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CORPORATE DATA**BANK OF BHUTAN LTD**

Incorporated by Royal Charter, 1968
 Now Incorporated under Companies Act of Kingdom of Bhutan 2000
 And the Financial Institution Act, 1992

HEAD OFFICE

Post Box No. 75, Samdrup Lam, Phuentsholing, Bhutan
 SWIFT: bhbbtbt
 Fax: (00975-5) 252641, 254323, 254838
 Telephone Nos. (Direct): (00975-5) : 252983, 252960, 252956, 252268, 252300
 PABX: (00975-5): 252402, 252127, 252225, 252280
 Website: www.bob.bt

PHUENTSHOLING MAIN BRANCH

Telephone No. (Direct): (00975-5) 252741
 Fax: (00975-5) 252955

THIMPHU MAIN BRANCH

Telephone No. (Direct): (00975-2) 322621, 323631, 322254, 322622, 322266,
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 Telex: 09890-218 BANK TPU BT (From India)
 09890-218 (From other countries)

Date of Establishment
 May 28, 1968

Authorized Capital
 Nu.1,000,000,000

Paid-up Capital
 Nu.400,000,000

Number of Branches
 27

Extension Counters
 3

THE EXECUTIVE COMMITTEE OF THE BOARD



CHAIRMAN
MR. KARMA W. PENJOR
SECRETARY, DRATSHANG LHENTSHOG



DIRECTOR
AUM KUNZANG C. NAMGYEL
MINISTRY OF FOREIGN AFFAIRS



DIRECTOR
MR. SHYAMAL KANTI DAS
DGM (NCM)
(NETWORK - II)
STATE BANK OF INDIA
KOLKATA



DIRECTOR
MR. OM BHANDARI
SENIOR ANALYST, DRUK &
HOLDING INVESTMENTS



DIRECTOR
MR RAVI NANDAN SAHAY
STATE BANK OF INDIA



DIRECTOR
DASHO PHUB W. DORJI
MINISTRY OF FINANCE



DIRECTOR
MR. KINGA TSHERING
CEO, DHI INFRA



MEMBER DIRECTOR
MR. PASSANG TSHERING
CEO, BOBL

Bank of Bhutan Management Team



Mr. Passang Tshering has been working in the bank since 1977 in various positions. Before his appointment as the Chief Executive Officer of Bank, he was the Dy.CEO (Corporate Services). Today he is one of the senior most officials who has contributed significantly to the bank's growth. Mr. Passang has a Bachelors Degree in Commerce from India.

Mr. Karma Tshering is a recipient of a French government scholarship to study Diplome en Administration Publique at Ecole Nationale d'Administration (ENA) in Paris, France and graduated with distinction. He has a bachelor's degree (Honours) in Commerce from Sherubtse College and was selected in the RCSC Officers Selection Examination in 1996. He worked as the Program Officer in the Division of Power, Program Officer, PDSD, Department of Industry and as the Registrar of Companies, MTI before his resignation as the Chief Industries Officer, Industrial Infrastructure Development Division, Department of Industry, MOEA in 2007. He was the Executive Director of Lhaki Group of Companies and a corporate and business consultant prior to his appointment as the Dy. CEO.



Mr. Pema Nadik has a Bachelor's Degree in Commerce from Sherubtse College, Kanglung. He has worked 17 years in Druk Air in various positions including Administration Officer (Finance), Assistant Finance Manager, Country Manager (Bangkok), Manager, Marketing and Sales, Manager, Administration and Personnel, and Manager, Ground Operations, in-flight Service and Airline Security before his resignation in 2007 to be self employed in Dolma Enterprise.

Mr. Damche Tenzin worked 13 years in the Royal Civil Service Commission and prior to his resignation from the RCSC in August 2009, he was the Chief Legal Officer. He carries rich experiences of the civil service administration system and adjudication of civil service disciplinary cases with legal background. He joined the Bank of Bhutan in September 2008 as the Chief Legal Advisor and heads the Legal Department of the BoBL. In 2009, he was also appointed as the Company Secretary. Mr. Damche has an LL.M. Degree from California Western School of Law, San Diego, California, LL.B. from University of Delhi and Bachelors Degree (Honours) in English from Sherubtse College. He was awarded the meritoritious promotion in the civil service in 2004 for his dedicated services.





Prior to joining Bank of Bhutan in November 2009, CA. A.K Dutta had worked for banks both in India and Bhutan for about 10 years. He also served in a large multi product Govt. of India Enterprise organization in Kolkata for about 22 years in the areas of finance & accounts, working capital management, cost control, fund and non-fund based banking operations, treasury, company secretarial functions, project management, fund raising, financial reporting, budgeting, corporate planning & restructuring, internal control systems, internal audit, direct and indirect taxations. CA. A.K Dutta has a Bachelors Degree in Science from the University of Calcutta and Chartered Accountancy from the Institute of Chartered Accountants of India.

Mr. Dorji Wangchuk joined Bank of Bhutan in 1984 and since then he has been working in the bank in various portfolios. From 2000-2008, he served as the branch manager and also headed the Central Accounts Division at the Head Office. Before his appointment as the Chief Operation Officer in November 2009, he was also the Zonal Manager, South Zone, the post which he still occupies today in addition to his duty as the COO. Mr. Dorji Wangchuk has a Bachelors Degree in Commerce from St. Joseph College, North Point, Darjeeling.



Mr. Dil Bahadur Rahut has been working in Bank of Bhutan since June 2008 as the Chief Monitoring Officer. Prior to his joining the bank, he was a Senior Fellow and Japan Chair at Indian Council for Research in International Economic Relation, Delhi. He started his career with the Research and Statistics Division of the Royal Monetary Authority of Bhutan. He also worked as a Junior Researcher at the Center for Development Research, Bonn, Germany and as a Research Fellow at Greater Mekong Regional Office, WorldFish Center (CGIAR). Dil received his B.Sc. from the Scottish Church College, India; MBA (Finance) from L.N. Mishra Institute of Economic Development and Social Change, India; MA (International Political Economy) and MA (Program in Policy Management) from University of Tsukuba, Japan; and PhD in Economics from University of Bonn, Germany.

Bank of Bhutan Ltd.

VISION

To be the preferred financial institution in the region, enabling the nation's economic growth by providing customer friendly, efficient and comprehensive financial services

MISSION

- ▶ To drive the nation's economic growth through modernization and expansion of the nation's financial sector
- ▶ To provide services to the rural economy through the extensive branch network and appropriate schemes
- ▶ To provide customer centric services and ensure customer delight
- ▶ To provide efficient services through cutting edge technology, best in class processes and highly motivated professionals
- ▶ To enable the creation of a knowledge based economy by supporting growth of professionals and industries in information technology, law, economics and finance



FINANCIAL HIGHLIGHTS

The Bank has demonstrated remarkable improvements in its financial structure and employee productivity in 2010 as is evident from the key performance highlights mentioned below.

(Amount in Million Ngultrums)

	2010	2009	% change
Total Income	1,467.31	1,400.59	4.76
Total Expenditure	731.32	721.45	1.37
Profit Before Tax	735.99	679.14	8.37
Net Profit after Tax	510.78	471.60	8.31
Earnings per Share (Nu.)	1,276.95	1,179.01	8.30
Return on Equity (%)	22.40	22.75	(1.54)
Capital & Reserves	2,279.98	2,073.42	9.96
Deposits	23,343.44	22,178.98	5.25
Advances	11,140.85	9,444.85	17.96
Total Assets / Liabilities	30,185.77	26,248.41	15.00
No. of Branches	27	26	3.85
No. of Employees	615	588	4.59
Business Per Employee	56.07	53.78	4.26
Net NPA (%)	2.10	2.74	(23.36)



Directors' Report: 2010

The Board of Directors have the pleasure in presenting the 43rd Annual Report of your Bank together with the Audited Statement of Accounts, Auditors' Report and the report on business and operations of the Bank of Bhutan for the Financial Year ended 31st December, 2010.

1. Introduction

2010 Financial year saw many initiatives on varied fronts such as rebalancing business focus with a view to improving earnings profile, enhancing delivery channels and customer centricity, repositioning brand identity, successful migration to CBS framework, focusing on asset quality and risk management, business process revamp through BPR project and development of human capital. All these measures and initiatives, which started showing results during the year, would be more perceptible in the subsequent years.

2. Financial Results

Bank of Bhutan has performed exceptionally well recording the highest profit in 2010 in its 43 years of banking business. The Bank posted a total income and a net profit of Nu.1,467.31 million and Nu. 510.78 million respectively for the financial year 2010 as against Nu. 1,400.59 million and Nu. 471.60 million respectively in the previous year registering a growth of 8.31% in profit after tax.

The Bank's interest income recorded a y-o-y growth of 4.25% to reach Nu.1147.32 million compared to Nu.1,100.57 million recorded during the previous financial year. Non-interest income increased by 6.66% during the year.

Total expenditure including that of interest expenses on deposits increased from Nu. 547.39 million in 2009 to Nu.690.48 million in 2010. Owing to prudent lending policy, which was followed by strong recovery efforts by the bank, provisions on loans have decreased from Nu.174.06 million in 2009 to Nu.40.84 million in 2010, declining by 76.54 %. Therefore, net profit showed a positive growth of 8.31% from Nu.471.60 million in 2009 to Nu.510.78 million in 2010 setting the record with the highest financial performance in its history.

3. Dividend

In conformity with its commitment to enhance value for shareholders, the Bank showed steady improvement in Earnings Per Share (EPS) and Book Value. While Book Value increased to Nu.5,592.54 as at 31.12.2010 as compared to Nu.5,092.65 for the previous financial, EPS rose to Nu.1,276.95 for the year ended 31.12.2010 compared to Nu.1,179.01 a year ago. A dividend of 75%, amounting to Nu.300 million was recommended by the Board of Directors of the Bank for 2010.

4. Capital & Reserves

The total capital and reserves increased by 9.96% during the year. It increased from Nu.2073.42 million in 2009 to Nu.2279.98 million in 2010.

5. Ownership

The ownership of the bank is vested with the Druk Holding and Investment (DHI) and State Bank of India (SBI) with equity holding of 80% and 20% respectively.

6. Alliances

The Bank of Bhutan continues to have strategic alliance with the State Bank of India, the largest bank in the region . For the past four decades the SBI has extended its full support in shaping and guiding the bank to its present status.

