,232,998.01	
Establishment overheads	3,318,329.37		2,464,197.72	
Communication costs	2,266,001.50		1,786,114.00	
Travelling expenses	1,001,651.75		1,140,055.51	
Vehicles expenses	708,023.86		557,498.40	
Computerisation	1,696,912.76		1,556,540.05	
Advertisements & publicity	980,314.50		456,384.00	
Entertainments	199,518.02		100,431.60	
Gifts	119,034.00		122,955.00	
Donations	1,025,000.00		90,000.00	
HRD costs	2,204,537.42		469,192.60	
Audit fees & expenses	120,000.00		120,000.00	
Legal & listing expenses	71,130.00		34,889.00	
Board meetings expenses	202,562.80		94,798.40	
Other banks charges	191,356.37		343,176.88	
Miscellaneous expenses	257,829.88		439,640.73	
Depreciation	3,095,722.19		2,580,588.47	
Bank promotion expenses	668,646.68		1,645,544.65	
Operating Expenses	38,022,038.66		30,235,005.02	
Net Operating Income (carried forward)	72,276,447.56		51,376,058.99	



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1999.

PARTICULARS

	<u>31st DEC 1999</u>		<u>31st DEC 1998</u>	
	Nu.	ch.	Nu.	ch.
Net Operating Income (brought forward)	72,276,447.56		51,376,058.99	
Write-offs & losses	4,432,296.56		4,416,302.90	
Write-back of provisions (net)	(523,079.90)		(21,304,708.76)	
Profit Before Tax	68,367,230.90		68,264,464.85	
Provision for taxation	20,510,169.00		20,479,339.00	
Profit After Tax	47,857,061.90		47,785,125.85	
Provision for dividends	23,801,600.00		29,752,000.00	
Transfer To General Reserve	24,055,461.90		18,033,125.85	

SIGNIFICANT ACCOUNTING POLICIES &
NOTES ON ACCOUNTS (Schedule 11)

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

Debitte Haskins & Sells

DELOITTE HASKINS & SELLS
Chartered Accountants

Date : 17-Mar-00

[Signature]
CHAIRMAN

[Signature]
**MANAGING
DIRECTOR**



NOTES ON ACCOUNTS

1. In conformity with the Accounting Policy and guidelines (issued by the Royal Monetary Authority of Bhutan), interest earned (but, not collected) amounting to Nu. 19,738,437.39 — previous year : Nu. 24,025,674.78 — have not been recognised as income.
2. Guarantees given and letters of credit issued (on behalf of various clients), outstanding at the year-end, amount to Nu. 112,465,852.62 and Nu. 13,497,378.21 (net of margins) respectively — previous year : Nu. 97,399,175.84 and Nu. 10,343,009.60 (net) respectively.
3. Depreciation on assets acquired (through capital grants) has been charged-off to revenue, instead of adjusting the same against capital reserve.
4. Balances appearing under loans, advances, & other receivables are awaiting confirmations.
5. Previous year's figures have been re-arranged/re-grouped, wherever necessary.

