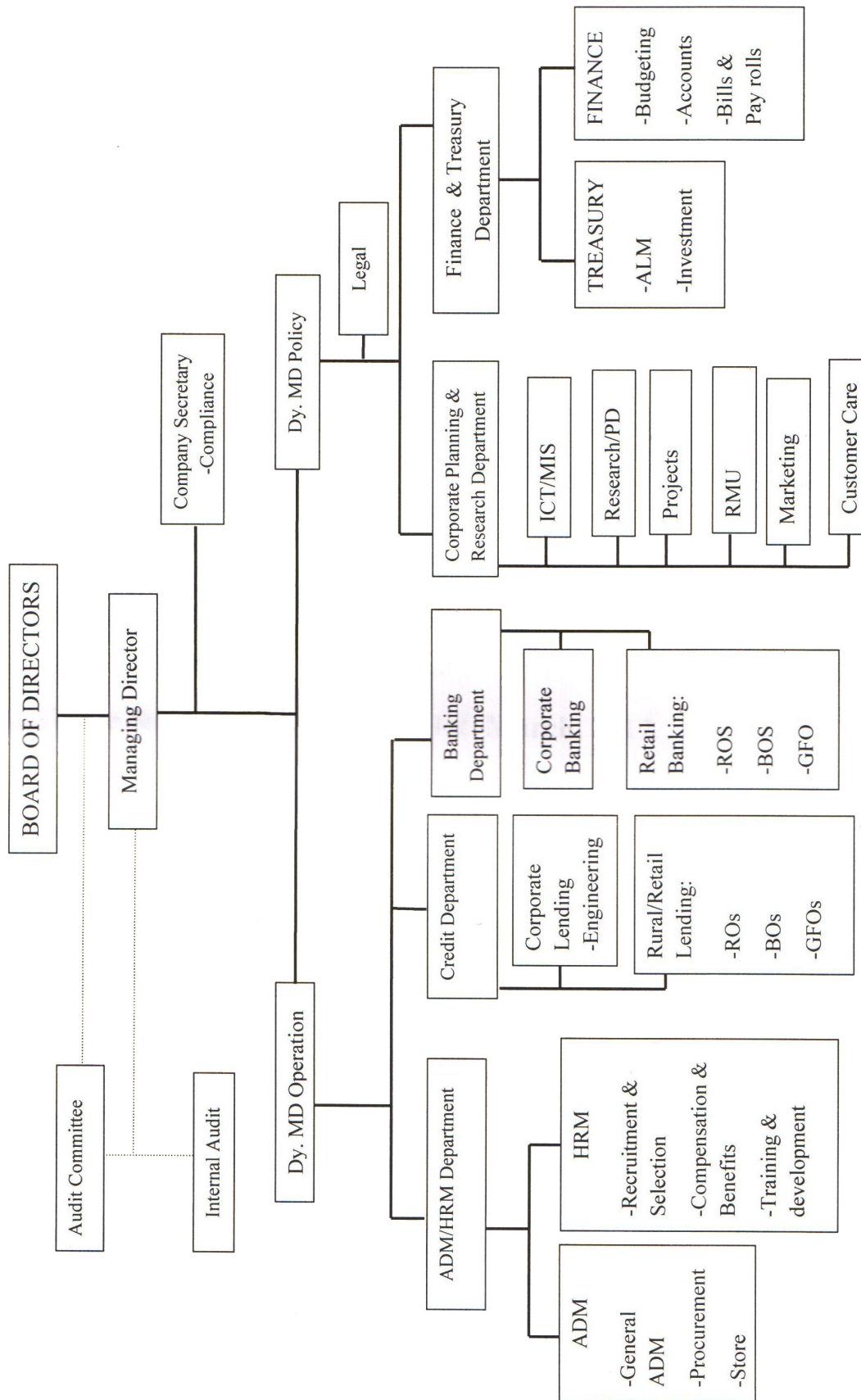




CONTENTS

Sl#	Particulars	Page #
Bhutan Development Bank Limited (BDBL)		
1.	General Information	1-2
2.	Board of Directors	3
3.	Management Team	4
4.	Chairman's/Director's Report	5-7
5.	Operational Highlights	8
6.	Auditors Report	9-17
	I. Balance Sheet	18
	II. Profit and Loss Account	19
	III. Cash Flow Statement	20
	IV. Schedules	21-30
7.	Schedule 17- Significant Accounting Policies.....	31-33
8.	Schedule 18- Notes on Accounts	34-36
BDB Securities Limited		
9.	Auditors Report	37-42
	I. Balance sheet	43
	II. Profit and Loss Account	44
	III. Cash Flow Statements	45
	IV. Schedules	46
10.	Schedule 6- Significant Accounting Policies	47
11.	Schedule 7- Notes on Accounts	47
12.	Performance Indicators	48-49

BDBL Organisational Structure





BHUTAN DEVELOPMENT BANK LIMITED

HEAD OFFICE, THIMPHU

Post Box: 256, Norzin Lam

Telephone PABX No: (00975-2) 322579, 323425, 324678, 333865 Fax 323428

Email: info@bdb.bt

REGIONAL OFFICES

SI #	Regional Managers	Office Location	Telephone No.
1.	Mr. Pema Tashi (Western)	Paro	00975-08-272410
2.	Mr. Yeshey K. Tshering (Central)	Gelephu	00975-06-252137
3.	Mr. Tenzin Tashi (East)	Trashigang	00972-04-521243

BRANCH OFFICES

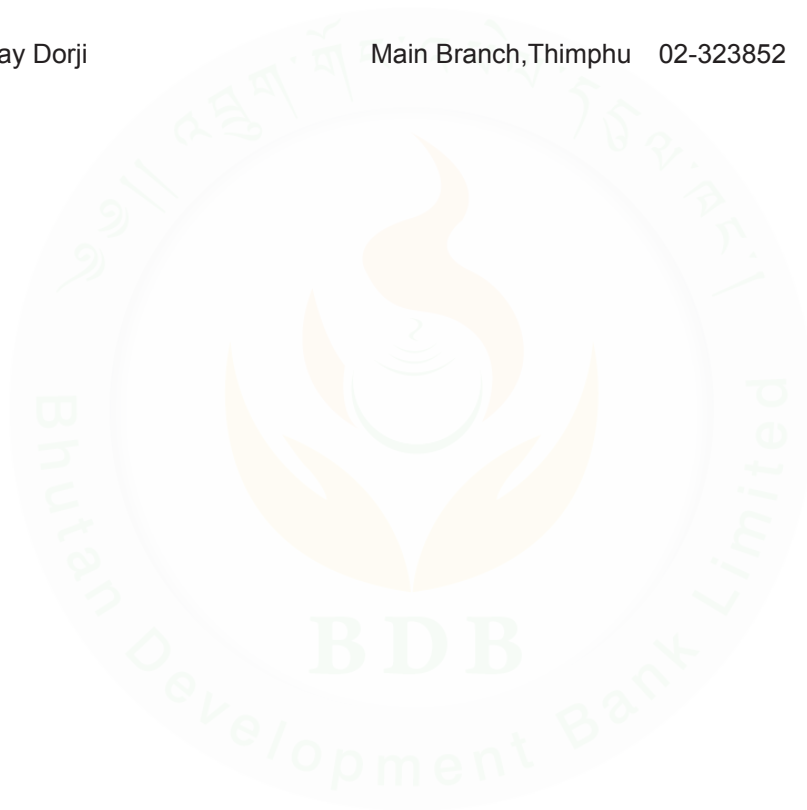
SI #	Branch Managers	Location	Phone No.	Fax No.
Western Region				
1.	Mr. Phub Dorji	Thimphu	02-326853	02-326855
2.	Mrs. Tshering Pelden	Paro	08-271334	08-272341
3.	Mr. Sangay Wangdi	Haa	08-375459	08-375649
4.	Mr. Chador Kelzang	Punakha	02-584102	02-584157
5.	Mr. Lobsang Choiphel	Gasa	16288121	02-688168
6.	Mr. Tenzin Wangdi	Wangdue	02-481261	02-481848
7.	Mr. Pema Tashi	Chukha	08-478243	08-478427
8.	Mr. Jhamba	Phuntsholing	05-252881	05-252868
9.	Mr. Thinley Wangchuk	Samtse	05-365469	05-365854
10.	Mr. Yeshey Jamtsho	Dorokha	05-342656	05-365854
11.	Mr. Karma Sherub	Sibsoo	05-382055	
Central Region				
1.	Mr. BB Tamang	Dagana	06-481106	06-481242
2.	Mr. Tashi	Bumthang	03-631111	03-631900
3.	Mr. Tshering Dorji	Trongsa	03-521147	03-521515
4.	Mr. Namgay Tenzin	Zhemgang	03-741127	03-741107
5.	Mr. Pema Namgyel	Panbang	03-794009	03-794036
6.	Mr. Yeshi Samdrup	Tsirang	06-471206	06-471197
7.	Mr. Tshering Nidup	Sarpang	06-365136	06-481242
8.	Mr. Yonten	Gelephu	06-252135	06-252136
9.	Mr. Tshewang Phuntsho	Lhamoizingkha	06-241422	06-241425
10.	Mr. Chhimi Dorji	Dagapela	06-483143	
Eastern Region				
1.	Ms. Yangchen Tshomo	Lhuntse	04-545106	04-545145
2.	Mr. Tshewang	Mongar	04-641127	04-641177
3.	Mr. Jigme Sonam Tenzin	Pemagatshel	07-471126	07-471260
4.	Mr. Dhendup Namgyel	Samdrup Jongkhar	07-251118	07-251292



SI #	Branch Managers	Location	Phone No.	Fax No.
5.	Mr. Namgay Rinchen	Trashigang	04-521122	04-521386
6.	Mr. Cheda	Trashi Yangtse	04-781105	04-781239
7.	Ms. Yezer Pelden	Wamrong	04-571148	04-571164
8.	Mr. Penjor	Nganglam	07-481190	07-481183
9.	Mr. Jambay Tenzin	Jomotshangkha	07-671104	07-671110
10.	Mr. Tashi Tshewang	Yadi	07-671104	
11.	Mr. Sonam Dhendup	Samdrupcholing	07-671104	07-240607