The Bank of Bhutan is now the principal member of MasterCard World Wide and Visa International. Recently the Bank has also signed an agreement with Western Union for the remittances business and will be implemented soon.

7. Corporate Governance

The Bank's corporate governance philosophy is woven around its total commitment to ethical practices in the conduct of its business while striving to enhance shareholders' value. With the revised BoB organizational structure, the interrelation between the Board, the executives and other functionaries are well configured as to have distinctly demarcated roles and improved corporate performance. The Bank is also committed to high disclosure standards and best practices in a transparent manner.

8. Constitution of Board & Board Meetings

The bank has appointed competent and qualified members on board who have a clear understanding of their roles in corporate governance. As part of good corporate governance, the Bank is committed to:

- ▶ Ensuring that the Bank's Board of Directors meet regularly, provide effective leadership, exercise control over management and monitor executive performance
- ▶ Establishing a framework of strategic control and continuously reviewing its efficacy
- ▶ Establishing clearly documented and transparent management processes for policy development, implementation and review, decision-making, monitoring, control and reporting
- ▶ Providing free access to the Board to all relevant information, advices and resources as are necessary to enable it to carry out its role effectively
- ▶ Ensuring that the Chief Executive Officer & Senior Executives of the bank have responsibility for all aspects of executive management and is accountable to the Board for the ultimate performance of the bank and implementation of the policies laid down by the Board
- ▶ Ensuring that a senior executive is made responsible in respect of compliance issues with all applicable statutes, regulations and other procedures, policies as laid down by the DHI/RMA and other regulators and the Board, and report deviation, if any

8.1 Constitution of the Board:

Currently the Bank's Board is constituted with the following members:

1. Mr. Karma W. Penjor, Chairperson
2. Mr. Ravi Nandan Sahay, Director
3. Mr. S. Kanti Das, Director
4. Aum Kunzang Choden Namgyel, Director
5. Dasho Phub W. Dorji, Director
6. Mr. Kinga Tshering, Director
7. Mr. Om Bhandari, Director

8. Mr. Passang Tshering, Member-Director

8.2 Board Meetings:

During the year, seven Board Meetings and one Annual General Meeting were held.

9. Customer Service

During the year, the Hon'ble Chairman personally visited 11 BOBL branches and spent time with the employees sharing the Board's vision and support for the bank. He took note of issues confronting the bank and received feedbacks from the employees. In 2010, the bank adopted Customer CARE as the theme for the year and during his visit to the branches, the Chairman stressed on the importance of the customer service.

10. Technology

Core Banking Solution: As of 31st December 2010, 22 branches were rolled out on CBS, covering all Western, Eastern, Southern and Central regions of Bhutan.

Internet Banking: This has enabled our clients for online money transfer and instant credit to their accounts in any CBS branches in Bhutan at FREE of cost. The Bank also offered a choice for the public to file and pay Personal Income Tax online. The corporate bodies also have the facility of directly uploading their employee salaries.

Branch and ATM Network: Delivery channels, including branches and ATMs have been further expanded for closer customer proximity and increasing business potentiality. Branch network of the Bank is well spread across the country with additional branch at Nganglam in Pemagatshel, during the year. There were 28 ATM machines installed at many convenient locations spread over 14 branches at the end of the year.

11. Human Resource Development

Bank continues to lay great emphasis on Human Resources Development to make its employees attain high standards in efficiency and productivity. A number of initiatives have been undertaken by the bank for changing the mindset of the employees, constantly upgrading their knowledge to ensure

significant improvements in their performance, and to motivate/recognize /reward them suitably. The focus of HR Policy of the Bank has been to facilitate knowledge management, skill enhancement, motivational strategies and cultural change to equip staff members for the ever changing competitive environment. Accordingly, the training system and infrastructure has been revamped and dovetailed with the business plan, branch expansion, technology plan and business environment.

12. Statutory Requirements

As in the past the bank has complied with most of the Prudential Regulations of the Royal Monetary Authority of Bhutan and adhered to all other statutory requirements.

13. Corporate Social Responsibility

Your bank has taken a lead role in these important areas to increase the general welfare of the society and public at large. Currently, 10 girl students are studying in various private schools in Bhutan under "BoB Need-based Scholarship" program while 5 appeared for 2010 BHSCE. The bank shall continue the program in future also. BOB also contributed USD 2,000 to Bhutanese Embassy in Bangladesh during the State visit of Hon'ble Lyonchen Prime Minister of Bhutan.

14. New Business Initiatives & Future Plans

Bank of Bhutan is the first commercial bank in the country to be awarded the principal membership by MasterCard and Visa International on May 3, 2010 and June 16, 2010 respectively. Being the principal member of the Visa International and MasterCard, the Bank of Bhutan will not only be able to enable foreigner to use their credit cards in Bhutan or issue cards to Bhutan travelers, but also sponsor other banks in Bhutan to be the associate members of Visa International and MasterCard.

The implementation process requires a series of regulatory clearances from the MasterCard and Visa International Regional and Head Office. In order to expedite the process, Bank of Bhutan hired the Himalayan Bank as the principal consultant.

BoB went live with MasterCard ATM acquiring on 28th September, MasterCard POS acquiring on 4th November, Visa POS acquiring on 5th November and all were formally launched on 11th December, 2010 by Honourable Lyonpo Nandalal Rai, Minister for Information and Communications. Now visitors to Bhutan can use their credit/debit cards both MasterCard and Visa International in all the BOB ATMs for cash withdrawal and BoB Point of Sale (POS) machines that have been installed at various business outlets for payment.

In the issuing front, Bank of Bhutan in partnership with Axis Bank has already issued Prepaid Card. This will facilitate Bhutanese travelers to India to withdraw cash from any Visa ATM in India and also make online payment.

15. Auditors

M/S S.K Mittal & Co., Chartered Accountants, New Delhi, appointed as auditors of the bank with the approval of the Board, clearance from the RMA and in consultation with the Audit Committee of the bank, has audited the bank's books of accounts for the year ended 31st December, 2010. You will be pleased to note that there were no adverse observations.

16. Acknowledgement

Your Directors would like to place on record their gratitude for guidance and co-operation received from the Royal Government of Bhutan, Royal Monetary Authority of Bhutan, Druk Holding & Investments, State Bank of India, Royal Audit Authority, Statutory Auditors, other Regulatory Authorities, financial institutions and the correspondent banks. The Board conveys its sincere gratitude to the shareholders, customers, investors and well-wishers for their goodwill, patronage and support. The Board would also like to take this opportunity to express their appreciation for the hard work and efforts put in by employees and looks forward to receiving the same in future.

Tashi Delek!

For and on behalf of the Board of Directors

**Karma Penjor
(CHAIRMAN)**

MANAGEMENT'S REPORT: 2010

1. Introduction

The outlook for the Bank is very positive. The Bank has addressed in a pro-active manner the issues and concerns visualized for ensuring accelerated business growth and profit. The bank has taken new initiatives in technology expansion, business process reengineering, marketing and human resources development to capitalize on the opportunities and meet the challenges effectively. Organizational re-structuring with added customer focus is also being addressed. Risk Management practice is being continuously upgraded. The Bank has also drawn up business plan to improve its market share and profit, along with substantial reduction in NPAs.

2. Business Strategy & Restructuring

The BPR Project is under progress addressed which is expected to attend to organizational re-structuring, process re-engineering, developing skills in new business areas, developing new products, asset quality management, strong MIS, improving profitability through cost control, and improvement in HR and corporate governance issues.

3. Risk Management

Realizing Risk Management as an integral part in the Bank to safeguard its reputation for safety and soundness of the Bank's assets and operations, Bank has adopted Risk Management Policy which is fully operational with setting up of Risk Management Organization Structure in which Board is the supreme authority for risk management of the bank. Board is directly supported by Risk Management Committee (RMC) which is entrusted with three major functions classified as under:

- i. Credit Risk Management
- ii. Market Risk Management
- iii. Operational Risk Management

RMC also oversees the functions of Asset Liability Management Committee (ALCO) and Credit Risk Management Committee (CRMC).

Since the implementation of Risk Management Policy from March, 2010, RMC has held 6 RMC & ALCO meetings wherein crucial issues related to risk management functions of the bank have been deliberated and addressed.

Under the purview of Credit Risk Management, bank has so far rated 23 of its commercial borrowers enjoying fund based credit facilities of Nu.10 million and above as per the Credit Risk Rating model of the risk management policy which is applied to existing borrowers mainly in the manufacturing sector. The rating level ranges between CR1 to CR7.

Bank has plans to rate the new borrowers and units in all sectors to ensure compliance with asset quality maintenance and adherence to sound lending principles.

This credit rating system will enable the bank not only in identifying good from bad and the better from the best borrowers but will also help in taking objective and informed decisions related to funding as well as pricing of products based on credit rating scores of the borrowers. Over and above, it will enable bank to strengthen a risk-based framework of credit evaluation and credit allocation thereby promoting credit discipline ultimately leading to soundness and stability in the country's financial markets.

4. Financial Performance Review for 2010

4.1 Income and Expenditure Analysis

Total income registered a growth of 4.76% to Nu.1,467.31 million from Nu.1,400.59 million in 2009.

Interest Income during the year increased by 4.25% with overall increase of Nu. 46.75 million from Nu.1,100.57 million in 2009 to Nu. 1,147.32 million in 2010.

Non-Interest income increased to Nu. 319.99 million in 2010 from Nu.300.02 million in 2009 with a growth of 6.66%. The major reason for such an increase was due to increase in income from commission & exchange charges and gain from foreign exchange transactions.

Interest Expenses increased by 30.14% with increase of Nu. 83.50 million from 277.00 million in 2009 to Nu.360.50 million. This increase is mainly due to increase in interest cost on term deposits.

Operating expenses stood at Nu. 329.98 million in 2010 as compared to Nu. 270.39 million in 2009 resulting in increase of Nu.59.59 million (22.04%).

Net Interest Income of the bank registered a negative growth of 4.46% with a decline by Nu.36.75 million from Nu.823.57 million in 2009 to Nu.786.82 million in 2010.

4.2 Profitability

Following increase in interest and operating costs coupled with decline in net interest income as specified above, the net operating profit of the bank registered

a negative growth of 8.95% with overall decrease by Nu.76.37 million from Nu.853.20 million in 2009 to Nu.776.83 million in 2010.

