

**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST DECEMBER, 2000.**

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

We have audited the attached Balance Sheet of Bhutan National Bank as at 31st December, 2000 and the relative Profit and Loss Account and Cash Flow Statement (in which are incorporated general ledger balances and transaction, 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 account have been kept by the Bank so far as appears from our examinations 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 our comments in the annexure -A attached herewith gives 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, 2000.
 - b) In case of the Profit and Loss Account of the profit of the Bank for the year ended on that date.

DATE: 7th May, 2001

N.C. MITRA & CO.
N.C. MITRA & CO.
CHARTERED ACCOUNTANTS



BHUTAN NATIONAL BANK

BALANCE SHEET AS AT 31ST DECEMBER 2000

	SCHEDULE	31st DEC 2000		31st DEC 1999	
		Nu.	ch.	Nu.	ch.
ASSETS					
Cash and Bank Balances	1	2,828,887,147.33		1,947,047,435.93	
Investments	2	15,925,767.72		14,406,670.00	
Loans	3	948,760,019.03		819,595,420.92	
Other Assets	4	12,123,328.61		10,394,601.72	
Fixed Assets (at cost, less depreciation)	5	25,789,768.31		24,701,258.65	
Total Assets		3,831,486,031.00		2,816,145,387.22	
LIABILITIES					
Share Capital	6	59,504,000.00		59,504,000.00	
Reserves	7	195,442,514.16		122,273,959.24	
Deposits	8	3,376,056,100.70		2,489,864,120.92	
Current Liabilities	9	60,828,315.46		33,421,388.63	
Provisions	10	109,903,100.68		87,280,318.43	
Proposed Dividend		29,752,000.00		23,801,600.00	
Total Liabilities		3,831,486,031.00		2,816,145,387.22	

SIGNIFICANT ACCOUNTING

POLICIES & NOTES ON ACCOUNTS 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.

N. C. Mitra & Co.
N. C. MITRA & CO.
 Chartered Accountants



[Signature]
CHAIRMAN

[Signature]
**MANAGING
 DIRECTOR**

Date : 23-Mar-01

BHUTAN NATIONAL BANK

PROFIT & LOSS ACCOUNT FOR THE YEAR-ENDED 31st DECEMBER 2000

PARTICULARS	31st DEC 2000		31st DEC 1999	
	Nu.	ch.	Nu.	ch.
Interest on loans	125,763,278.90		108,504,117.06	
Interest on bills & cheques	35,302.82		96,488.25	
Interest on deposits with other banks	143,949,110.50		54,586,860.34	
Interest on RMA bills & CRR	5,365,406.40		7,543,812.70	
Interest Income	275,113,098.62		170,731,278.35	
Interest on savings deposits	11,836,807.22		8,199,336.54	
Interest on fixed deposits	138,769,152.04		73,499,156.37	
Interest on recurring deposits	415,103.18		558,368.13	
Interest on fixed term units	4,572,545.13		6,677,966.70	
Interest on miscellaneous accomodations	181,758.14		0.00	
Interest Expenses	155,775,365.71		88,934,827.74	
Interest Differential	119,337,732.91		81,796,450.61	
Exchange, commissions, & recoveries	13,370,914.62		9,337,193.18	
Dividends	6,034,780.00		7,842,800.00	
Forex gains	49,248,062.51		9,648,630.23	
Surpluses on disposal of assets	0.00		80,000.75	
Rents & other receipts	1,612,290.71		1,593,411.45	
Other Income	70,266,047.84		28,502,035.61	
Gross Operating Income	189,603,780.75		110,298,486.22	
Employment costs	22,001,818.48		19,895,467.56	
Establishment overheads	3,437,056.33		3,318,329.37	
Communication costs	2,544,303.04		2,266,001.50	
Travelling expenses	1,384,771.31		1,001,651.75	
Vehicles expenses	683,805.20		708,023.86	
Computerisation	2,130,819.13		1,696,912.76	
Advertisements & publicity	667,616.10		980,314.50	
Entertainments	146,176.30		199,518.02	
Gifts	66,675.00		119,034.00	
Donations	10,140,000.00		1,025,000.00	
HRD costs	2,071,309.18		2,204,537.42	
Audit fees & expenses	120,000.00		120,000.00	
Legal & listing expenses	40,221.00		71,130.00	
Board meetings expenses	170,548.20		202,562.80	
Other banks charges	359,932.63		191,356.37	
Miscellaneous expenses	344,784.35		257,829.88	
Depreciation	3,448,627.86		3,095,722.19	
Bank promotion expenses	0.00		668,646.68	
Operating Expenses	49,758,464.11		38,022,038.66	
Net Operating Income (carried forward)	139,845,316.64		72,276,447.56	