Main Branch

1.	Mr. Sangay Dorji	Main Branch, Thimphu	02-323852	02-323428
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BOARD OF DIRECTORS



CHAIRMAN
Mr. Nim Dorji
Jt. Secretary
Ministry of Finance



DIRECTOR
Dasho Lungten Dorji
Dzongdag
Dzongkhag Administration
Trashigang



DIRECTOR
Dr. Tashi Samdrup
Director, CORRB
Ministry of Agriculture and Forest



DIRECTOR
Mr. Ugyen Penjor
Dept of CSI
Ministry of Economic Affairs



DIRECTOR
Mrs. Tashi Pem
Jt. Commissioner
Department of Revenue and
Customs



DIRECTOR
Mr. G.P. Sharma
Ex- Deputy Managing Director
BOB



MEMBER SECRETARY
Mr. Pema Tshering
Managing Director
Bhutan Development Bank
Limited

BDBL MANAGEMENT TEAM



Mr. Pema Tshering
Managing Director



Mr. Ugyen Dhendup
**Dy. Managing Director
(Policy)**



Mr. Sonam Rigyel
**Dy. Managing Director
(Operation)**



Ms. Karma Choden
**General Manager
Credit Dept.**



Mr. Yeshey Wangdi
**General Manager
ADM/HRM Dept.**



Mr. Nidup Tshering
**General Manager
Finance & Treasury Dept.**



Mr. Pema Wangdi
**General Manager
Corporate Planning &
Research Dept.**



Mr. Tshering Drukpa
**General Manager
Banking Dept.**



Mr. Dorji Wangdi
Company Secretary



Bhutan Development Bank Limited

Chairman's Report

On behalf of the Board of Directors of Bhutan Development Bank Limited, I have great pleasure in presenting to you the 25th Annual Report of the Bank for the financial year ended 31st December, 2013.

The country's economic growth during the year 2013 was much lower across many sectors. Despite the difficult economic environment in the country and the region, the Bhutan Development Bank Ltd. surpassed expectations and performed remarkably well. In keeping with the growing challenges and demand from the public and Government, the BDBL Board and Management have embarked on its renewed approach to manage the Bank with a clear vision, mission, core values and goals supported by appropriate strategic action plan and policies.

The year 2013 brings to end the two years of contribution to the BDBL as the Chairman of the Board. I would like to report that there was no change in the Board composition and all Directors have had the opportunity of participating actively in the governance of the Bank for the full one year under consideration. Hence, it is indeed my pleasure to once again inform all the stakeholders that the collective efforts of the Board and Management have brought about a very satisfying performance for the Bank during 2013.

1. Financial Highlights

As reported by the Statutory Auditors, the Bank has complied with and followed the Generally Accepted Accounting Practices and discharged its responsibilities within the given regulatory requirements without any deviations. The Bank performed exceedingly well not just in financial terms but also on operational front and customer satisfaction.

1.1 Bank's Financial Position (Balance Sheet): The Bank's financial health improved, which saw a growth of 35.50% in its total Assets in 2013 (P.Y 47.64%). It rose to Nu.10,426,647,477/- from the previous year(2012) figure of Nu. 7,694,181,434/-. The growth was mainly due to increase in the Loans & Advances that recorded 36.81% growth during the year.

With the increase in Deposits by 52.13% the Bank's Liabilities also grew considerably Nu.6.7 billion. In absolute terms, Nu. 2,303,931,135/- was the savings amount mobilized/collected as retail deposits during the year. The Reserves & Surplus witnessed a growth of 21.10% from Nu.1.3 billion to Nu. 1.6 billion.

1.2 Bank's Financial Performance (Profit & Loss Account): The Bank has made a profit of Nu. 279.26 million as against the target of Nu.267 million set for the year. The profit growth of 17.23 % surpassed the target of 12% . The total Income from Operations, i.e. Nu. 1,021 million (classified under three broad headings, viz. Interest on Loans, Interest & Dividend on Deposits & Investments and Other Income) witnessed an increase of 63.83 % during the year. The Interest on Loans recorded an overall increase of 39.22%. Interest on Deposits & Investments grew by 92.75% and Other Income shot up by 21.74%. The rise in the income from Deposits was due to increase in the investment of SLR and Gratuity fund. The Bank Guarantee commission was the major contributor to Other Income Account.



The expenses (Operating Expense, Financial and Write-off/Provisions) also grew by 52.99%. The Financial Expense(cost of borrowing) rose by 54.17% due to increase in the Deposits. Salary for 38 new recruits made during the year also contributed to the Operating Expenses.

2. Operational Highlights

2.1 Opening of New Branch Offices: As the only Development Bank with rural focus, BDBL's association with the rural mass have been advancing over the years. With addition of four new branches opened during 2013, the Bank has 33 full-fledged Branch Offices and 5 Field Offices spread across the country. The Bank takes pride in serving the highest number of loan customers and targeting around 43,000 borrowers during 2014. It is encouraging to note that the Bank is making positive impact on the rural communities through inculcating saving habits and access to finance. The Bank is optimistic of hitting its total savers (depositors) target of 92,721 farmers being set for the year 2014.

2.2 ATM, SMS and Internet Banking Services: With limited resources at its disposal, the Bank cannot afford to compete with other commercial banks in terms of infrastructure and other capital investments. Nevertheless, to speed up its services, the Bank had launched SMS and Internet Banking and also installed a total of 5 ATMs in 2013. They are working on to install 10 more ATMs in 2014 at strategic locations for its customers.

2.3 Human Resource Management: With the recruitment of 38 new staff in the first quarter of 2013, the Bank's manpower strength stood at 356 as of 31st December, 2013. Considering important factors such as manning the newly opened branches/extension offices, growth in business volume and the environment in which it operates, the Board approved the recruitment/appointment of 38 additional employees for the Bank during 2014.

Recognizing the human capital as a very crucial element in the business operation, the Bank invested a substantial amount of money in training and upgrading the skills of its employees during 2013. A total of 1,139 employees were trained in various courses/fields in-house/country, while 84 have undergone different trainings/seminars/workshops abroad.

2.4 Customer Satisfaction Survey: With a view to assess the Bank's service and take stock of its outcome, the Bank initiated the Customer Satisfaction Survey in 2012 by outsourcing to an external firm. It scored 73% in 2012 and 79.20% in 2013, which provided encouraging results in terms of customer services being rendered by the Bank.

3. Bank's Performance Compact

The Board was delighted to observe noticeable improvement in the Bank's discharge of its roles and responsibilities that were stipulated in the Annual Compact 2013. The Bank's 97.59% rating for 2013(P.Y. 87.56%) was nothing short of praiseworthy and look forward to enduring the same spirit and commitment from all concerned.



The Board has approved the Bank's Budget for the year 2014 and set targets, plans and program for the Bank to execute during the year. The Annual Compact 2014 constitute four components, viz. financial performance (40% weightage) efficiency (20%), regular activities (20%) and new initiatives (20%).

With the Bank's renewed energy and passion to strive harder, the Board do not foresee any reason why it cannot rein in 26% revenue, increase profit by 12%, grow rural savings by 32%, establish Extension Offices, install more ATMs, establish Branchless Banking system and work towards Financial Inclusion Policy of the RGoB during the financial year 2014.

4. Conclusion

With strong support and guidance of the Board Directors and commitment of the Management and Employees of the Bank, I am optimistic that the Bank would continue with its core business, social mandate, enhance service delivery and initiate best practices to benefit the economy, particularly the agriculture sector predominant in the rural communities.

Together with the Board of Directors, Management, Customers and Employees of the Bank, I would like to place on record our sincere appreciation and gratitude to the RGoB and other three minor Shareholders, Donor Agencies, especially ADB, UNDP, UNCDF, IFAD and other international bodies for their kind assistance, guidance, loyalty and faith in BDBL. Our sincere appreciation and attribute goes to our esteemed Shareholders and valued customers for their unwavering support and patronage. Thanks also to the Board Directors, Management and employees for the co-operation and assistance given to me in the conduct of the Board.

We would like to place on record the CSR roles played by our minor Shareholders in enhancing the living standards and reduction of poverty in our rural areas.

My sincere prayers and hope for fruitful year 2014.

Nim Dorji
CHAIRMAN
Bhutan Development Bank Limited

Operation Highlights from 2009-2013

SI #	Particulars	2009	2010	2011	2012	2013
I	Assets (Million)	2,996	4,243	5,211	7,694	10,425
	Head Office & Main Branch	1,929	3,486	4,042	5,712	7,282
	Branch Office	1,037	757	1,169	1,982	2,597
II	Profits/(Loss)	150	177	205	238	279
	Head Office & Main Branch	113	130	129	97	98
	Branch Office	37	47	76	141	181
III	Disbursement (Million)	1,000	2,059	1,934	3,281	4,235
	Main Branch	401	672	528	1,136	1,553
	Branch Office	599	1,387	1,406	2,145	2,682
IV	Loan Outstanding (Million)	2,818	3,640	4,542	6,247	8,500
	Main Branch	1,806	1,782	2,063	2,815	3,968
	Branch Office	1,012	1,858	2,479	3,432	4,532
V	On-Time Recovery Rates	92%	94%	95%	95%	96%
	Main Branch	91%	93%	94%	95%	95%
	Branch Office					
VI	Portfolio At Risk	13.60%	11.33%	8.27%	8.34%	7.21%
	Main Branch	15.03%	15.26%	8.74%	8.41%	6.90%
	Branch Office	12.17%	7.40%	7.87%	8.28%	7.50%
VII	Number of Active Clients	19,923	25,292	28,895	34,790	40,712
	Main Branch	2,608	2,578	2,535	2,841	3,143
	Branch Office	17,315	22,714	26,360	31,949	37,569
VIII	Number of New Accounts	8,588	13,280	13,206	15,637	16,613
	Main Branch	993	910	746	838	844
	Branch Office	7,595	12,370	12,460	14,799	15,769
IX	Cumulative Nos. of Beneficiary	99,609	112,889	126,095	141,732	158,345
	Main Branch	6,279	7,189	7,935	8,773	9,617
	Branch office	93,330	105,700	118,160	132,959	148,728
X	Deposit Amount (Million)	266	1,450	2,302	4,323	8,684
	Main Branch	11	1,009	1,553	3,079	6,727
	Branch Office	255	441	749	1,244	1,957
XI	No. of Depositors	15,879	32,978	44,545	64,181	85,864
	Main Branch	657	1,396	1,947	3,235	4,821
	Branch Office	15,222	31,582	42,598	60,946	81,043
XII	Number of Employees	221	271	290	321	357
	Head Office	66	74	92	103	110
	Main Branch	29	20	21	23	28
	Branch Office	126	177	177	195	219
XIII	Active Clients/Employee Ratio	90	129	121	124	112
	Main Branch	137	128	149	164	172
	Branch Office					
XIV	Loans/Employee Ratio	13	13	16	19	24
	Main Branch	62	89	98	122	142
	Branch Office	8	10	14	18	21



BHUTAN DEVELOPMENT BANK LIMITED

ANNUAL ACCOUNTS & AUDITORS' REPORT 2013

S.K. Mittal & Co.
Chartered Accountants
New Delhi
India



S.K. Mittal & Co.
Chartered Accountants

**AUDITORS' REPORT TO THE MEMBERS OF
BHUTAN DEVELOPMENT BANK LIMITED
THIMPHU, BHUTAN**

We have audited the attached Balance Sheet of **Bhutan Development Bank Limited** (the bank), as at 31st December 2013 and also the Profit & Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated returns of 12 branches audited by us and the returns of 21 branches which have not been found to be adequate for the purpose of consolidation. 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.