However, with substantial reduction in Non-Performing Assets and Loan Provisions the Bank posted a Net Profit after tax of Nu.510.78 million in 2010 registering positive growth of Nu.37.58 million (8.31%) in 2010 from previous year's net profit of Nu.471.60 million.

The comparative income and expenditure vis-à-vis the profitability analysis is furnished as under:

(Amount in Million Ngultrums)

Particulars	2010	2009	Variance	%
Interest Income	1,147.32	1,100.57	46.75	4.25
Interest Expenses	360.50	277.00	(83.50)	(30.14)
Net Interest Income	786.82	823.57	(36.75)	(4.46)
Operating (Non-interest) Income	319.99	300.02	19.97	6.66
Gross Operating Income	1,106.81	1,123.59	(16.78)	(1.49)
Operating Expenses	329.98	270.39	(59.59)	(22.04)
Net Operating Income	776.83	853.20	(76.37)	(8.95)
Provision & contingencies	40.84	174.06	133.22	76.54
Profit Before Tax	735.99	679.14	56.85	8.37
Provision for taxation	225.21	207.54	(19.27)	(9.28)
Profit After Tax	510.78	471.60	37.58	8.31

4.3 Balance Sheet Analysis

Total assets/liabilities registered a growth of 15% with absolute variance of Nu.3,937.36 million from Nu.26,248.41 million in 2009 to Nu.30,185.77 million

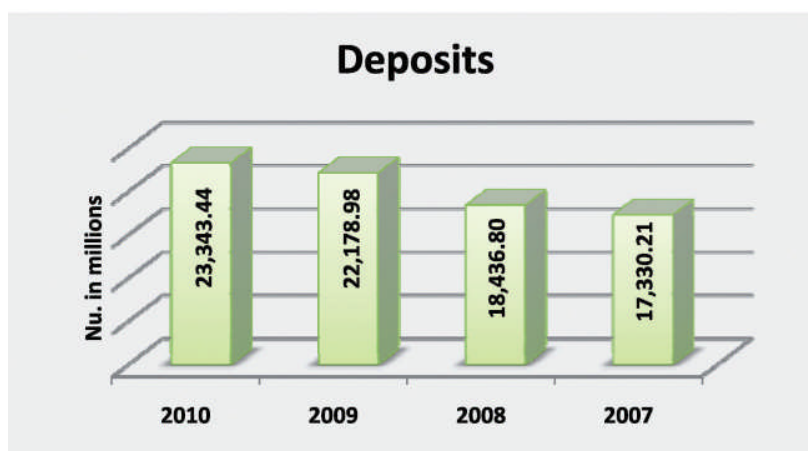
in 2010. The reason for this growth is attributed to increase in bank's business. The comparative growth in asset during the 2010 is as follows:

(Amount in Million Ngultrums)				
Balance Sheet	31.12.2010	31.12.2009	Absolute(+/-)	% (+/-)
LIABILITIES				
Capital	400.00	400.00	0.00	0.00
Reserves & Surplus	1,879.98	1,673.42	206.56	12.34
Deposits	23,343.44	22,178.98	1,164.46	5.25
Other liabilities & provisions	4,562.35	1,996.01	2,566.33	128.57
Total Liabilities	30,185.77	26,248.41	3,937.35	15.00
ASSETS				
Cash & Balance with RMA	15,412.15	11,339.14	4,073.01	35.92
Balances with Banks	2,577.57	2,620.99	(43.42)	(1.66)
Investments	600.72	2,564.43	(1,963.71)	(76.57)
Advances	11,140.85	9,444.85	1,696.00	17.96
Fixed Assets	257.82	201.61	56.20	27.87
Other Assets	196.66	77.39	119.27	154.12
Total Assets	30,185.77	26,248.41	3,937.35	15.00

4.4 Deposits

The total deposits registered a growth of 5.25% from Nu.22,178.98 million in 2009 to Nu.23,343.44 million in 2010 of which demand deposits and term deposits increased by 6.7% and 0.44% respectively. Various efforts were made by the bank to augment low cost deposits.

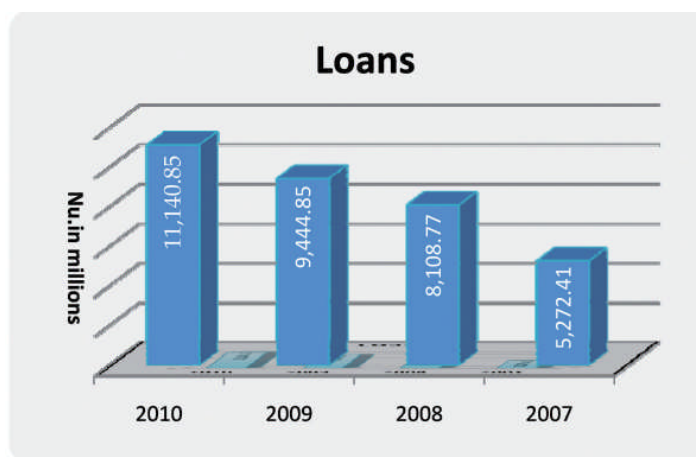
Under demand deposits, current accounts accounted for 53.31% increase and savings accounted only 46.69% growth thereby keeping the cost of fund at minimal and managing comfortable interest margin.



4.5 Advances

Loans and Advances of the bank registered a growth of 17.96% with an increase in loan portfolio by Nu.1,696 million from Nu.9,444.85 million in 2009 to Nu.11,140.85 million in 2010. The bank's consistent adoption of prudent lending policies and effective NPA management

have also brought about substantial improvement in the quality of loan portfolio with reduction of net NPA level from 2.86% in 2009 to 2.10% in 2010.

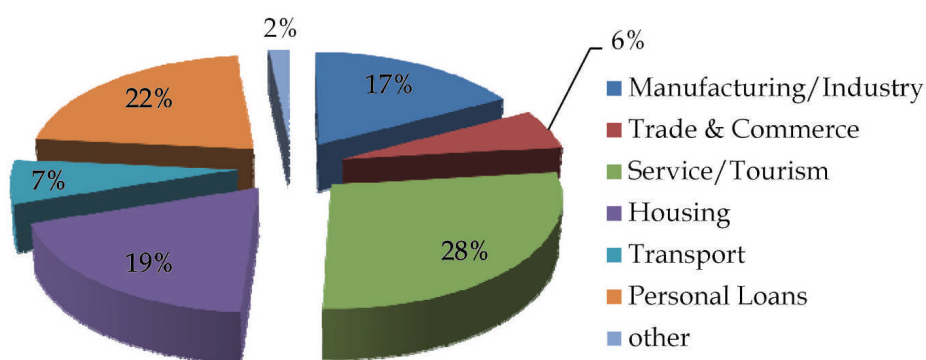


Product diversification through increased loan portfolio and prudent credit risk management is the order of bank's credit policy being followed in spirit.

Regular Credit Committee/Management Committee meetings were held to monitor and evaluate the quality of loans and ensure minimal loan losses. A strong

new Recovery unit has been established for close monitoring and loan recovery.

Of the total loan portfolio of the bank, Service & Tourism Sector accounted the highest with 28% followed by Personal Loan with 22%. Housing and Manufacturing/Industry sectors shared 19% and 17% respectively. The details are shown as below:



4.6 Foreign Exchange Business

A total of Nu.2922.503 million worth of import business and Nu.765.900 million worth of export business were handled by the Bank. As a result the bank earned a net profit of Nu. 26.425 million from foreign exchange transaction in 2010.

4.7 Investment

The bank's investment on equity shares increased from Nu.50.06 million to Nu.73.72 million during the year with additional purchase of 118,272 numbers of shares

at the rate of Nu.200 per share amounting to Nu.23.65 million from M/s Druk Ferro Alloys Ltd.

5. Technology & Computerization

Bank has recognized Information technology as the cornerstone for increasing the speed and reliability of financial operations to achieve operational excellence and provide better and efficient customer services. At the end of 2010, 23 branches out of 27 branches were connected with CBS. Core Banking branches are supported by the Help Desk run on 24x7 basis from

the Bank's Data Centre at head office. Internet Banking Facility and Electronic Bill Payment facility has been operationalised offering 'Anywhere Anytime Banking' feature.

6. Customer Care

- ▶ Two Internal Surveys on customer satisfaction and one External Survey by IMS, Thimphu were conducted during the year.
- ▶ Reintroduced the token system at Phuentsholing and Thimphu Main Branch after obtaining the feedback from the customers to minimize customer waiting time.
- ▶ A workshop on Complaint Handling Manual was conducted with full participation of all the branches.
- ▶ Round the clock customer's calls from anywhere in Bhutan or out of Bhutan are entertained on two 24x7 helpline mobile numbers.
- ▶ Online assistance to customers is provided through emails at customer.care@bob.bt
- ▶ A single consolidated brochure on various Service Charges was designed and brought out in January 2010 for the convenience of the customers.

7. Human Resource Management

7.1 Recruitment and Training

- ▶ Open recruitment-40 Officers and 25 Assistants
- ▶ Campus recruitment-4 Officers and 2 Assistants (BoB recruited the Gaeddu college of Business studies topper in Finance and accounting).

7.2 Training

- ▶ Total training days-3261 Days.
- ▶ Bhutan-353 Officers and 213 Assistants.
- ▶ India-16 Officers and 1 Assistant.
- ▶ Third Country-82 Officers and 6 Assistants.

7.3 Branch managers study tour to Bangkok

BoB organized a branch manager's study tour to Bangkok in February 27th to March 4th, 2010 and the theme of the study tour was "customer care". The tour was lead by Mr. Karma Penjor, BoB Board Chairperson. The total of 36 delegates inclusive of BoB Board Chairperson, Board Director, CEO (BoB), CGM, CCO, COO, Zonal Managers and all the Branch Managers attended the study tour.

7.4 Training Manual

BoB in its history, for the first time introduced 6 masters level scholarships on an annual basis for the next 10 years. BoB also introduced a training manual to ensure strategic and systematic planning of meeting the training objectives in a fair and transparent manner.

7.5 Promotion Examination

BoB conducted the first promotion examinations (2 times) for a total of 66 officers.

7.6 Board Human Resource Committee

The first Board Human Resource Committee was formed in the year as Aum Kunzang C. Namgyal as the Chairperson.