BHUTAN NATIONAL BANK

PROFIT & LOSS ACCOUNT FOR THE YEAR-ENDED 31st DECEMBER 2000

<u>PARTICULARS</u>	<u>31st DEC 2000</u>		<u>31st DEC 1999</u>	
	Nu.	ch.	Nu.	ch.
Net Operating Income (brought forward)	139,845,316.64		72,276,447.56	
Write-offs & losses	897,796.48		4,432,296.56	
Write-back of provisions (net)	(11,162,990.64)		(523,079.90)	
Profit Before Tax	150,110,510.80		68,367,230.90	
Provision for taxation	47,189,955.88		20,510,169.00	
Profit After Tax	102,920,554.92		47,857,061.90	
Proposed dividend	29,752,000.00		23,801,600.00	
Transfer To General Reserve	73,168,554.92		24,055,461.90	

SIGNIFICANT ACCOUNTING POLICIES &

NOTES ON ACCOUNTS (Schedule 11)

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

N. C. Mitra & Co.
N. C. MITRA & CO.
Chartered Accountants



Date : 23-Mar-01

[Signature]
CHAIRMAN

[Signature]
MANAGING
DIRECTOR

NOTES ON ACCOUNTS

01. In conformity with the Accounting Policy and guidelines (issued by the Royal Monetary Authority of Bhutan), interest earned (but, not collected) amounting to Nu. 25,704,137.80 - previous year : Nu. 19,738,437.39 - have not been recognised as income.
02. Guarantees given and letters of credit issued (on behalf of various clients), outstanding at the year-end, amount to Nu. 177,719,538.07 and Nu. 150,077,681.12 (net of margins) respectively - previous year : Nu. 112,465,852.62 and Nu. 13,497,378.21 (net) respectively.
03. Depreciation on assets acquired (through capital grants) has been charged-off to revenue, instead of adjusting the same against capital reserve.
04. Confirmations in respect of balances appearing under loans, advances, & other receivables are not available.
05. Excess of total amount of provisions held (Nu. 64,404,551.64) over the required amount (Nu. 55,406,620.00) has been written back during the year.
06. Provision for taxation includes :-
- | | |
|---------------------------------|----------------------|
| tax on current year's profit | 45,033,153.00 |
| assessed dues for earlier years | 2,156,802.88 |
| | <u>47,189,955.88</u> |
07. Capital works-in-progress represent the expenditure incurred in connection with preparation of model and drawing & designing of the proposed office building.
08. Classification of loans, like secured / partly secured / unsecured, based on security coverage was not possible due to incomplete information/documentations.
09. Remuneration and expenditures paid/reimbursed to the Managing Director was as follows :-
- | | |
|-----------------------|-------------------|
| salaries & allowances | 553,200.00 |
| medical | 15,200.00 |
| travel (local) | 8,500.00 |
| training | 248,000.00 |
| | <u>824,900.00</u> |
10. Bank promotion expenses, in connection with formation of the Bank, are fully amortised.
11. Other assets (advances, claims, pre-payments, deferrals, etc.) include an unadjusted balance in debits-in-suspense account, amounting to Nu. 7,598,225.92. Similarly, other current liabilities include an unadjusted balance, of Nu. 20,348,412.09, in credits-in-suspense account.
12. Net income from interest on time deposits with other banks has been taken into account, without recognising the corresponding amounts of tax deduction at source.
13. Previous year's figures have been re-arranged/re-grouped, wherever necessary.