We conducted our audit in accordance with the generally accepted auditing standards. Those 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the annexure a statement on the matters specified therein to the extent applicable to the Bank.

Further, to our comments in the annexure as referred above, we report that:

1. 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 and have found them to be satisfactory.
2. In our opinion, proper books of account have been kept by the Bank, so far as it appears from our examination of those books.
3. The Bank has complied with the various provisions of the Financial Services Act 2011 and other applicable laws, rules & regulations, systems and practices except otherwise stated elsewhere in this report.



4. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. In our opinion, as shown by the books of the Bank, and to the best of our information and according to the explanations given to us, they said Balance Sheet and Profit & Loss Account and the Cash Flow Statement read with Schedules 1 to 18 and our comments in the Annexure – A attached herewith, given the information under The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and exhibit a true and fair view:
 - a) in the case of Balance Sheet, of the state of affairs of the Bank as at 31st December 2013;
 - b) in the case of Profit & Loss Account, of the profit of the Bank for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: New Delhi

Date: 27 MAR 2014



For **S.K. Mittal & Co.**

Chartered Accountants

Firm's Registration No.01135N

S. K. Mittal

Partner

Membership No. 8506

S.K. Mittal & Co.
Chartered Accountants

BHUTAN DEVELOPMENT BANK LIMITED
THIMPHU, BHUTAN

(ANNEXURE A)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000)

1. The Bank is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. Physical verification of fixed assets has been carried out by the Bank as on 31.12.2013 through internal audit department. Reconciliation of physical assets as per internal audit report with the book balance as per physical asset register has been done.
2. Fixed Assets have not been re-valued during the year and therefore, there is no profits/loss on revaluation.
3. Physical verification of various stores items were carried out by the internal audit as on 31.12.2013.
4. During the year the Bank has availed fresh SME loan from Royal Government of Bhutan. The terms and conditions of the said loan are prima facie not prejudicial to the interest of the Bank. The Bank has not taken any loan, secured or unsecured from companies, firms and other parties under the same management.
5. The loans granted by the Bank are prima facie not prejudicial to the interest of the Bank. According to the information and explanations given to us, no loan, secured or unsecured, has been granted to other companies, firms or other parties under the same management. The advances granted to officers/staffs are in keeping with the provisions of service rule and no excessive and frequent advances are given.
6. In our opinion, the internal control procedures of the Bank, especially in respect of credit management should be strengthened to ensure completeness, accuracy and reliability of accounting records, in carrying out the business in orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the systems and procedures.
7. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of its business for the purchase of goods and services including stores, equipment and other assets. The Bank is not engaged in manufacturing or trading activities.



8. In the absence of any detailed records (including the statutory records required under section 97 of The Companies Act of The Kingdom of Bhutan, 2000) we are unable to comment whether any transactions have been entered into by the directors or any other party(ies) related to the directors or with Bank or firms in which the directors are directly or indirectly interested.
9. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic intervals.
10. The Bank is maintaining reasonable records for sale and disposal of scrap.
11. According to the records, the Bank has been regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2013.
12. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2013.
13. According to the information and explanations given to us, no personal expenses have been debited to the Profit and Loss Account other than those payable under contractual obligations/service rules of the Bank.
14. The Bank has a reasonable system of recording receipts, issues and consumption of stores items commensurate with the nature and size of its business.
15. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
16. Idle cash and bank balances are generally not held by the Bank.
17. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Bank are, in our opinion, lawful and intravires to the Articles of Incorporation of the Bank.
18. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
19. The Bank has established an effective budgetary control system.
20. The details of remuneration to the Managing Director have been indicated in the Notes to the Accounts (Note No.10. Schedule No.18).



21. The directives of the Board have generally been complied with.
22. According to the information and explanations given to us, the officials of the Bank have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

In Case of Finance and Investment Bank

1. There have been some lapses on the documentation part of loans granted by the Bank and this area requires further improvement.
2. Proper records of the transactions and contracts have been maintained and timely entries have been made for the investments made.
3. The Bank has maintained reasonable records for funds collected from depositors and for interest payment.
4. Investments made by the Bank and outstanding in its books as on 31.12.2013 have not undergone any permanent diminution in value as per information and explanations given to us.
5. There have been a few non-compliances of the Guidelines issued by The Companies Act of The Kingdom of Bhutan, 2000 and The Financial Services Act 2011. The Bank should ensure compliance of the applicable provisions of the Acts.
6. Requirements relating to provisioning for the non-performing assets including loans and advances have been complied with.
7. Recognition of interest income in respect of non-performing assets has been duly deferred.
8. As stated by the management, except for few cases, assets hypothecated against loans and advances have been physically verified and properly valued by management and mortgage deed have been executed and it has been ensured that the assets are free of any prior lien or charges.
9. 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.
10. Taking over of assets for repayment defaults are made through open / sealed bids.
11. The Bank has complied with the guidelines for Prudential Regulations as issued by RMA for rephasing / rescheduling of loan accounts.
12. 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 Bank has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. Adequate safeguard measures and back up facilities exist.



3. Back up facilities and disaster recovery measures include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

GENERAL

1. Going Concern Problem

Based on the Bank’s financial statements for the year ended 31st December, 2013 audited by us, the Bank has earned sufficient profit during the year under audit and we have no reason to believe that the Bank is not a going concern.

2. Ratio Analysis

Financial and operational ratio in respect of the Bank is given in the statement of Ratio Analysis.

RATIOS	2013	2012
A. Ratios for assessing Financial health		
Capital Turnover Ratio: (Income / Capital Employed)	0.54	0.45
Current Ratio (Current Assets / Current Liabilities)	8.24	10.26
Fixed Assets Turnover Ratio (Income/Fixed Asset)	6.96	5.63
B. Ratios for assessing Profitability		
Profit on Capital Employed Ratio (Profit after Tax / Capital Employed)	14.68%	14.71%
Profit on Turnover Ratio (Net Profit/Total Income) *100	27.34%	32.93%
Operating Ratio (All Expenses – Finance Charges)/Total Income*100	29.10%	27.22%
Total Expenses to Total Income Ratio (Total Expense/Total Income)*100	72.65%	67.07%



3. Compliance of Companies Act of Kingdom of Bhutan:

(a). The Bank has not complied with the following areas of The Companies Act of the Kingdom of Bhutan 2000 and other statutory regulations:

i. *Section 76 on retirement of Directors:*

1/3rd of the Directors did not retire by rotation at the annual general meeting held in the year 2013 as per requirement of the Act.

ii. *Section 87 on restriction of loans to Directors:*

Certain loans have been made to a Director against which outstanding balance as on 31.12.2013 was at Nu.777,438. However, they said amount is within permissible limit prescribed under para 2.3.1 of Section - 2 of RMA Prudential Regulations – 2002 under which credit to any director is permissible within a maximum limit of 10% of the Institution's capital fund.

iii. *Section 97 on the maintenance of statutory records:*

The Bank is not maintaining Register of Contracts.

(b). The Corporate Governance Regulations, 2011, issued by Royal Monetary Authority of Bhutan in pursuant to Section 202 of the Financial Services Act of Bhutan, 2011 has not been complied with by the Bank with respect to the following areas:

i. *Directors are to be elected by the shareholders for a term of one year as per above Regulations; whereas none of the present seven directors was elected by the shareholders in the last Annual General Meeting held on 25.03.2013.*

ii. *Governance Committee of the Board of Directors is yet to be established.*

iii. *Audit Committee is required to meet once every quarter as per the above Regulations. Although five meetings of the Audit Committee were held during the year 2013 but no meeting was held during third quarter of the Financial Year 2013.*

iv. *A Risk Management Committee has been formed comprising of nine members, none of whom are independent directors which is in non-compliance to the requirements of the said Regulations. They said Regulations also require the Risk Management Committee to hold meeting once every three months and therefore, four meetings were required to be held during the year 2013. However, the Risk Management Committee had only three meetings during 2013 and did not hold any meeting during first quarter of the Financial Year 2013.*





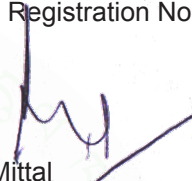
4. Adherence of Laws Rules & Regulations

Audit of the Bank is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. In our opinion and on the basis of information and explanations furnished to us, the bank generally complied with the applicable laws, rules and regulations, systems, procedures and practices, except those mentioned elsewhere in this report.

Place: New Delhi

Date: 27 MAR 2014

For **S.K. Mittal & Co.**
Chartered Accountants
Firm's Registration No: 01135N


S.K. Mittal
Partner
Membership No: 8506





BHUTAN DEVELOPMENT BANK LIMITED BALANCE SHEET AS AT 31st DECEMBER, 2013

	Schedule	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
SHAREHOLDER'S FUNDS AND LIABILITIES			
Share Capital	1	300,000,000	300,000,000
Reserves and Surplus	2	1,601,711,017	1,322,442,732
Grants	3	217,875,218	206,796,519
Borrowings	4	1,308,514,917	1,278,677,650
Deposits	5	6,724,367,769	4,420,436,634
Current Liabilities & Provisions	6	274,178,556	165,827,899
		10,426,647,477	7,694,181,434
ASSETS			
Fixed Assets	7	146,735,013	128,725,434
Investments	8	7,381,000	7,381,000
Loans Receivable	9	8,013,167,705	5,857,475,341
Current Assets & Advances	10	2,259,363,759	1,700,599,658
		10,426,647,477	7,694,181,434
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above from an integral part of the Balance Sheet.
in terms of our attached report of even date.