8. BOB Newsletter

During the year, we continued to inform our employees of important issues and developments concerning the bank through our quarterly newsletters. It is a platform for the employees to be informed and also acknowledge the initiatives by the employees.

9. Inspection and Audit

Inspection and Audit function serves as an important tool for the Management at various levels in evaluating the effectiveness of the Internal Control Mechanism in the Bank. The inspection report not only serves the purpose of rectification of irregularities stated therein but it is also a blue print to the branch functionaries and management for initiation of actions for correction of systemic deficiencies. Bank is having a well established internal control mechanism.

10. Future Prospects and Plans

Bank of Bhutan has already completed the due diligence process for issuing Bank of Bhutan's own Visa and MasterCard branded debit/credit card. The implementation process has already begun. Visa Debit Card will be issued by the second quarter and credit card by third quarter of 2011.

In order to provide BOB employees with housing facilities, the bank has plans to build staff quarter at Chang Gedaphu, Thimphu.

Passang Tshering
Chief Executive Officer

BANK'S ORGANIZATION

HEAD OFFICE

Chief Executive Officer	:	Mr. Passang Tshering
Dy.CEO (Operations)	:	Mr. Karma Tshering
Dy.CEO (Business Development)	:	Mr. Pema Namgyel Nadik
Chief Legal Advisor & CS	:	Mr. Damche Tenzin
Chief Finance Officer	:	CA. A. K Dutta
Credit Specialist	:	Ms. Chitra Jagdish
Chief Operation Officer	:	Mr. Dorji Wangchuk
Chief Credit Officer	:	Ms. Karma Dema
Chief Monitoring Officer	:	Dr. Dil Bahadur Rahut
Zonal Manager, West	:	Mr. Doplu Dorji
Zonal Manager, East	:	Mr. Janga Rana
Compliance Officer	:	Mr. Damber Tamang
Head, CAD	:	Mr. Daniel Verghese
Head Audit Cell	:	Mr. Sithub Tshering
Head, Administration & Payroll	:	Mr. Sonam Gyeltshen
Head, IT	:	Mr. Sonam Kezang
Project Manager, CBS	:	Mr. H K Archarya
HR Executive	:	Mr. Tshering Namgyal
Head, ALM	:	Mr. Ugyen Wangdi
Head, CRRD	:	Mr. Tharpo Dukpa
PRO-cum-Recovery Officer	:	Mr. Tshewang Dorji

BRANCH HEADS & SENIOR SUPPORT STAFF

Phuentsholing Main Branch	:	Mr. Tenzin Dorji (Branch Head)
	:	Mr. T.S.S.Babu, Manager, Cash & Deposits
	:	Mr. Ratu Tshering, Head, Forex
	:	Mr. Pema W Sherpa, Manager, Loans
Thimphu Main Branch	:	Mr. Sonam Tshering (Branch Head)
	:	Mr. Passang Dorji, Manager, Cash & Deposits
	:	Ms. Tashi Dema, Manager, Loans
	:	Mr. Tashi Wangchuk, PRO
Samdrup Jongkhar Branch	:	Mr. Jigme Chogyel
Gelephu Branch	:	Mr. D.B Chhetri
Tsimasham Branch	:	Ms. D K Chettri
Samtse Branch	:	Mr. Basant Rana
Trashigang Branch	:	Mr. Tashi Dendup
Damphu Branch	:	Mr. Sonam Tobgay
Bazar Branch, Phuentsholing	:	Ms. Chozang Lhamo
Gomtu Branch	:	Ms. Sangeeta Pradhan
Mongar Branch	:	Mr. P.B. Rai
Bumthang Branch	:	Mr. Bikash Subha
Wangdue Phodrang Branch	:	Mr. Wangdi Tshering
Paro Branch	:	Mr. Tendri Wangdi
Trongsa Branch	:	Mr. Ngawang Namgyal
Haa Branch	:	Mr. H.K. Gurung
Gedu Branch	:	Mr. Jamtsho
Zhemgang Branch	:	Mr. Tshering Duba
Lhunsi Branch	:	Mr. Chador Wangdi
Punakha Branch	:	Mr. Sanjeet Kafley
Pemagatshel Branch	:	Mr. Devendra Rai
Sarpang Branch	:	Mr. Dorji Wangchuk
Dagana Branch	:	Mr. Yegay Tshering
City Branch, Thimphu	:	Mr. Kuenley D.Tshering
Deothang Branch	:	Mr. Sonam Gyeltshen
Tashi Yangtse Branch	:	Mr. P.B. Rai

AUDITORS' REPORT

TO THE MEMBERS OF BANK OF BHUTAN LIMITED

1. We have audited the attached Balance Sheet of Bank of Bhutan Limited as at 31st December 2010 and the relative Profit and Loss account and the cash flow statement for the year ended on that date (in which are incorporated general ledger balances and transactions of seventeen branches not audited by us). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Minimum Audit Examination and Reporting Requirements under schedule XIV of section 75 of the Companies Act of the Kingdom of Bhutan, 2000 we enclose in the Annexure a statement on the matters specified therein to the extent applicable to the Bank.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a.) 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.
 - b.) In our opinion proper books of account as required by law have been kept by the bank so far as appears from our examination of those books.
 - c.) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the books of account.
 - d.) 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 at schedule 17 and Notes on Accounts at schedule 18 give the information required by the Companies Act of the Kingdom of Bhutan, 2000 in the manner so required and subject to :



- i) *Note No. 1 of Schedule 18 regarding unmatched entries in reconciliation of accounts with Royal Monetary Authority of Bhutan, State Bank of India, other banks including NOSTRO Accounts, Inter Branch Accounts and Bills Payable Accounts.*
- ii) *Note No. 6 of Schedule 18 regarding balance books in respect of some advances/deposits under reconciliation.*

of which the consequential impact in the accounts for the year due to non-adjustments and non-provision is not presently quantifiable, give a true and fair view:

- a) In the case of Balance Sheet, the state of affairs of the bank as at 31st December 2010
- b) In case of Profit and Loss Account of the profit of the bank for the year ended on that date and
- c) In case of Cash Flow statement of the movement of cash of the Bank for the year ended on that date.

Place: New Delhi

Dated: 28 MAR 2011



For S. K. Mittal & Co.
Chartered Accountants

[Signature]
S. K. Mittal
(Partner)
M. No.: 08506

REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

ANNEXURE

1. The bank has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets of the bank have been physically verified during the year and no material discrepancies were noticed on such verification as informed to us.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification of stores was conducted by the management at reasonable intervals and no material discrepancies were noticed on such verifications.
4. The procedures of physical verification of stores followed by the management are reasonable and adequate in relation to size of the Bank and the nature of its business.
5. The valuation of stores is fair and proper in accordance with normally accepted accounting principle and there is no change in the basis of valuation of stores followed in the preceding year.
6. The loans/advances granted to officers / staffs are in keeping with the provision of Service Rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.
7. In our opinion and according to the information and explanations given to us, the Bank has established adequate 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 bank as well as to ensure adherence to the rules, regulations and systems and procedures.
8. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of the business, for the purchases of services, stores, equipment and other assets.
9. Unserviceable or damaged stores are not determined.
10. According to the records, the Bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of Kingdom of Bhutan 2001.
11. There are no undisputed amounts payable in respect of rates, taxes, duties, provident fund and other statutory dues outstanding at the year-end.



12. No personal expenses of employees or directors have been charged to the Bank accounts other than that payable under contractual obligations or in accordance with generally accepted business practice.
13. In our opinion and on the basis of available records and information, the activities carried out by the Bank are lawful and intravires to the Articles of Incorporation of the Bank.
14. The Bank has established an effective budgetary control system.
15. The details of remuneration and other payments made to the Board of Directors including the Chief Executive Officer of the Bank are suitably disclosed in Note No.13 of Notes to Accounts (Schedule-18). Our checking is restricted to Board minutes and while checking the said Board minutes, we have not come across any cases of disclosures of interest where payments have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/children) by Bank directly or indirectly.
16. As represented to us, the directives of the Board and Board Committees have been complied with.
17. So far as we have been represented and our knowledge is concerned, the officials of the Bank have not transmitted any price sensitive information which are not made publicly available, unauthorisedly to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
18. The Bank has maintained the adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made therein.
19. The Bank has not dealt or traded in shares, securities and other investments during the year.
20. The Bank has adequate records for funds collected from depositors and for interest payments.
21. On the basis of examination of investment portfolio of the Bank in shares, we are of the opinion that no provision is required for permanent diminution in the value of shares.
22. The Bank has complied with the requirements of Financial Institutions Act, 1992 and any other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.
23. The requirements of RMA Prudential Regulations, 2002 relating to provisioning for the non-performing assets including loans and advances have been complied with.
24. Recognition of interest income in respect of non-performing assets has been deferred.



25. The assets hypothecated against loans and advances have been periodically physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
26. The Bank has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
27. The disposal of assets taken over for repayment defaults etc. is made through open/sealed bids.
28. Proper analysis is carried out before re-phasing/rescheduling of loans. Certain advances amounting to Nu.76,451,967.22 which became due for payment, fully or partly, were rescheduled during the year on the basis of revival package approved by the Board of directors and as permissible by RMA Prudential Regulations 2002.
29. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

Computerized Accounting Environment

1. The organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
2. There are adequate safeguard measures and backup facilities exist in relation to computer facilities.
3. The backup facilities and disaster recovery measures include keeping files in different locations.
4. The operational controls are being strengthened with the implementation of the CBS to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorized access over the computer installation and files are adequate.

General

1. Going Concern Problems:

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December 2010 audited by us in accordance with the generally accepted auditing standards and on the basis of such other tests as we considered necessary in this regards, we have no reason to believe that the Bank is not a going concern on the Balance Sheet date and is not likely to become sick in the near future.

2. Ratio Analysis:

The significant ratios indicating the financial health and profitability of the Bank are given in **Exhibit -1 to Annexure**.



3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000.

The Bank has complied with the various provisions of the Companies Act of the Kingdom of Bhutan, 2000 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares and all other matters specified in the said Act.