For S.K Mittal & Co.
Chartered Accountants
Firm's Registration No. 01135N

S.K.Mittal
Partner

Membership No. 8506
Date: 27 MAR 2014
Place: New Delhi



Managing Director

Chairman

**BHUTAN DEVELOPMENT BANK LIMITED****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st December, 2013**

	Schedule	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
INCOME FROM OPERATIONS			
Interest on Loans	11	930,332,251	668,403,770
Interest & Dividend on Deposits & Investments	12	62,355,019	32,417,441
Other Income	13	28,584,718	23,089,619
		1,021,271,989	723,910,830
LESS : EXPENSES			
Operating Expenses	14	205,027,549	167,189,423
Financial Expenses	15	444,844,854	288,876,229
Write-Off / Provisions	16	92,131,298	29,203,950
		742,003,702	485,269,602
PROFIT/(LOSS)		279,268,287	238,641,228
Appropriation			
General Reserve		83,780,486	125,615,501
IT Development Reserve (CBS)		175,000,000	0
Retained Earnings		20,487,801	113,025,727
		279,268,287	238,641,228
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account.
In terms of our attached report of even date.

For S.K.Mittal & Co.
Chartered Accountants
Firm Registration No. 01135N


S.K. Mittal


Managing Director


Chairman



Partner
Membership No. 8506
Date : 27 MAR 2014
Place : New Delhi



BHUTAN DEVELOPMENT BANK LIMITED CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st December 2013

(in Ngultrums)

	2013	2012
Cash Flow from Operating Activities		
Profit before Tax	279,268,287	238,641,228
Adjustment for:		
Depreciation and Amortization	20,662,648	17,334,761
(Profit)/Loss on Sale of Property and Equipment	(1,647,711)	2,973
Staff Training Fund	-	-
Dividend Received	(443,500)	(406,000)
Interest on Fixed Deposits Received	(61,911,519)	(32,011,441)
Changes in Provisions on Loans and Advances	97,258,713	36,833,418
Changes in Provisions on Other Current Assets	647,753	(2,836,755)
Changes in Provision on Other Liabilities	395,744	3,140,038
Changes in Loans and Advances	(2,252,951,078)	(1,694,201,683)
Changes in Other Current Assets	(21,564,094)	(5,220,691)
Changes in Deposit from Customers	2,303,931,135	2,122,057,130
Changes in Other Liabilities	107,954,913	74,455,690
Changes in Deposits held for Regulatory Requirements	(111,034,573)	161,415,513
Income Tax Expense	-	-
Net Cash Flow from Operating Activities	360,566,719	919,204,181
Cash Flow from Investing Activities		
Dividend Received	443,500	406,000
Acquisition of Property and Equipment	(38,672,227)	(17,647,391)
Acquisition of Intangible Assets	-	(3,400,522)
Acquisition of Investment	-	(3,000,000)
Interest on Fixed Deposits Received	61,911,519	32,011,441
Profit/(Loss) on Sale of Property and Equipment	1,647,711	(2,973)
Net Cash Flow from Investing Activities	25,330,503	8,366,555
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	-	100,000,000
Changes in Long Term Borrowings	29,837,266	(51,840,361)
Changes in Government Grants and Assistance	11,078,699	(3,589,191)
Dividend Paid	-	-
Net Cash Flow from Financing Activities	40,915,965	44,570,448
Net Cash Flow from Operating Activities	360,566,719	919,204,181
Net Cash Flow from Investing Activities	25,330,503	8,366,555
Net Cash Flow from Financing Activities	40,915,965	44,570,448
Net Increase/(Decrease) in Cash and Cash Equivalent	426,813,188	972,141,184
Cash and Cash Equivalent at the beginning of the period	1,450,043,993	477,902,809
Cash and Cash Equivalent at the end of the period	1,876,857,181	1,450,043,993

For S.K. Mittal & Co.

Chartered Accountants

Firm Registration No. 01135 N

S.K. Mittal

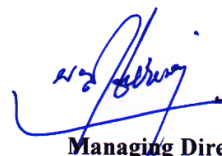
Partner

Membership No. 8506

Date : 27 MAR 2014

Place : New Delhi




 Managing Director Chairman

**BHUTAN DEVELOPMENT BANK LIMITED**

	<u>31-Dec 2013 (Nu.)</u>	<u>31-Dec 2012 (Nu.)</u>
<u>SCHEDULE 1 : SHARE CAPITAL</u>		
<u>Authorized Share Capital</u>		
500,000 Equity shares of Nu. 1,000 each	<u>500,000,000</u>	<u>500,000,000</u>
<u>Issued, Subscribed and Paid up:</u>		
300,000 Equity shares of Nu.1,000 each fully paid-up.	<u>300,000,000</u>	<u>300,000,000</u>
	<u>300,000,000</u>	<u>300,000,000</u>

NOTE - Of the above 75,000 shares valuing Nu. 75,000,000 have been issued to Royal Government of Bhutan against conversion of Grants.





BHUTAN DEVELOPMENT BANK LIMITED

SCHEDULE 2: RESERVES & SURPLUS

		<u>31-Dec 2013</u>	<u>31-Dec 2012</u>
		(Nu.)	(Nu.)
GENERAL RESERVES			
Opening Balance	571,710,029		
Transferred from Profit & Loss Account	83,780,486	655,490,515	571,710,029
RETAINED EARNINGS			
Opening Balance	750,732,702		
Add : Transferred from Profit & Loss Account	20,487,801	771,220,502	750,732,702
IT DEVELOPMENT RESERVE (CBS)			
Opening Balance	-		
Add : Transferred from Profit & Loss Account	175,000,000	175,000,000	
TOTAL		1,601,711,017	1,322,442,732

SCHEDULE 3 : GRANTS

(i) UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)		91,100,100	91,100,100
(ii) ASIAN DEVELOPMENT BANK (ADB)		12,087,955	12,087,955
(iii) UNCDF GRANTS (For Revolving Bike Fund)		1,352,400	1,352,400
(iv) SWISS DEVELOPMENT CORPORATION (SDC)		4,946,000	4,946,000
(v) HELVETAS		446,151	446,151
(vi) UNDP HSF LOAN FUN (Pilot micro finance to the rural community)		2,239,801	2,239,801
(vii) ROYAL GOVT. OF BHUTAN GRANT		68,101,000	68,101,000
(viii) UNDP HSF Project			
Opening Balance	138,440		
Less : Depreciation on assets acquired out of grants	(21,376)	117,064	138,440
(ix) UNCDF (Savings/Lending)			
Opening Balance	13,503,601		
Add : received during the year	8,817,215		
Less : Depreciation on assets acquired out of grants	(221,004)		
Less : Utilized during the year	(6,731,499)	15,368,313	13,503,601
(x) UNCDF- Loan Fund		3,845,000	3,845,000
(xi) BIO GAS - Credit			
Opening Balance	2,705,254		
Add : transferred from subsidy	602,000		
Add: received during the year	5,118,060	8,425,314	2,705,254
(xii) BIO GAS - Subsidy			
Opening Balance	2,586,583		
Add: received during the year	3,775,694		
Less : transferred to Bio Gas-Credit	(602,000)		
Less : utilization during the year	(5,753,200)	7,077	2,586,583
(xiii) ADB - CSF Project			
Opening Balance	1,583,239		
Add: received during the year	28,077,924		
Less : Utilized during the year	(29,661,163)	-	1,583,239
(xiv) Grant - Rudolf Fund - Credit		2,973,072	-
(xv) Grant - Rudolf Fund - Subsidy		4,459,608	
(xvi) Grant - Rudolf (Monitoring and Supervision A/C)			
Opening Balance	-		
Add: Received during the year	150,000		
Less : Utilization during the year	(20,032)	129,968	
(xvii) Sengor Community Collateral Fund			
Opening Balance	2,160,994		
Add : Deposit during the year	1,000		
Add : Interest Accrued during the year	114,400	2,276,394	2,160,994
TOTAL		217,875,218	206,796,519





BHUTAN DEVELOPMENT BANK LIMITED

SCHEDULE 4: BORROWINGS	Note	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
a. Secured Loans			
Asian Development Bank- Line of Credit (Phase 1)	1	27,872,382	29,730,540
Asian Development Bank - Line of Credit (Phase 2)		47,555,066	59,443,832
Asian Development Bank -Line of Credit - A/C # 0088/008		243,868,335	243,868,335
Kuwait Fund for Arab Economy Development - Line of Credit		-	8,783,186
International Fund for Agricultural Development - Line of Credit (Second Eastern Zone Agricultural Programme)	2	37,169,488	38,572,111
International Fund for Agricultural Development (Agriculture Marketing & Enterprise Promotion Programme)	3	53,279,646	53,279,646
Borrowing from National Pension & Provident Fund - II	4	500,000,000	500,000,000
Borrowing from Bank of Bhutan Limited	5	200,000,000	300,000,000
Sub Total		1,109,744,917	1,233,677,650
b. Unsecured Loans			
Borrowing from National Pension & Provident Fund - I		35,000,000	45,000,000
SME Loan (Govt. Credit under Second Development Policy)		163,770,000	-
Sub Total		198,770,000	45,000,000
TOTAL		1,308,514,917	1,278,677,650

Note :

- | | |
|--|---|
| Borrowings from Asian Development Bank-line of credit is secured by guarantee of Royal Government of Bhutan. | 1 |
| Borrowing International Fund for Agricultural Development is secured by guarantee of Royal Government of Bhutan. | 2 |
| Borrowing International Fund for Agricultural Development is secured by guarantee of Royal Government of Bhutan. | 3 |
| Borrowings National Pension & Provident Fund is secured by 40,000 sq.ft of land at Chubachu, Thimphu and gaurantee by RGOB to the extent of Nu. 500 million. | 4 |
| Borrowings from Bank of Bhutan is secured by guarantee of Royal Government of Bhutan. | 5 |



**BHUTAN DEVELOPMENT BANK LIMITED**

<u>SCHEDULE 5: DEPOSITS</u>	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu)
Fixed Deposit	4,843,915,769	3,302,180,886
Recurring Deposit	86,141,767	65,565,892
Savings Deposit	1,286,321,179	899,406,591
Current Deposit	507,989,053	153,283,264
TOTAL	<u>6,724,367,769</u>	<u>4,420,436,634</u>

SCHEDULE 6 : CURRENT LIABILITIES & PROVISIONS**A. Current Liabilities**

Accrued Interest on Deposits	204,439,749	96,519,350
Accrued Interest on Borrowing	11,856,215	9,007,549
Accounts Payable	5,286,382	9,393,624
Tender Refundable Deposit	219,498	81,589
Income Received in Advance	3,546,066	3,784,286
Provision for Audit Fees & Expenses	500,000	300,000
Accrued Expenses	10,980,833	9,759,940
Sub Total	<u>236,801,252</u>	<u>128,846,339</u>

B. Provisions

Provision for Gratuity	37,377,304	36,981,560
Provision for Corporate Tax	-	-
Sub Total	<u>37,377,304</u>	<u>36,981,560</u>
Total	<u>274,178,556</u>	<u>165,827,899</u>



BHUTAN DEVELOPMENT BANK LIMITED

SCHEDULE 7: FIXED ASSETS

PARTICULARS	DEPR. RATE	GROSS BLOCK						DEPRECIATION					NET BLOCK	
		OPENING @ 01.01.2013	SALARY ADJUSTMENT	ADDITIONS	AS AT 31.12.2013	OPENING BALANCE 2013	RATES/ AMOUNT	FOR THE YEAR	AS AT 31.12.2013	AS AT 31.12.2013	AS AT 31.12.2012	Nu.		
LAND	0%	2,988,633	-	-	2,988,633	-	-	-	-	-	2,988,633	2,588,623		
BUILDING	3%	61,887,473	-	1,494,339	63,381,814	3,133,166	-	1,871,486	7,004,653	7,004,653	56,301,782	56,674,309		
FURNITURE & FIXTURES	15%	16,864,829	7,833.25	3,282,825	21,341,452	7,838,732	7,361	3,247,619	10,086,351	10,086,351	11,343,432	8,207,897		
OFFICE EQUIPMENTS	15%	7,441,348	177,347.68	9,334,277	16,952,973	3,322,533	177,336	1,449,167	4,794,363	4,794,363	11,004,285	3,919,216		
ELECTRICAL EQUIPMENTS	15%	6,778,093	-	729,189	7,507,282	3,228,628	-	1,019,348	4,347,528	4,347,528	3,230,276	3,549,467		
NETWORK EQUIPMENTS	15%	23,211,388	-	4,964,829	28,176,217	9,772,334	-	3,822,969	13,595,303	13,595,303	14,384,884	13,443,054		
COMPUTER HARDWARE	15%	33,397,944	100,748.88	8,840,342	44,157,506	12,273,786	382,641	8,049,841	19,942,906	19,942,906	34,314,600	23,122,238		
COMPUTER SOFTWARE	15%	24,211,140	-	6,442,332	30,653,473	13,182,533	-	840,373.21	14,823,108	14,823,108	16,631,364	11,029,605		
MOTOR VEHICLES	15%	18,563,517	1,306,008.88	617,335	9,684,872	3,667,886	1,303,398	1,046,878	5,287,986	5,287,986	4,486,856	4,916,511		
OTHER EQUIPMENTS	100%	247,929	-	93,495	341,424	246,821	-	97,288	343,319	343,319	133	1,938		
AUT. & ATTACHES	0%	333,410	2,638.80	-	421,518	-	-	-	-	-	421,318	332,410		
SECURITY EQUIPMENTS	15%	1,534,083	-	-	1,534,083	593,919	-	217,377	811,284	811,284	724,389	940,166		
TOTAL FIXED ASSETS		189,286,815	1,794,571	37,988,222	228,319,605	61,488,586	2,873,336	28,062,648	90,488,862	90,488,862	146,248,733	128,725,434		
CAPITAL W/F		-	-	-	483,340	-	-	-	-	-	483,340	-		
PROVISION YEAR		189,286,815	1,794,571	37,988,222	228,802,945	61,488,586	2,873,336	28,062,648	90,488,862	90,488,862	146,732,073	128,725,434		
		189,275,975	1,778,199	37,847,858	228,202,033	44,383,062	1,871,675	17,334,361	88,718,500	88,718,500	138,175,634	-		

Note: 1. No depreciation has been charged on Assets/Instruments as per the Income Tax Act of the Kingdom of Bhutan, 2001.



2. Depreciation for the year	Nu.
Less : Depreciation on assets acquired out of Grants	20,662,648
Charged to Operating expenses	<u>242,380</u>
	20,420,268

Schedule 14



BHUTAN DEVELOPMENT BANK LIMITED

	31-Dec 2013 (Nu.)	31- Dec 2012 (Nu.)
<u>SCHEDULE 8 : INVESTMENTS (At Cost)</u>		
<u>Quoted</u>		
1) 2500 Equity Shares of Nu. 100 each of Bhutan Carbide and Chemicals Limited	500,000	500,000
3) 3810 Equity Shares of Nu. 100 each of Penden Cement Authority Limited	381,000	381,000
Sub Total	881,000	881,000
<u>Unquoted</u>		
1) 5000 Equity Shares of Nu. 100 each of BDB Securities Ltd	500,000	-
2) Capital Contribution for Financial Institution Training Institute	6,000,000	6,000,000
3) 5000 Equity Shares of Nu. 100 each of Royal Securities Board	-	500,000
Sub Total	6,500,000.00	6,500,000.00
TOTAL	7,381,000.00	7,381,000.00
Note : Market / Book value of Quoted Investments	4,592,000	5,793,300



	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
<u>SCHEDULE 9 : LOANS (Receivable)</u>		
Term Loan	7,007,410,384	5,280,593,267
Continuous Loan	1,276,529,601	795,660,738
Staff Loan	25,578,248	25,791,480
Principal Outstanding	8,309,518,233	6,102,045,486
Add : Interest Receivable on Loans	190,897,243	145,418,912
Total Outstanding	8,500,415,476	6,247,464,398
<u>Less : Provision For Loss</u>		
Specific Provisions	333,851,378	240,599,064
General Provisions	79,723,973	85,130,098
Suspended Interest/Penalty	73,672,421	64,259,895
Total Provision for loss	487,247,771	389,989,057
Loans Net of Provisions	8,013,167,705	5,857,475,341



BHUTAN DEVELOPMENT BANK LIMITED

	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
<u>SCHEDULE 10 - CURRENT ASSETS AND ADVANCES</u>		
<u>A. Current Assets</u>		
Cash and Bank Balances		
(i) Cash in Hand	223,987,893	174,409,279
(ii) Cheques in Hand	490,046	191,000
(iii) INR Balance	11,835,100	14,810,000
(iv) Balance in Current Account (Own Bank)	28,681,461	10,419,623
(v) Balances with Commercial Banks	225,747,633	360,901,477
(vi) CRR Deposit with Royal Monetary Authority	327,147,433	216,112,860
(vii) Balance with Royal Monetary Authority	90,988,557	18,412,327
Short Term deposit with Bhutan National Bank Ltd.	450,000,000	350,000,000
Short Term deposit with T-Bank Ltd -Gratuity Fund	39,887,928	20,900,288
Short Term deposit with T-Bank Ltd.	406,613,562	200,000,000
Short Term deposit with BOBL	-	200,000,000
Short Term deposit with DPNBL	200,000,000	100,000,000
Short Term Investment - Treasury Bill	198,625,000	-
Sub Total	2,204,004,614	1,666,156,853
<u>B. Loans & Advances</u>		
Stock of Stationeries and Spares	7,394,927	2,200,630
Accounts/Other receivables	21,488,089	8,144,358
Accounts receivable from BDB Securities	200,000	-
Asset Acquired on Settlement of Loans	15,000	15,000
Accrued Interest on short term deposits	15,073,423	11,803,201
Pre-Paid Tax	2,950,599	877,641
Security Deposits	86,500	206,500
Advances & Prepayments	1,912,464	9,891,220
Deferred Expenses (Training)	8,270,700	4,955,775
ATM - Payable/Receivable	2,266,716	-
Inter-Branch Accounts	-	-
Sub Total	59,658,418	38,094,324
<u>Less: Provision For Loss</u>		
Against Receivables	4,135,916	3,631,203
Against stock	148,356	5,316
Against Asset Acquired on Settlement of Loans	15,000	15,000
Sub Total	55,359,146	34,442,805
TOTAL	2,259,363,759	1,700,599,658



**BHUTAN DEVELOPMENT BANK LIMITED**

	31-Dec 2013	31-Dec 2012
	(Nu.)	(Nu.)
<u>SCHEDULE 11 : INTEREST ON LOANS</u>		
Term Loan	792,518,573	580,010,557
Continuous Loan	136,077,783	86,877,126
Staff Loan	1,735,896	1,516,088
TOTAL	930,332,251	668,403,770

**SCHEDULE 12 : INTEREST & DIVIDEND ON
DEPOSITS & INVESTMENTS**

Interest on FDR -with Commercial Banks	60,436,738	29,584,646
Income on Short Term Investment -Treasury Bill	1,474,782	2,426,795
Dividend on Shares	443,500	406,000
TOTAL	62,355,019	32,417,441

SCHEDULE 13 - OTHER INCOME

Legal Documentation Fee	1,930,750	1,674,884
Comission on Guarantee	11,458,827	14,608,271
Audit Recovery	523,984	306,078
Rental Income	4,018,007	3,451,064
Charges on repayment of loan of other Branches	186,303	268,173
Profit/(Loss) on Asset Sold/Discarded	1,646,709	(2,973)
Charges on outstation withdrawals/deposits	191,799	226,754
Prior Period Income/(Expense)Net	339,120	(80,990)
Penalty & other Income on Deposit Accounts	6,596	9,237
Income on Fractional Amount Raised on Account Closing	941	1,248
Income from insurance commission	153,367	-
Income earned on ATM service	23,198	-
Miscellaneous	8,105,118	2,627,873
TOTAL	28,584,718	23,089,619