4. Adherence to Laws, Rules and Regulations

4.1 The audit of the Bank is governed by the Companies Act of the Kingdom of Bhutan, 2000 and RMA Prudential Regulations, 2002. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

The Bank has complied with the applicable laws, rules and regulations, systems, procedures and practices except that the application of clause 6.2(iv), amended on 29th March 2010, of RMA Prudential Regulations 2002, in the matter of listing at stock exchange, is pending for Govt. decision as informed to us.

4.2 Weighting of the risk weighted assets as on 31 December 2010 is proper and correct

4.3 Capital Adequacy Ratio of the Bank as on 31 December 2010 has been fairly assessed and such ratio is more than the prescribed limit by the RMA.

4.4 Cash Reserve Ratio of the Bank as on 31 December 2010 has been fairly assessed and such ratio is more than the prescribed limit by the RMA.

Other clauses of the said Reporting Requirements are not applicable to the Bank during the year under audit.



EXHIBIT -1 TO ANNEXURE

RATIO ANALYSIS

	RATIOS	2010	2009	REMARKS
A.	Ratios for assessing financial health			
	Current Ratio (Current Assets/Current Liabilities)	1.05:1	0.97:1	Increase in ratio is due to comparative increase in current assets.
B.	Ratios for assessing profitability			
	Return on Investments (PAT/Capital Employed X 100)	22.40%	22.75%	Marginal decrease is on account of increase in capital employed
	Earnings per Share (PAT/No. of shares issued)	Nu.1276.95	Nu.1179.01	Increase in EPS is due to increased PAT for the year
	Net Profit Ratio (Net Profit/Turnover X 100)	34.81%	33.67%	Improvement in ratio is due to increase in profit during the year compared to previous year



BANK OF BHUTAN LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2010

CAPITAL AND LIABILITIES	Schedule No.	As at 31-12-2010		As at 31-12-2009	
		Nu.	Ch.	Nu.	Ch.
Capital	1	400,000,000.00		400,000,000.00	
Reserves & Surplus	2	1,879,984,883.48		1,673,419,583.69	
Deposits	3	23,343,435,404.94		22,178,979,965.92	
Other liabilities & provisions	4	4,562,346,725.69		1,996,015,098.27	
TOTAL		30,185,767,014.11		26,248,414,647.88	
ASSETS					
Cash & Balance with RMA	5	15,412,148,362.80		11,339,144,551.80	
Balances with Banks	6	2,577,569,206.40		2,620,992,458.77	
Investments	7	600,720,710.45		2,564,428,310.45	
Advances	8	11,140,851,897.81		9,444,846,187.54	
Fixed Assets	9	257,822,398.04		201,616,452.33	
Other Assets	10	196,654,438.61		77,386,686.99	
TOTAL		30,185,767,014.11		26,248,414,647.88	
Contingent liabilities	11	2,427,308,926.99		2,353,863,063.78	
Bills for Collection	12	11,392,969.94		30,411,293.99	
Significant Accounting Policies	17				
Notes to Accounts	18				

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

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

For S.K.MITTAL & Co.
Chartered Accountants

S.K. Mittal
Partner
M.No.08506

Date: 28 MAR 2011
Place: New Delhi

Chairman : Karma Penjor

Directors : Kinga Tshering
Om Bhandari
Aum Kunzang C. Namgyel
Dasho Phub W. Dorji
Shyamal Kanti Das

Passang Tshering
Chief Executive Officer

BANK OF BHUTAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2010

	Schedule No.	For the year ended 31-12-2010 Nu. Ch.	For the year ended 31-12-2009 Nu. Ch.
I INCOME			
Interest earned	13	1,147,321,209.73	1,100,569,776.96
Other Income	14	319,986,357.31	300,017,122.63
TOTAL		1,467,307,567.04	1,400,586,899.59
II EXPENDITURE			
Interest Expended	15	360,498,633.41	276,999,120.97
Operating Expenses	16	329,977,461.52	270,384,947.76
Provision and Contingencies		40,844,369.88	174,061,689.73
TOTAL		731,320,464.81	721,445,758.46
III PROFIT			
Profit before Tax		735,987,102.23	679,141,141.13
Provision for Income Tax		225,205,478.00	207,537,908.00
Net Profit for the year		510,781,624.23	471,603,233.13
Less : Tax for earlier years		1,600,828.00	0.00
Profit brought forward		583.69	350.56
TOTAL		509,181,379.92	471,603,583.69
APPROPRIATIONS			
Transfer to Reserve Fund		199,955,000.00	284,280,000.00
Exchange Fluctuation Reserve		6,610,000.00	13,323,000.00
Proposed Dividend		300,000,000.00	144,000,000.00
Staff Scholarship and Training Fund		2,615,496.44	30,000,000.00
Balance carried over to Balance Sheet		883.48	583.69
TOTAL		509,181,379.92	471,603,583.69
Significant Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to 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 S.K.MITTAL & CO.
Chartered Accountants

S.K Mittal
Partner
M.No.08506

Date: 28 MAR 2011
Place: New Delhi



Chairman : Karma Penjor

Directors : Kinga Tshering
Om Bhandari
Aum Kunzang C. Namgyel
Dasho Phub W. Dorji
Shyamal Kanti Das

Passang Tshering
Chief Executive Officer

BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 1 - CAPITAL

	As at 31-12-2010		As at 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
AUTHORISED CAPITAL 1,000,000 Shares of Nu.1,000 each		<u>1,000,000,000.00</u>		<u>1,000,000,000.00</u>
ISSUED AND PAID-UP CAPITAL 400,000 Shares (PY 400,000) of Nu.1,000 each (of the above, 190,000 shares were issued by way of capitalisation of reserve fund)		400,000,000.00		400,000,000.00
TOTAL		<u>400,000,000.00</u>		<u>400,000,000.00</u>



BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE 2 - RESERVES & SURPLUS

	As at 31-12-2010				As at 31-12-2009			
	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.
I RESERVE FUND								
Opening Balance	1,548,342,000.00				1,264,062,000.00			
Add: Transfer from Profit & Loss Account	199,955,000.00				284,280,000.00			
	<u>1,748,297,000.00</u>				<u>1,548,342,000.00</u>			
			1,748,297,000.00				1,548,342,000.00	
II EXCHANGE FLUCTUATION RESERVE								
Opening Balance	36,360,000.00				23,037,000.00			
Add: Transfer from Profit & Loss Account	6,610,000.00				13,323,000.00			
	<u>42,970,000.00</u>				<u>36,360,000.00</u>			
			42,970,000.00				36,360,000.00	
III RESEARCH & DEVELOPMENT FUND								
As per last account			8,717,000.00				8,717,000.00	
IV DEVELOPMENT FUND								
As per last account			20,000,000.00				20,000,000.00	
V STAFF SCHOLARSHIP AND TRAINING FUND								
Opening Balance	60,000,000.00				30,000,000.00			
Less : Deductions during the year	2,615,496.44				-			
	<u>57,384,503.56</u>				<u>30,000,000.00</u>			
Add :Transfer from Profit & Loss Account	2,615,496.44				30,000,000.00			
			60,000,000.00				60,000,000.00	
VI Balance of Profit and Loss Account								
As per annexed account			883.48				583.69	
TOTAL			<u>1,879,984,883.48</u>				<u>1,673,419,583.69</u>	



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BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 3 - DEPOSITS

		As at 31-12-2010		As at 31-12-2009	
		Nu.	Ch.	Nu.	Ch.
A	I DEMAND DEPOSITS				
	i) Current Deposits	13,941,968,523.44		13,314,838,838.51	
	ii) Savings Bank Deposits	4,787,591,623.04		4,238,293,693.74	
		18,729,560,146.48		17,553,132,532.25	
	II TERM DEPOSITS	4,409,401,185.44		4,389,865,999.55	
B	OTHER ACCOUNTS				
	Balance of other Banks in Current Account	204,474,073.02		235,981,434.12	
	TOTAL	23,343,435,404.94		22,178,979,965.92	



BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 4 - OTHER LIABILITIES & PROVISIONS

	As at 31-12-2010				As at 31-12-2009			
	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.
1 GRATUITY FUND								
As per last account	72,491,695.00				71,279,995.00			
Deductions during the year	<u>8,180,655.00</u>				<u>7,547,080.00</u>			
	64,311,040.00				63,732,915.00			
Additions during the year	<u>7,927,480.00</u>				<u>8,758,780.00</u>			
			72,238,520.00				72,491,695.00	
2 Software Upgradation Fund								
As per last account			6,450,000.00				6,450,000.00	
3 Bills Payable			227,742,487.04				175,131,575.97	
4 Interest Accrued			163,909,725.23				163,161,100.70	
5 Inter Office Adjustment (net)			2,825,692,001.00				518,622,074.29	
6 Others (including provisions)			741,108,514.42				708,620,744.31	
7 Proposed Dividend			300,000,000.00				144,000,000.00	
8 Provision for Income Tax			225,205,478.00				207,537,908.00	
TOTAL			<u>4,562,346,725.69</u>				<u>1,996,015,098.27</u>	



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BANK OF BHUTAN LIMITED

Schedules forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 5 - CASH AND BALANCES WITH RMA

	As at 31-12-2010		As at 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
1 CASH IN HAND				
Bhutan Currency	205,246,761.57		126,000,433.56	
Indian Currency	22,595,044.00		12,668,247.43	
Foreign Currency	15,770,529.21		7,199,649.46	
	<u>243,612,334.78</u>		<u>145,868,330.45</u>	
2 CASH RESERVE WITH RMA	4,266,688,000.00		3,697,806,000.00	
3 BALANCES WITH RMA	10,901,848,028.02		7,495,470,221.35	
TOTAL	<u>15,412,148,362.80</u>		<u>11,339,144,551.80</u>	

SCHEDULE 6 - BALANCES WITH OTHER BANKS

BALANCES WITH BANKS
IN INDIA AND ABROAD

On Current Accounts	568,629,206.40	1,507,152,458.77
On Deposit Accounts	208,940,000.00	113,840,000.00
	<u>777,569,206.40</u>	<u>1,620,992,458.77</u>
On Deposit Accounts in Bhutan	1,800,000,000.00	1,000,000,000.00
TOTAL	<u>2,577,569,206.40</u>	<u>2,620,992,458.77</u>



BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 7 - INVESTMENTS

	No.	Face Value	As at 31-12-2010 Nu. Ch.	No.	As at 31-12-2009 Nu. Ch.
I FULLY PAID SHARES IN					
Bhutan Board Products Limited	172,400	100	18,973,913.00	172,400	18,973,913.00
Bhutan Development Finance Corpn.	7,500	1,000	7,500,000.00	7,500	7,500,000.00
Bhutan Carbide & Chemicals Ltd	158,450	100	16,260,297.45	158,450	16,260,297.45
Bhutan Ferro Alloys Limited	50,380	100	5,038,000.00	50,380	5,038,000.00
Penden Cement Authority Ltd	3,795	100	379,500.00	3,795	379,500.00
Druk Ferro Alloys Limited	118,272	100	23,654,400.00	-	-
State Trading Corpn. of Bhutan Ltd	14,116	100	1,411,600.00	14,116	1,411,600.00
BOB Securities Limited	5,000	100	500,000.00	5,000	500,000.00
(Wholly owned Subsidiary)					
			73,717,710.45		50,063,310.45
II BONDS & BILLS					
Druk Air Bonds	527,003	1,000	527,003,000.00	527,003	527,003,000.00
RMA Discount Bills			-	200,000	1,987,362,000.00
TOTAL			600,720,710.45		2,564,428,310.45



BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE 8 - ADVANCES

	As at 31-12-2010		As at 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
LOANS,CASH CREDITS, OVERDRAFTS etc. (IN BHUTAN)	11,118,175,407.82		9,380,808,360.04	
BILLS DISCOUNTED AND PURCHASED				
Payable in Bhutan	2,829,299.57		19,069,625.71	
Payable outside Bhutan	19,847,190.42		44,968,201.79	
	22,676,489.99		64,037,827.50	
TOTAL	11,140,851,897.81		9,444,846,187.54	
PARTICULARS OF ADVANCES				
i Debts considered good in respect of which Bank is fully secured	7,950,260,170.65		7,597,670,045.06	
ii Debts considered good for which Bank holds no other security than the Debtor's personal security	1,345,255,811.30		34,293,100.10	
iii Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors	1,845,335,915.86		1,812,883,042.38	
iv Debts considered doubtful or bad, not provided for	-		-	
TOTAL	11,140,851,897.81		9,444,846,187.54	
v Debts due by directors or officers of Bank or any of them either severally or jointly with any other person.	57,895,047.89		64,780,408.29	
vi Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members	-		-	
vii Maximum amount of advances, including temporary advances made at any time during the year to directors, managers or officers of Bank or any of them either severally or jointly with any other person	115,947,740.73		75,801,938.41	
viii Maximum amount of advances, including temporary advances granted during the year to the companies or firms in which directors of Bank are interested as directors,partners or members	-		-	
ix Due from Banking companies	-		-	



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BANK OF BHUTAN LIMITED

Schedule forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 9 - FIXED ASSETS

	As at 31-12-2010				As at 31-12-2009			
	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.	Nu.	Ch.
PREMISES (BUILDING & LAND)								
At cost as on 31-12-2009	92,268,877.89				66,605,718.95			
Additions during the year	37,478,591.75				25,663,158.94			
	<u>129,747,469.64</u>				<u>92,268,877.89</u>			
Less: Depreciation to date	<u>20,860,551.74</u>				<u>18,821,846.85</u>			
			108,886,917.90				73,447,031.04	
FURNITURE, FIXTURE, OFFICE EQUIPMENTS AND VEHICLES								
At cost as on 31-12-2009	188,948,544.34				86,977,638.14			
Additions during the year	54,004,768.18				103,764,235.20			
Deductions during the year	<u>1,057,943.19</u>				<u>1,793,329.00</u>			
	<u>241,895,369.33</u>				<u>188,948,544.34</u>			
Less Depreciation to date	<u>94,733,205.47</u>				<u>68,336,118.54</u>			
			147,162,163.86				120,612,425.80	
CAPITAL WORK IN PROGRESS			1,773,316.28					7,556,995.49
TOTAL			<u><u>257,822,398.04</u></u>				<u><u>201,616,452.33</u></u>	



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BANK OF BHUTAN LIMITED

Schedules forming part of the Balance Sheet as at 31st December 2010

SCHEDULE 10 - OTHER ASSETS

	As at 31-12-2010		As at 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
(i) Accrued Interest	49,933,017.88		18,259,716.06	
(ii) Stamps, Sundry Deposits and Amounts Recoverable	14,927,278.50		4,670,516.87	
(iii) Stationery	15,714,674.53		14,682,691.98	
(iv) Building Materials	921,981.70		-	
(v) Axis Bank Pre-paid Card	9,650,011.00		-	
(iv) Advance Tax including Tax Deducted at Source	105,507,475.00		39,773,762.08	
TOTAL	196,654,438.61		77,386,686.99	

	As at 31-12-2010		As at 31-12-2009	
	Nu.	Ch.	Nu.	Ch.

SCHEDULE 11 - CONTINGENT LIABILITIES

1 Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	402,553,223.00	585,358,571.93
2 Guarantees Issued & Outstanding	2,024,755,703.99	1,768,504,491.85
TOTAL	2,427,308,926.99	2,353,863,063.78

SCHEDULE 12 - BILLS FOR COLLECTION

1 Payable in Bhutan	10,261,860.77	24,097,894.01
2 Payable outside Bhutan	1,131,109.17	6,313,399.98
TOTAL	11,392,969.94	30,411,293.99



BANK OF BHUTAN LIMITED

Schedules forming part of the Profit and Loss Account as at 31st December 2010

SCHEDULE 13 INTEREST EARNED

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
1 Interest from Loans	1,013,884,024.89		989,149,891.03	
2 Interest from Bills Receivables	2,367,636.08		3,042,888.76	
3 Interest from Investment	72,035,302.18		56,116,723.21	
4 Interest from Fixed Deposit with BNB	59,034,246.58		52,260,273.96	
TOTAL	1,147,321,209.73		1,100,569,776.96	

SCHEDULE 14 OTHER INCOME

1 Commission, Exchange and Brockerage	226,456,120.30	176,167,061.33
2 Profit on conversion of Foreign Currency Balances	26,425,321.73	53,293,441.76
3 Income earned by way of Dividend	5,766,820.00	5,937,770.00
4 Rental Income	1,074,483.00	901,106.50
5 Others	60,263,612.28	63,268,264.04
6 Profit on sale of Assets	-	449,479.00
TOTAL	319,986,357.31	300,017,122.63

SCHEDULE 15 - INTEREST EXPENSES

1 Interest paid on deposits	360,498,633.41	276,999,120.97
TOTAL	360,498,633.41	276,999,120.97



BANK OF BHUTAN LIMITED

Schedule forming part of the Profit and Loss Account as at 31st December, 2010

SCHEDULE 16 - OPERATING EXPENSES

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
1 Payment to and provision for employees	202,250,488.19		180,409,903.62	
2 Rent, Taxes, Insurance, Lighting etc	10,472,272.31		8,923,289.64	
3 Travelling Expenses	18,001,413.31		13,589,348.36	
4 Directors Sitting Fees	476,000.00		695,000.00	
5 Postage, Telegrams & Stamps	8,468,853.61		7,915,428.20	
6 Audit Fee	317,400.00		276,000.00	
7 Auditors's out of pocket expenses	423,000.00		423,000.00	
8 Depreciation	29,485,844.01		19,584,272.86	
9 Repairs to Banks Properties	13,247,691.02		8,288,361.71	
10 Stationery Printing, Advertisement etc	10,293,241.31		8,650,188.36	
11 Charity and Donations	540,000.00		2,020,000.00	
12 Fixed Asset Written off	7,891.00		-	
13 Other Expenditure	35,993,366.76		19,610,155.01	
TOTAL	329,977,461.52		270,384,947.76	



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BANK OF BHUTAN LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
Net Cash Flow from Operating Activities (Note 1)				
Return on Investments and Servicing of Finance (Note 2)	(30,818,031.24)		314,314,767.17	3,706,425,826.87
Taxation	(274,872,448.92)		(75,950,206.09)	
Capital Expenditure (Note 3)	(85,691,789.72)		(79,632,553.62)	
Net Cash Inflow / (Outflow) from Investment Activities		(391,382,269.88)		158,732,007.46
Net Cash Inflow / (Outflow) before Financing		2,042,218,558.63		3,865,157,834.33
Financing		0.00		0.00
Management of Liquid resources (Note 4)				
Net Cash Inflow / (Outflow) from Financing		1,987,362,000.00		(1,987,362,000.00)
Net Cash Inflow / (Outflow)				
Increase / (Decrease) in Cash (Note 5)				
		4,029,580,558.63		1,877,795,834.33
				1,877,795,834.33

This is the Cash Flow Statement referred to in our report of even date.

For S.K. MITTAL & Co.
Chartered Accountants

S.K. Mittal
Partner

M.No.08506

Date: 28 MAR 2011

Place: New Delhi



Chairman : Karma Penjor

Directors : Kinga Tshering

Om Bhandari

Aum Kunzang C. Namgyel

Dasho Phub W. Dorji

Shyamal Kanti Das

Passang Tshering
Chief Executive Officer

BANK OF BHUTAN LIMITED

NOTES FORMING PART OF THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
1 Net Cash Flow from Operating Activities:				
Net Profit before tax	735,987,102.23		679,141,141.13	
Add : Depreciation Charges	29,485,844.01		19,584,272.86	
	765,472,946.24		698,725,413.99	
Less: Income from Dividends	5,766,820.00		5,937,770.00	
Interest Received	131,069,548.76		108,376,997.17	
Profit on Sale of Fixed Assets	0.00		449,479.00	
Loss on Exchange Fluctuation Reserve adjusted with Reserve	0.00		0.00	
	628,636,577.48		583,961,167.82	
 (Increase)/Decrease in Advances	(1,696,005,710.27)		(1,336,075,305.25)	
(Increase)/Decrease in other Assets	(53,534,038.70)		(4,868,990.81)	
Increase/(Decrease) in Deposits & other Accounts	1,164,455,439.02		3,742,182,025.56	
Increase/(Decrease) in other Liabilities & Provisions	2,390,048,560.98		721,226,929.55	
	<u>2,433,600,828.51</u>		<u>3,706,425,826.87</u>	
 2 Return on Investments and Servicing of Finance:				
Dividend Paid	(144,000,000.00)		0.00	
Dividend Received	5,766,820.00		5,937,770.00	
Interest Received	131,069,548.76		108,376,997.17	
Additional Equity (capital Injection)	0.00		200,000,000.00	
Investment in shares	(23,654,400.00)		0.00	
	<u>(30,818,031.24)</u>		<u>314,314,767.17</u>	
 3 Capital Expenditure:				
Payments to acquire tangible fixed assets	(91475468.93)		- 129,427,394.14	
Receipts from sale of tangible fixed assets	0.00		449,480.00	
(Increase)/Decrease in Capital Working In Progress	5,783,679.21		49,345,360.52	
	<u>- 85,691,789.72</u>		<u>- 79,632,553.62</u>	
 4 Management of liquid resources:				
Sale/(Purchase) of RMA Discount Bills	1,987,362,000.00		- 1,987,362,000.00	
	<u>1,987,362,000.00</u>		<u>- 1,987,362,000.00</u>	
 5 Increase/(Decrease) in cash(Includes cash in hand, balances with RMA and balances with other banks):				
Closing Balance	17,989,717,569.20		13,960,137,010.57	
Less :Opening Balance	13,960,137,010.57		12,082,341,176.24	
	<u>4,029,580,558.63</u>		<u>1,877,795,834.33</u>	



BANK OF BHUTAN LIMITED**Schedule – 17****SIGNIFICANT ACCOUNTING POLICIES****1.0 Accounting Convention**

The accompanying financial statements have been prepared on historical cost convention, on the accrual basis of accounting and conform to statutory provisions and practices prevailing in Bhutan except as otherwise stated.