**BHUTAN DEVELOPMENT BANK LIMITED**

	31-Dec 2013 (Nu.)	31-Dec 2012 (Nu.)
<u>SCHEDULE 14 : OPERATING EXPENSES</u>		
Salary and Personnel Expenses	108,872,416	97,642,654
Training	5,467,640	2,477,888
Workshop/Seminar/meetings	3,457,383	4,710,460
Rent	4,714,127	2,534,750
Power and Water	875,013	755,878
Communications	4,736,377	5,301,176
Repairs and Maintenance	1,613,029	1,526,166
Annual Software Maintenance	3,806,774	2,836,866
Stationery and Supplies	8,455,091	4,789,328
Motor Vehicle Expenses	1,211,086	1,327,724
Subscriptions	983,525	1,308,811
Donation	910,000	387,000
Auditor's Fees and Expenses	500,000	314,737
Travel Expenses	20,296,890	17,099,826
Insurance	642,243	494,407
Transportation Charges	871,065	471,051
Entertainment/Business Promotion	3,146,894	1,679,317
Taxes	34,943	42,131
Advertisement and Publicity	1,628,926	1,732,096
Fees and Commission Expenses	372,195	70,289
Bank Charges	111,269	90,847
Depreciation	20,420,268	17,051,013
Office Security Expense	4,484,477	1,001,000
Other Expenses	1,770,369	1,544,007
ATM Expenses	3,647	-
Silver Jubilee Celebration Exp	5,641,906	-
TOTAL	<u>205,027,549</u>	<u>167,189,423</u>

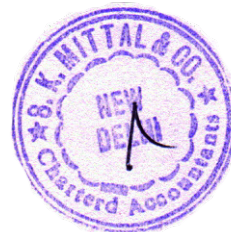


**BHUTAN DEVELOPMENT BANK LIMITED**

	<u>31-Dec 2013</u> (Nu.)	<u>31-Dec 2012</u> (Nu.)
<u>SCHEDULE 15: FINANCIAL EXPENSES</u>		
a. Interest on Deposits		
Savings Deposits	57,112,831	36,928,721
Recurring Deposits	4,515,775	3,412,277
Fixed Deposits	310,711,740	176,560,152
Sub Total	<u>372,340,345</u>	<u>216,901,150</u>
b. Interest on Borrowings		
In - Country	56,419,301	57,700,959
Third - Country	16,085,208	14,274,120
Sub Total	<u>72,504,509</u>	<u>71,975,079</u>
TOTAL	<u>444,844,854</u>	<u>288,876,229</u>

SCHEDULE 16 :WRITE OFF / PROVISIONS

Provision against loss of Assets	148,356	1,690
Irrecoverable Advance Written Off	1,269,663	-
Loans Written off	1,249,339	(876,746)
Provision on Loans	89,463,940	30,079,006
TOTAL	<u>92,131,298</u>	<u>29,203,950</u>



BHUTAN DEVELOPMENT BANK LIMITED

Schedule forming part of the Accounts for the Year ended 31st December 2013

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES:

1. SYSTEM OF ACCOUNTING

- 1.1 The financial statements have been prepared by following the going concern concept on historical cost basis and conform to the statutory provisions, various instructions, circulars and guidelines issued by the Royal Monetary Authority (RMA) of Bhutan from time to time and generally accepted accounting policies and procedures prevailing in the country unless otherwise stated.

2. REVENUE RECOGNITION

- 2.1 Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days, in respect of which the interest income as per the guidelines issued by the Royal Monetary Authority of Bhutan, is shown under the head "Interest Suspense" which is taken to Profit & Loss Account on actual realization only.
- 2.2 Interest on investment is recognized on accrual basis.
- 2.3 Dividend income is recognized in the accounts in the year of dividend declaration by the investee companies.
- 2.4 Commission and exchange on Guarantee and letters of credit are recognized on pro data basis over the period of their validity.

3. LOANS

- 3.1 Loans are stated at principal amount plus interest accrued thereon.
- 3.2 Assets acquired from defaulted borrowers are shown at the corresponding value of balances outstanding on the date of acquisition. Provision is made for possible shortfall, if any, as considered appropriate by management. Claims on such property by third party, if any, is disclosed as contingent liability.

4. INVESTMENTS

- 4.1 Investments are stated at cost.
- 4.2 Provisions are made for any shortfall in the market value of quoted investments in comparison to their carrying cost. In case of unquoted/unlisted investments provisions for diminution in value (as considered appropriate by the management) are made. Appreciation in the value of the investments is ignored.



5. FIXED ASSETS

- 5.1 Fixed assets are stated at original cost, net of accumulated depreciation.
- 5.2 Depreciation is provided at the rates specified in the Annexure II of Rules on the Income Tax Act of the Kingdom of Bhutan 2001 and is computed under straight-line method on pro-rata basis from the date of acquisition.
- 5.3 Fixed Assets are verified on as Annual basis and are entered in the Fixed Assets Register. Discrepancies if any are accounted for during the year.
- 5.4 Impairment loss on Fixed Assets are identified and treated in the accounts accordingly.

6. GRANTS

- 6.1 Grants received in kind/cash for acquisition of fixed assets are apportioned over the life of the related assets. Other unutilized grants related to revolving fund received from Royal Government of Bhutan and others for specific project are capitalized.

7. INVENTORIES

- 7.1 Inventories are stated at lower of cost or net realizable value.
- 7.2 Obsolescence is recognized as and when required.

8. CURRENT LIABILITIES

- 8.1 Current liabilities are stated at their actual/estimated amount due on accrual basis.

9. STAFF BENEFITS

- 9.1 Gratuity is provided on accrual basis, as per the Bank's service rules read with the guidelines framed by the Royal Civil Service Commission of Bhutan, presuming that all employees cease to work as of the year end.
- 9.2 Bonus is accounted for on accrual basis.
- 9.3 Leave encasement liability is provided on the basis of leave accrued to the employees as at the end of the year considering the last basic pay of each employee.
- 9.4 Leave travel concession (LTC) is accounted for on accrual basis.

10. CLAIMS

- 10.1 Claims if any are generally accounted for on settlement basis.



11. PROVISION FOR NON-PERFORMING LOANS

11.1 Provision for non-performing loans is made as per the guidelines issued by the Royal Monetary Authority of Bhutan at the following rate, except for loans under litigation against which 100% provision is made.

Credit Exposure	Provision on outstanding Principal amount. (%)
Standard	1.00
Watch	1.50
Substandard	15 (30 in case of Highest Exposure Sector)
Doubtful	50 (60 in case of Highest Exposure Sector)
Loss	100

12. CONTINGENT LIABILITY

12.1 Liabilities of contingent nature are disclosed in the notes on accounts.

13. BALANCE SHEET EVENTS

13.1 Material events occurring after the balance sheet date are taken into cognizance.

14. FOREIGN EXCHANGE FLUCTUATIONS

14.1 Foreign exchange transactions are converted into local currency by using exchange rates prevailing on the date of transaction as published by the Royal Monetary Authority of Bhutan.

14.2 Monetary assets & liabilities (denominated in foreign currencies) are converted at Rates prevailing at the year end.

14.3 Acceptances, endorsement and other obligations are reported at the exchange rate prevalent on the date of the commitment.

15. NET PROFIT OR LOSS

The result declared in the Profit & Loss Account is after considering:-

- 15.1 Provision on non-performing assets.
- 15.2 Provision for depreciation on Bank's property, and
- 15.3 Other usual/ necessary provisions as required.





BHUTAN DEVELOPMENT BANK LIMITED

Schedule forming part of the Accounts for the year ended 31st December, 2013

SCHEDULE 18 – NOTES ON ACCOUNTS

1. In terms of tripartite agreement between Royal Government of Bhutan, Asian Development Bank / Kuwaiti Fund for Arab Economic Development / International Fund for Agriculture Development and Bhutan Development Bank Limited, exchange fluctuation in respect of foreign currency loans received by the Bank from ADB/KFAED/IFAD has been recognized in the books of the Bank through payment of interest to Ministry of Finance.
2. Confirmations from various parties are not available in respect of loans, advances, receivables, payable etc. and therefore, their consequential impact, if any, is not ascertainable.
3. There is a difference of Nu.46,756 in the loans balancing between trial balance and system generated figures which is under reconciliation. However, they said amount has been fully provided for in the accounts.
4. Bhutan Development Bank Limited has applied to Ministry of Finance for granting tax holiday to the Bank for the year 2013 which is expected to be granted by the concerned authorities shortly. Accordingly, the Bank has not made provision for taxation in the accounts for the year 2013.
5. Provision amounting to Nu. 413,575,351 (Previous Year Nu. 325,729,162) against loans has been computed as per the revised provisioning norms of RMA vide letter # RMA/FRSD/34/2012-2013/1666 dated November 09,2012.
6. An amount of Nu. 37,377,304 (Previous Year. 36,981,560) has been ascertained as liability towards gratuity on the presumption that all employees cease to be employed with the bank as on 31.12.2013. This liability has been funded by way of separate investment Nu.39,887,928 as against the total gratuity provision of Nu.37,377,304 as at 31.12.2013.
7. During the year under review Nu.8,689,218 spent on training of staff outside the country, of which one third is charged to Profit & Loss Account and the balance is transferred to Deferred Expense (Staff Training). Further, an amount of Nu.2,477,887 is also charged to Profit & Loss Account out of Deferred Expenses (Staff Training) amounting to Nu.4,955,775 kept under Loans and Advances last year.
8. During the year, the Bank transferred 5,000 equity shares of Nu.100 each amounting to Nu.500,000 held with Royal Security Exchange of Bhutan in favour of BDB Securities Limited in consideration of having been allotted 5,000 fully paid equity shares of Nu.100 each of BDB Securities Ltd which are shown in Schedule 8 of 'Investment'.