2.0 Advances

- 2.1 Advances are stated at principal amount together with interest accrued thereon.
- 2.2 Advances are recognised as non-performing based on Prudential Regulations 2002 issued by Royal Monetary Authority of Bhutan. Interest on Non-Performing Advances are credited to an Interest Suspense Account and not recognised in the profit and loss account until received.
- 2.3 Specific Provisions in respect of non performing advances is made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in Prudential Regulations 2002 issued by Royal Monetary Authority of Bhutan, at the following rates and for the loan under litigation against which 100% provision is made:

Credit Exposure	Provision on Outstanding Principal Amount	
	Sector with Highest Exposure	Others
Sub-standard	30 %	20%
Doubtful	60%	50%
Loss Assets	100%	100%
Term Expired	100%	100%

Further in terms of RMA Prudential Regulations 2002 a general provision is made on performing loans as follows:

Standard/Watch Assets 1.50 %

- 2.4 Advances appearing in the Balance Sheet are inclusive of provision for Bad and Doubtful Debts. Provisions are grouped in the Balance Sheet under the head "Other Liabilities and Provision".



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3.0 Investments

Investments in shares and other securities are stated at cost.

4.0 Fixed Assets

4.1 Premises and other fixed assets are stated at their historical cost less depreciation. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on asset before it is put to use.

4.2 Depreciation is provided on "Straight Line Method" as per the rates specified under Annexure II of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001(effective from the Year 2002), published by the Ministry of Finance, Royal Government of Bhutan and calculated on Pro-rata basis from the date of purchase; however, in respect of hardware and software for CBS project, depreciation is calculated on pro-rata basis from the date of purchase or put to use as applicable.

5.0 Stock of Stationery

Stock of Stationery is valued at Weighted Average cost method.

6.0 Foreign Currency Transactions

6.1 Revenue and expenditure are translated at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at closing exchange rates notified by the Royal Monetary Authority of Bhutan at the balance sheet date.

6.2 Contingent Liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by the Royal Monetary Authority of Bhutan at the balance sheet date.

7.0 Revenue Recognition

7.1 Interest income is recognised in the Profit and Loss Account as it accrues except in the case of non-performing assets where it is recognised upon realization as per the Prudential Regulations 2002 issued by Royal Monetary Authority of Bhutan. Income from late fee, however, is recognized on receipt of equated monthly installment.

7.2 Interest income on Term Deposits, Current Deposits, and Income on RMA Bills are accounted for on accrual basis.

7.3 Commission and Exchange on Letters of Credit, Guarantees, cheques, Bills for collection, Bills Purchased and Dividend Income are accounted for on cash basis.



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8.0 Staff Benefits

- 8.1 Provision for Gratuity and leave encashment payable to employees on their retirement is estimated by the management and provided for on accrual basis.
- 8.2 The Bank is maintaining separate provident fund for its employees, which is administered by the trustees, to which contributions are made on monthly basis and charged to Profit and Loss Account.

9.0 Taxation

Provision for taxation and advance tax paid are set off in the next financial year on the basis of self assessed annual tax return as per rule 3.2.3 on the Income Tax Act of the Kingdom of Bhutan, 2001.

10.0 Net Profit / Loss

The net profit /loss disclosed in the Profit And Loss Account is after:

- (a) Provision for Non- Performing Assets.
- (b) Provision for Bonus and other necessary contingencies.
- (c) Provision for Income Tax.

11.0 Software Upgradation Fund

The fund shall be utilized for upgradation of technology in terms of hardware & software requisitions for CBS.

12.0 Research & Development Fund and Development Fund

The funds shall be utilized in implementation of all plans and strategies as prescribed in the bank's "Strategic Five Year Business Plan (2009 – 2013)" which are mainly targeted towards corporate and international banking, launching of credit & debit cards, CBS in all 20 districts, improving customer service, performance management scheme (PMS), performance based incentive scheme (PBIS), marketing, etc.



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

BANK OF BHUTAN LIMITED**Schedule –18****NOTES TO ACCOUNTS**

1. i) Initial matching of debit and credit outstanding entries in various heads of account included in Branch Clearing Adjustments has been done up to 31.12.2010 for the purpose of reconciliation. The matching of unmatched entries is in progress.

ii) Balances with State Bank of India, other banks including NOSTRO Accounts, Bills Payable Accounts have been reconciled. However, there are large numbers of old unmatched entries of which the consequential impact, if any, in the Profit and Loss account and Balance Sheet is presently not ascertainable.
2. Provision for leave encashment has been made on accrual basis which hitherto, was on cash basis; resulting in profit for the year 2010 lower by Nu.6,416,798 (Previous Year Nil) with corresponding increase in other liabilities & provisions shown in Schedule 4.
3. During the year one-fourth of the total gain on foreign currency fluctuation amounting to Nu. 6,610,000 has been transferred to Exchange Fluctuation Reserve from profit after tax as per clause 11.3 of Section 11 of RMA Prudential Regulations 2002.
4. Royal Monetary Authority of Bhutan has continued to levy a penal charge of Nu. 5,000 per day effective 08.11.2010 on the alleged ground of non divestment by the Bank of its equity capital and non listing of its shares at the stock exchange. The Board is of the opinion that the same would be waived in due course. However, as an abundant caution, the said amount aggregating to Nu. 2,70,000 up to 31.12.2010 is charged to revenue under head other expenditure in Schedule 16 of Operating Expenses.
5. Balance on deposit account in Schedule 6 is with a bank abroad in foreign currencies equivalent to Nu.208,940,000 (Previous Year Nu.113,840,000) and is under its lien in respect of foreign letter of credits.
6. Balance Books in respect of some advances/deposits are under reconciliation for some branches of which consequential impact if any, in the Profit & Loss Account and the Balance Sheet is presently not ascertainable.



7. Interest on overdraft loans in respect of two non CBS rolled out branches and other branches up to their migration to CBS during 2010, has continued to be applied on principal outstanding only; while RMA Prudential Regulations, 2002 (Revised) require that overdraft loans be treated as a CASA product for interest computation i.e. interest to be applied on principal plus outstanding interest. The past practice has been continued owing to not to disturb the existing set up and software for the gestation period and considering that the impact is negligible compared to the volume of OD advances.
8. The Income Tax assessment of the bank has been completed up to 31st December 2009.
9. Other liabilities represent:

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
Sundry creditors	41,522,519.50		37,480,203.71	
Unclaimed deposits	9,426,801.94		10,800,539.87	
Interest suspense	53,093,748.77		70,865,237.31	
Contingency Reserve	624,426,868.15		584,711,076.93	
Matured FDR	5,086,871.96		4,763,686.49	
Security Deposits	760,213.00		-	
Loan Repayment Suspense	374,693.10		-	
Provision for Leave	6,416,798.00		-	
Encashment				
Total	741,108,514.42		708,620,744.31	



10. Other receipts represent:

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
PF Forfeited		302,152.78		292,769.65
Gain on discounting of RMA Bills	13,370,804.96		12,058,670.04	
Interest on Druk Air Bonds	39,525,225.28		39,544,560.49	
Receipts from ATM Cards	174,369.62		3,003,200.00	
Postage, Telegrams and stamps	5,142,063.54		8,351,485.86	
Unclaimed balances no longer -required written back	1,632,476.87		13,455.00	
Receipts on Visa/ Master Cards	69,632.73		-	
Others	46,886.50		4,123.00	
Total	60,263,612.28		63,268,264.04	

11. The repayment schedule of certain advances amounting to Nu. 76,451,967.22 (Previous Year Nu. 143,031,348.06) after they became due for payment, fully or partly, was re-scheduled during the year as per the revival scheme approved by the Board of directors and as permissible by Prudential Regulations 2002 issued by Royal Monetary Authority of Bhutan.

12. Capital Commitments (Net of Advance):Nu.17,472,371.59 (Previous year Nil).



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13. Additional information pursuant to the provisions of part II of Schedule XIII A of The Companies Act of the Kingdom of Bhutan 2000.

	For the year ended 31-12-2010	For the year ended 31-12-2009
	Nu. Ch.	Nu. Ch.
(a) Payment to and provision for employees represent:		
(i) Salary, Bonus, Gratuity, leave encashment etc.	193,974,133.19	172,756,676.12
(ii) Contribution to Provident Fund	8,276,355.00	7,653,227.50
Total	202,250,488.19	180,409,903.62
(b) Salary, Allowances, etc paid to Chief Executive Officer:		
(i) Salary, Allowances, bonus and Encashment of leave	1,515,085.00	1,364,870.00
(ii) Contribution to Provident Fund	90,948.00	29,460.00
(iii) Sitting fee	64,000.00	68,000.00
Total	1,670,033.00	1,462,330.00
(c) Sitting Fees paid to other Directors (Including invitees)	412,000	627,000
(d) Rent, Taxes, Insurance, Lighting etc represent:		
(i) Rent	4,104,380.20	2,889,089.25
(ii) Rates & Taxes	155,341.94	143,803.94
(iii) Insurance	4,507,136.00	4,532,928.56
(iv) Light & Fuel	1,705,414.17	1,357,467.89
	10,472,272.31	8,923,289.64
(e) Repairs to the Bank's Property represent:		
(i) Repair to Buildings	258,766.00	233,647.23
(ii) Other Repairs	12,988,925.02	8,054,714.48
	13,247,691.02	8,288,361.71



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14. One Ngultrum/ Chetrum is equivalent to Indian one Rupee/Paisa.
15. The previous year figures have been regrouped/ rearranged wherever considered necessary.