9. During the year, the Bank transferred an amount of Nu.200,000 being the fixed deposits held against settlement guarantee fund with Bhutan National Bank in favour of BDB Securities Limited and the same has been accounted for under 'Accounts Receivable' being the amount due from BDB Securities Limited.
10. Remuneration and expenditure paid/reimbursed to the Managing Director in the year 2013 subject to Board's approval was as follows:

Sl. No	Particulars	Amount in 2013	Amount in 2012
1	Pay & Allowances	1,215,000.00	1,182,468.00
2	Leave Travel Concession	15,000.00	-
3	Bonus	113,804.00	-
4	Travel Expense (In Country)	147,517.00	46,102.00
5	Travel Expense (Abroad)	816,746.61	852,475.35
6	Provident Fund	92,400.00	91,406.00
7	BDBL's Board Sitting Fees in 2013	56,000.00	64,000.00
	Total	2,456,467.61	2,236,451.35

11. Additional information pursuant to the provision of Part II of Schedule XIII A of the Companies Act of the Kingdom of Bhutan, 2000.

Sl. No	Particulars	Amount in 2013	Amount in 2012
A	Salary & Personnel Expenses includes :	108,872,415.51	97,642,654.00
1	Manpower Expenses	74,888,149.74	68,891,824.00
2	Medical Expenses	204,658.00	3,689.00
3	GPF Contribution	6,171,137.10	5,891,642.00
4	Gratuity	4,746,354.00	4,336,984.00
5	Leave Travel Concession	3,645,831.00	3,273,746.00
6	Leave Encashment	4,434,911.00	3,855,964.00
7	Bonus to Staff	10,414,680.00	8,390,050.00
8	Staff Amenities	1,888,309.60	1,220,019.52
9	Cash Handling Allowance	1,269,610.00	909,700.00
10	Staff Transfer Expenses	1,208,775.07	869,035.00
B	Repairs & Maintenances	1,613,029.00	1,526,166.48



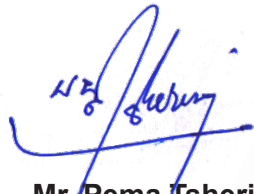
12. The following are the contingent liabilities as at 31.12. 2013.

SI #	Contingent Liabilities	31.12.2013 Nu.	31.12.2012 Nu.
a.	Performance Bonds	311,438,047.50	484,973,508.90
b.	Other Guarantees	105,724,784.70	101,019,552.73

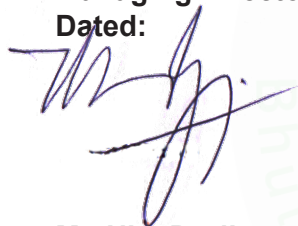
13. Capital Commitment (net of advance) is NIL (P.Y. Nu. 1,121, 575 for ATM Machine).

14. Chhetrum has been rounded off to the nearest Ngultrum

15. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figure.



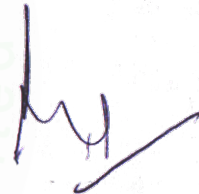
Mr. Pema Tshering
Managing Director
Dated:



Mr. Nim Dorji
Chairman
Dated: 27 MAR 2014



for **S. K. Mittal & Co**
Chartered Accountants



Mr. S.K. Mittal
Partner
Dated :



BDB SECURITIES LIMITED

ANNUAL ACCOUNTS & AUDITORS' REPORT 2013

S.K. Mittal & Co.

Chartered Accountants

New Delhi

India

S.K. Mittal & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF

BDB SECURITIES LIMITED
THIMPHU, BHUTAN

We have audited the attached Balance Sheet of BDB Securities Limited, as at 31st December 2013 and also the Profit & Loss Account and the Cash Flow Statement annexed thereto for the period 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 conducted our audit in accordance with the generally accepted auditing standards. Those 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the annexure a statement on the matters specified therein to the extent applicable to the Company.

Further, to our comments in the annexure as referred above, we report that:

1. 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 and have found them to be satisfactory.
2. In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books.
3. The Company has complied with the various provisions of the Financial Services Act 2011 and other applicable laws, rules & regulations, systems and practices except otherwise stated elsewhere in this report.

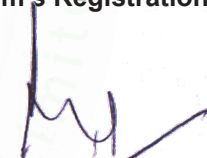


4. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. In our opinion, as shown by the books of the Company, and to the best of our information and according to the explanations given to us, they said Balance Sheet and Profit & Loss Account and the Cash Flow Statement read with Schedules 1 to 7 and our comments in the Annexure – A attached here with, give the information under The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and exhibit a true and fair view:
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st December 2013;
 - b) in the case of Profit & Loss Account, of the loss of the Company for the period ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

Place: New Delhi

Date: 27 MAR 2014

For S.K. Mittal & Co.
Chartered Accountants
Firm's Registration No.01135N



S. K. Mittal
Partner
Membership No. 8506



S.K. Mittal & Co.
Chartered Accountants

BDB SECURITIES LIMITED
THIMPHU, BHUTAN

(ANNEXURE A)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000)

1. The company has no fixed assets. Fixed assets of Bhutan Development Bank Limited are used by the company since it is a 100% subsidiary of Bhutan Development Bank Limited.
2. The Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and systems and procedures.
3. As per information and explanations provided to us, there are no transactions in respect of dealing or trading in shares, securities and other investments entered into by the company wherein the Directors are directly or indirectly interested are not prejudicial to the interest of the other shareholders and the Company.
4. The directives of the Board have generally been complied with.
5. The Company has not introduced budgetary control system.
6. So far as we have been 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.
7. Personal expenses, except under contractual obligations, have not been charged to the Company's accounts.
8. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are, in our opinion, lawful and intra-vires to the Articles of Incorporation of the Company.



- The management of liquid resources particularly cash/bank etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts.

Computerized Accounting Environment

- The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
- Adequate safeguard measures and back-up facilities exist.
- Back up facilities and disaster recovery measures include keeping files in different and remote locations.
- Operational controls are adequate to ensure correctness and validity of input data and output information.
- There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

GENERAL

1. Going Concern Problem

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

2. Ratio Analysis

Financial and operational ratios are given below:

Ratio	2013 (%)	Remarks
Current Ratio = Current Assets/ Current Liabilities	0.31:1	-
Profit on Turnover = Profit after Tax/ Turnover	(6.40%)	-
Return on Investment = Profit after Tax/ Capital Employed	(0.87%)	-



3. Compliance of Companies Act of Kingdom of Bhutan

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

4. Adherence of Laws Rules & Regulations

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 reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article 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.

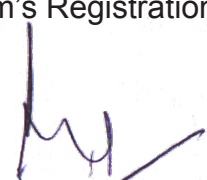
Other clauses of the said Reporting Requirements are not applicable to the Company during the year under audit.

Place: New Delhi

Date : 27 MAR 2014



For S. K. Mittal & Co.
Chartered Accountants
Firm's Registration


S. K. Mittal
Partner
Membership No. 8506



BDB SECURITIES LIMITED
(A Wholly Owned Subsidiary of BDBL)
BALANCE SHEET AS AT 31st DECEMBER 2013

PARTICULARS	SCHEDULES	31-12-2013 Amount (Nu.)
LIABILITIES		
Share Capital	1	500,000
Reserves & Surplus	2	(6,918)
Current Liabilities & Provisions	3	301,250
		<u>794,332</u>
ASSET		
Investments	4	700,000
Cash & Cash Equivalent	5	94,332
		<u>794,332</u>
Significant Accounting Policies	6	
Notes on Accounts	7	

The Schedules referred to above form an integral part of the Balance Sheet.
In terms of our attached report of even date.

For S.K. Mittal & Co.
Chartered Accountants
Firm Registration No. 01135 N

S.K. Mittal

Partner

Membership No. 8506

Date : 27 MAR 2014

Place : New Delhi

Chief Executive Officer

Chairman





BDB SECURITIES LIMITED
(A Wholly Owned Subsidiary of BDBL)

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st DECEMBER 2013

		31/12/2013
Income	Schedules	Amount (Nu.)
Brokerage Income		108,077
		<u>108,077</u>
Expenses		
Trading Fees		13,695
Annual Membership fees		75,000
Registration Fees		2,000
Trade Licence Charges		1,600
Advertisement Expenses		7,650
Bank Charges		50
Audit Fees		15,000
Total Expenses		<u>114,995</u>
Profit before Tax		<u>(6,918)</u>
Provision for Taxation		
Profit after Tax		<u>(6,918)</u>
Significant Accounting Policies	6	
Notes on Accounts	7	

The Schedules referred to above form an integral part of the Profit and Loss Account.
In terms of our attached report of even date.

For S.K.Mittal & Co.
Chartered Accountants
Firm Registration No. 01135 N

S.K.Mittal
Partner

Membership No. 8506
Date: 27 MAR 2014
Place: New Delhi

Chief Executive Officer

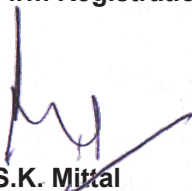
Chairman



**BDB SECURITIES LIMITED**
(A Wholly Owned Subsidiary of BDBL)**CASH FLOW STATEMENT AS AT 31st DECEMBER 2013**

PARTICULARS	31-12-2013
Cash Flow from Operating Activities	
Profit before Tax	(6,918)
Adjustments for:	
Changes in Current Liability	1,095,582
Net Cash Inflow from Operating Activities (A)	1,088,664
Cash Flow from Investing Activities	
Increase in investment	(94,332)
Net Cash Inflow from Investing Activities (B)	(700,000)
Cash Inflow from Financing Activities	
Increase in Share Capital	500,000
Net Cash Flow from Financing Activities (C)	500,000
Cash inflow from Operating Activities (A)	1,088,664
Cash Inflow from Investing Activities (B)	(700,000)
Cash Inflow from Financing Activities (C)	500,000
Net Increase/ (Decrease) in Cash and Cash Equivalent	888,664
Cash and cash equivalent at the beginning of the period	-
Cash and Cash equivalent at the end of the period	94,332