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S. K. MITTAL & CO.
CHARTERED ACCOUNTANTS

Mittal House, E-29, South Extension-II, New Delhi – 110049
Tel: +91-11-41640694, Fax: +91-11-26255204
E-mail: skmittalca@yahoo.co.in, skmittalca@hotmail.com

AUDITORS' REPORT

TO THE MEMBERS OF BOB SECURITIES LIMITED

We have audited the attached Balance Sheet of BOB Securities Limited as at 31st December, 2010 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Minimum Audit Examination and Reporting requirements under schedule XIV of section 75 of the Companies Act of the Kingdom of Bhutan, 2000 we enclose in the Annexure a statement on the matters specified therein to the extent applicable to the Company.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - a) 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.
 - b) In our opinion proper books of account as required by the Companies Act of the Kingdom of Bhutan, 2000 have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with schedules A & B give the information required by the Companies Act of the Kingdom of Bhutan, 2000 and give a true and fair view:



- (i) In the case of Balance Sheet, the state of affairs of the Company as at 31st December, 2010;
- (ii) In case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- (iii) In case of Cash Flow Statement, of the movement of cash of the Company for the year ended on that date.

Date: 28 MAR 2011
Place: New Delhi



For S. K. Mittal & Co.
Chartered Accountants

S. K. Mittal

(Partner)

M.No.: 08506

BALANCE SHEET AS AT 31ST DECEMBER, 2010

Significant Accounting Policies as per scheduled 'A'
Notes on accounts as per scheduled 'B'

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

For S K Mittal & Co.
Chartered Accountants

S.K Mital
Partner

Date: 28 May 2019
Place: New Delhi

Chairman:

Directors:

Daniele Fenzin

Dophu Dorji

Sonam Tshering

Dy. Dil Bahadur Rahut
Chief Executive Officer

Don't
worry thing
(Chit Greeting Gita)

BOB SECURITIES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

Previous Year	Expenditure	Current Year	Previous Year	Income	Current Year
Nu.		Nu.	Nu.		Nu.
50,000.00	Annual Membership Fee	75,000.00	142,725.00	Brokerage & Commission	236,544.00
25,000.00	Auditors' Remuneration	28,750.00	121,359.00	Interest	128,000.00
16,688.88	Trading Fee	-	-		
20,000.00	Training Fee	-	-		
12,289.00	Depreciation	550.64	-		
27,744.00	Advertisement	-	-		
7,000.00	Licence Fee	7,000.00	-		
31,608.64	Provision for Taxation	75,973.01	-		
73,753.48	Profit for the year carried down	177,270.35	-		
264,084.00	TOTAL	364,544.00	264,084.00	TOTAL	364,544.00
					177,270.35
1,285,260.80	Balance transferred to Balance Sheet	1,462,531.15	1,253,652.16	Balance brought forward from the previous year	1,285,260.80
1,285,260.80		1,462,531.15	1,285,260.80		1,462,531.15

Significant Accounting Policies as per scheduled 'A'
Notes on accounts as per scheduled 'B'

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

For S K Mittal & Co.
Chartered Accountants



S K Mittal
Partner

Date: 28 MAR 2011
Place: New Delhi

Chairman :

Damehe Tenzin

Directors :

Dophu Davji

Sonam Tshering

Dr. Dil Bahadur Rahut
Chief Executive Officer

BOB SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch. Nu.	Ch. Nu.	Ch.
Net Cash Flow from Operating Activities (Note 1)		85,419.49		(92,236.42)
Return on Investments and Servicing of Finance (Note 2)	128,000.00		121,359.00	
Taxation	(75,973.01)		(53,216.63)	
Capital Expenditure				
Net Cash Inflow / (Outflow) from Investment Activities		52,026.99		68,142.37
Net Cash Inflow / (Outflow) before Financing		137,446.48		(24,094.05)
Financing				
Management of Liquid resources				
Net Cash Inflow / (Outflow) from Financing				
Net Cash Inflow / (Outflow)		137,446.48		(24,094.05)
Increase / (Decrease) in Cash (Note 3)		137,446.48		(24,094.05)

This is the Cash Flow Statement referred to in our report of even date.

For S K Mittal & Co.
Chartered Accountants

S.K Mittal
Partner

Date 28 MAR 2011
Place : New Delhi

Chairman :

Damche Tenzin

Directors :

Dophu Dorji

Sonam Tshering

BOB SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
Net Cash Flow from Operating Activities (Note 1)		85,419.49		(92,236.42)
Return on Investments and Servicing of Finance (Note 2)	128,000.00		121,359.00	
Taxation	(75,973.01)		(53,216.63)	
Capital Expenditure	-		-	
Net Cash Inflow / (Outflow) from Investment Activities		52,026.99		68,142.37
Net Cash Inflow / (Outflow) before Financing		137,446.48		(24,094.05)
Financing				
Management of Liquid resources	-		-	
Net Cash Inflow / (Outflow) from Financing		-		-
Net Cash Inflow / (Outflow)		137,446.48		(24,094.05)
Increase / (Decrease) in Cash (Note 3)		137,446.48		(24,094.05)

This is the Cash Flow Statement referred to in our report of even date.

For S K Mittal & Co.
Chartered Accountants



S.K. Mittal
Partner

Date: 28 MAR 2011
Place: New Delhi

Chairman :

Directors :

Damche Tenzin

Dophu Dorji

Sonam Tshering

BOB SECURITIES LIMITED

NOTES FORMING PART OF THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	For the year ended 31-12-2010		For the year ended 31-12-2009	
	Nu.	Ch.	Nu.	Ch.
1 Net Cash Flow from Operating Activities:				
Net Profit before tax	253,243.36		105,362.12	
Add : Depreciation Charges	550.64		12,289.00	
	253,794.00		117,651.12	
Less: Interest on fixed deposits	(128,000.00)		121,359.00	
	125,794.00		(3,707.88)	
Increase/(Decrease) in current Asset	(71,800.00)		(9,359.00)	
Increase/(Decrease) in current Liabilities	31,425.49		(79,169.54)	
	<u>85,419.49</u>		<u>(92,236.42)</u>	
2 Return on Investments and Servicing of Finance:				
Interest Received	128,000.00		121,359.00	
	<u>128,000.00</u>		<u>121,359.00</u>	
3 Increase/(Decrease) in cash and bank balances:				
Closing Balance	1,953,436.16		1,815,989.68	
Less :Opening Balance	1,815,989.68		1,840,083.73	
	<u>137,446.48</u>		<u>(24,094.05)</u>	



BOB SECURITIES LIMITED**Schedule – A****SIGNIFICANT ACCOUNTING POLICIES****1.0 Accounting Convention**

The accounts have been prepared on historical cost basis and in conformity with the statutory provisions and practices prevailing in Bhutan.

2.0 Investments

Investments held by the Company are long tenure in nature and are stated at cost.

3.0 Fixed Assets

3.1 Fixed assets are stated at their historical cost less depreciation. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on asset before it is put to use.

3.2 Depreciation is provided on “Straight Line Method” as per the rates specified under Annexure II of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001(effective from the Year 2002), published by the Ministry of Finance, Royal Government of Bhutan and calculated on Pro-rata basis from the date of purchase.

4.0 Revenue Recognition

Income and expenses are accounted for an accrual basis.

Schedule – B**NOTES TO ACCOUNTS**

1. The Company being 100% subsidiary of Bank of Bhutan Limited, all administrative expenses have been borne by Bank of Bhutan Limited.
2. The previous year figures have been regrouped/ rearranged wherever considered necessary.



REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE**Annexure**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets of the Company have been physically verified by the management during the year and no material discrepancies were noticed 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 an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and systems and procedures.
4. As per information and explanations provided to us there are no transactions of purchases and sale of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party(ies) related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested.
5. The Company is regular in depositing taxes with the appropriate authority. The provisions for corporate tax is adequate and that necessary adjustment have been made to compute amount of tax required under Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.
6. The management of liquid resources particularly cash/bank and short term deposits etc. are adequate and excessive amount are not lying idle in non interest bearing accounts.
7. The activities carried out by the Company are lawful and intravires to the Articles of Incorporation of the Company.
8. The Company has not introduced budgetary control system.
9. The directives of the Board have been complied with.
10. So far as we have represented and our knowledge is concerned, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.



COMPUTERIZED ACCOUNTING ENVIRONMENT

1. The organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
2. There are adequate safeguard measures and back-up facilities exist.
3. The backup facilities and disaster recovery measures does not include keeping files in different locations.
4. The operational controls are adequate to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorized access over the computer installation and files are adequate.

GENERAL

1. Going Concern Problems

In relation to going concern problems the Company is healthy and is not likely to become sick in the near future.

2. Ratio Analysis

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

Ratio	2010	2009	Remarks
Current Ratio = Current Assets ----- Current Liabilities	= 71 { 2047 } ----- { 29 }	= 44 { 1854 } ----- { 42 }	Current year's ratio has increased compared to last year and is more than the standard (i.e.2) indicating sound financial health of the Company.
Profit on Turnover = Profit after tax ----- Sales	= 48% { 177 } ----- { 365 }	= 28% { 74 } ----- { 264 }	Ratio is higher than last year indicating sound performance of the Company.

3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000



During the year, the Company has complied with the various provisions of the Companies Act of the Kingdom of Bhutan, 2000 concerning conducting of meetings, filing requirements, maintenance of records and all other matters specified in the said Act.

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and review of the financial statement as produced to us by the management. In the course of audit we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation and we are unable to state that the Company has been complying with the applicable laws (other than the Companies Act), rules and regulations, systems, procedures and practices.

Other clauses of the said Reporting Requirements are not applicable to the Company during the year under audit.