For S.K. Mittal & Co.
Chartered Accountants
Firm Registration No. 01135 N



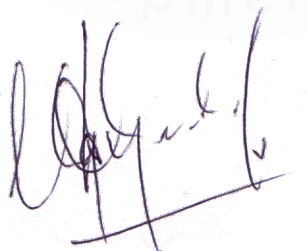
S.K. Mittal

Partner

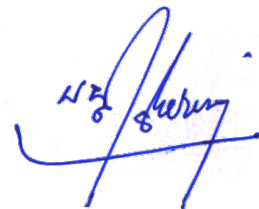
Membership No. 8506

Date : 27 MAR 2014

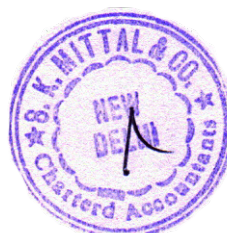
Place : New Delhi



Chief Executive Officer



Chairman

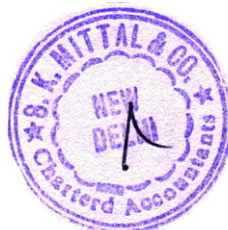




BDB SECURITIES LIMITED
(A Wholly Owned Subsidiary of BDBL)

Schedules forming part of Balance Sheet & Profit & Loss Account

PARTICULARS	31/12/2013 Amount (Nu.)	
<u>SCHEDULE 1 : SHARE CAPITAL</u>		
<u>Authorized Share Capital</u>		
5,000 Equity shares of Nu. 100 each		500,000
<u>Issued, Subscribed and Fully Paid-Up</u>		
5,000 Equity shares of Nu. 100/- each		<u>500,000</u>
<u>SCHEDULE 2 : RESERVES & SURPLUS</u>		
GENERAL RESERVES		
Opening Balance	-	
Transferred from Profit & Loss Account	<u>(6,918)</u>	<u>(6,918)</u>
<u>SCHEDULE 3 : CURRENT LIABILITIES & PROVISIONS</u>		
ACCOUNT PAYABLE		
Settlement Guarantee Fund	200,000	
Annual Membership fees	75,000	
Registration fees	2,000	
Trade Licence Charges	1,600	
Advertisement Expenses	<u>7,650</u>	<u>286,250</u>
PROVISION FOR AUDIT FEES		
Provision for Audit Fees	15,000	<u>15,000</u>
		<u>301,250</u>
<u>SCHEDULE 4 : INVESTMENTS</u>		
5,000 Equity Shares of 100/- each (Unquoted) with Royal Securities Exchange of Bhutan Ltd	500,000	
Investment in Settlement Guarantee Fund	<u>200,000</u>	<u>700,000</u>
<u>SCHEDULE 5 : CASH AND CASH EQUIVALENTS</u>		
Bank Balance with TMB	93,146	
Bank Balance with BNBL	<u>1,186</u>	<u>94,332</u>



BDB Securities Limited (A Wholly Owned Subsidiary of BDBL)

Schedules forming part of Balance Sheet and Profit & Loss Account

Schedule 6 - Significant Accounting Policies

1. Reporting Entity

BDB Securities Ltd, a wholly owned subsidiary of Bhutan Development Bank Limited, is incorporated in the Kingdom of Bhutan with effect from 31st July 2013 having its registered office situated at Norzin Lam, Post Box: 256, Thimphu, Bhutan. The Company licensed by Royal Monetary Authority (RMA) of Bhutan, is engaged in trading of shares in secondary market, participation in IPOs and bonds etc. within the country.

2. Revenue Recognition

Income and expenses are accounted for on accrual basis. However, the administrative expenses of the broker will be borne by the BDBL bank. The expenses directly related to security exchange and trading of shares will be accounted for in the financial statements.

3. Investments

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

4. Fixed Assets

As all the items of fixed assets belong to the Bhutan Development Bank (BDB) Ltd, the accounting for fixed assets and depreciation has not been made.

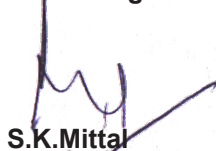
Schedule 7 - NOTES ON ACCOUNTS

1. The Company was incorporated in 31st July, 2013 and therefore, there are no corresponding figures for previous year.
2. Investment in unquoted equity shares of the Royal Securities Exchange of Bhutan Limited of Nu. 500,000.00 is still pending for registration in the name of BDB Securities Ltd.
3. Settlement Guarantee Fund of Nu. 200,000.00 has been transferred from Bhutan Development Bank Limited to the BDB Securities Ltd.

S.K.MITTL & Co.

Chartered Accountants

Firm's Registration No: 01135N

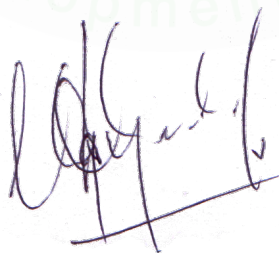


S.K.Mittal
Partner

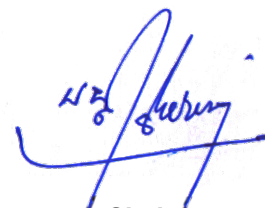
Membership No: 8506

Date: 27 MAR 2014

Place: New Delhi



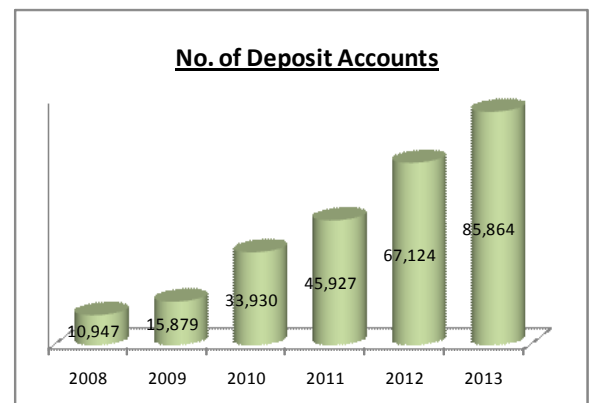
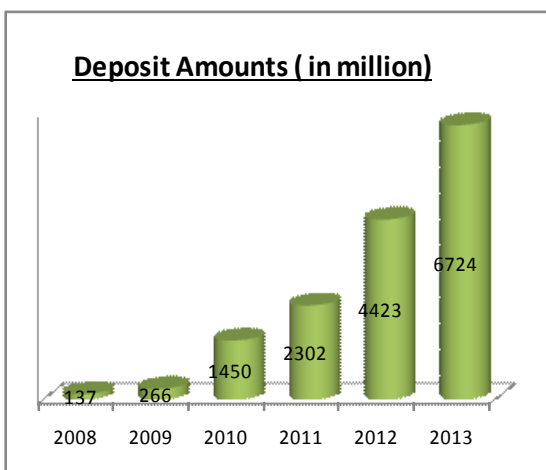
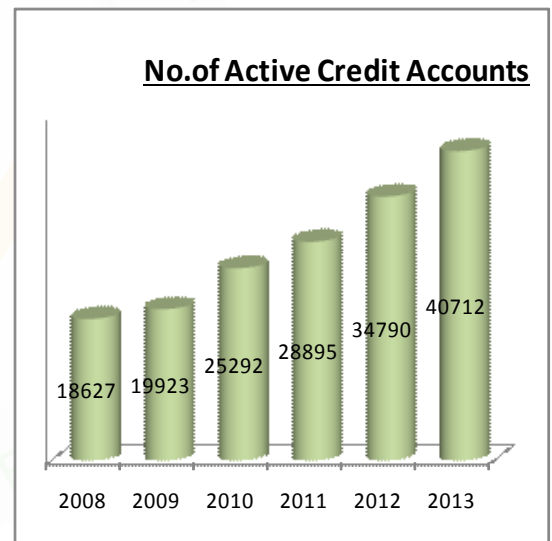
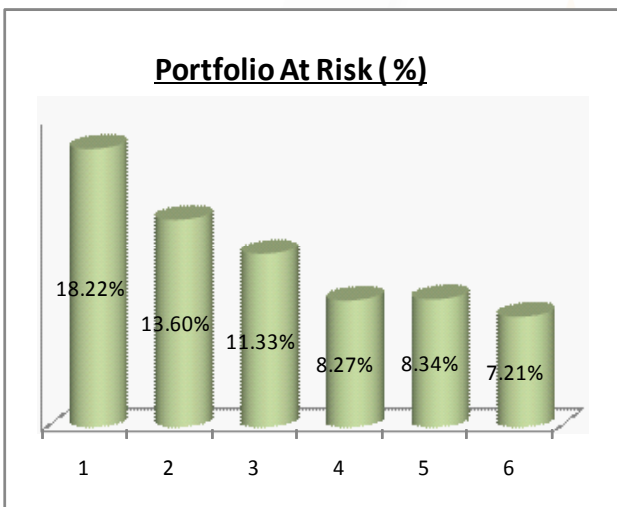
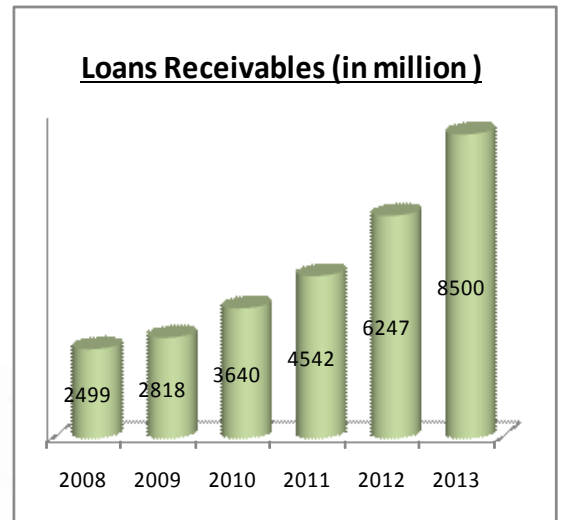
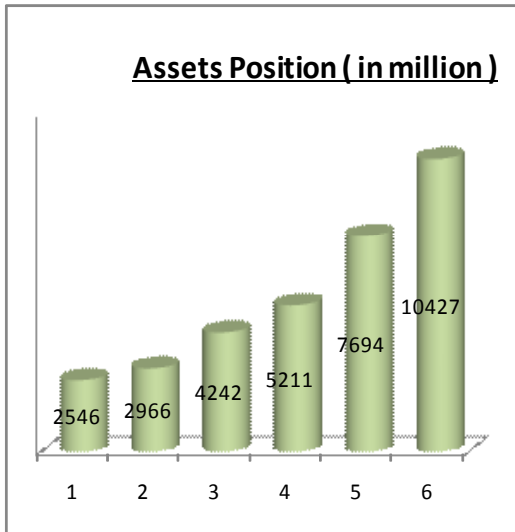
Chief Executive Officer



Chairman



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