



Notes on Accounts

1. In conformity with the accounting policies and guidelines (issued by the Royal Monetary Authority of Bhutan) interest earned (but not collected) aggregating to Nu.28,354,812.24 (previous year Nu.23,297,030.35) as on the date of the balance sheet has not been recognized as income and kept under 'Interest - in - Suspense' Account.
2. Guarantees given and Letters of Credit issued (on behalf of various clients) are outstanding at the year-end amounting to Nu.287,909,708.71 (Total Margin Nu.485,474.00) and Nu.310,892,224.27 (Total Margin Nu.22,859,994.75) respectively, previous year Nu.190,589,527.26 and Nu.135,730,531.43.
3. Assets acquired on capital grant from ADB has been segregated from the other fixed assets and has been shown separately. Accumulated depreciation on such assets aggregating to Nu.4,777,795.11 has been considered as income. Depreciation on assets acquired (through capital grants) has been charged against capital reserve during the year.
4. Confirmation, being not available, book balances of loans, advances and other receivables are reflected in this account.
5.
 - a) Additional amount of provision against loan (excluding interest - in - suspense) amounting to Nu. 35,372,703.80 being the difference between provision of Nu 101,654,957.59 as on 31.12.2003 required as per the prudential guidelines issued by Royal Monetary Authority of Bhutan and the amount of provision Nu. 66,282,253.79 held as on 31.12.2002, has been provided for during the year.
 - b) As a prudent policy the bank has provided Nu.31,990,000.00 as required to be provided by the year 2004 based on the figures of non-performing assets of this year under the Transitional Stipulation of the prudential guidelines, 2002 (issued by Royal Monetary Authority of Bhutan) in this account and the same is included in the amount of provisions as stated above.
 - c) In case of Loans pending fixation of repayment schedules (Bullet Loans) provisions and suspension of interests are made wherever interest remains overdue for more than 90 days except in case of Industrial Loans and Housing Loans where provisions have not been made during the "gestation period".
6. Provision for taxation includes: -

Tax on current year's profit:	Nu.24,393,856.31
Less: Advance Tax Paid:	Nu. 7,324,621.08
Less: Tax Deducted at Source:	Nu. 367,917.00
Payable:	Nu. 16,701,318.23
7. Capital work - in progress amounting to Nu.558,163.00 (previous year Nu.14,885,639.20) represents the expenditure incurred in connection with the preparation of model and drawing the proposed office building at Thimphu.



8. Classification of loan, like secured/partly secured/ unsecured, based on security coverage are not made due to inadequate information/documentation.
9. Other assets (advances, claims, pre-payments, deferrals etc.) include balances in Sundry Receivables accounts aggregating to Nu. 8,508,127.20 (previous year Nu 3,340,250.98) pertaining to Banking Division pending settlement of claims by the party. Similarly, Other current liabilities include an unadjusted balance in Sundry Payables Account of International Banking Division amounting to Nu. 5,580,823.11 (previous year Nu 3,048,994.62) representing receipt from the foreign sources pending identification of the payees.
10. 'Tax deducted at Source' on income from interest on time deposits with banks outside Bhutan for the year is amounting to Nu. 1,559,143.00.
11. Market value of Quoted Equity Investments at the end of the year is amounting to Nu.44,387,000 (previous year Nu. 43,073,585). Market value of RGOB treasury bills and Druk Air bond are amounting to Nu.120,000,000 and 421,631,000 respectively. Diminution in value of investment of Bhutan Board Products Ltd. to the extent of Nu. 16,800 has been maintained. During the year Royal Insurance Corporation of Bhutan has issued 177 bonus shares in the ratio of 1:1, which has reduced the carrying cost to Nu 2,070.50 per share (previous year Nu 4,141 per share).
12. a) Unclaimed matured deposits, Unit Shares and other payables of miscellaneous nature aggregating Nu.11,806,294.79 (previous year Nu 33,647,110.55) are not claimed by the beneficiaries, have been kept under 'Unclaimed Deposit' Account.
- b) Aggregate recoveries till date amounting to Nu 9,546,032.12 (previous year Nu 9,244,083.02) from certain old bad loan accounts (which were liquidated by Ministry of Finance, Royal Government of Bhutan at the time of incorporation of the Bank) are included in Other Liabilities.
13. MicroBanker software, installed in the year 1997, was replaced by Flexcube software from the beginning of this year. Consequential impairment loss due to obsolescence of MICROBANKER and few other related softwares amounting to Nu 1,274,339.95 has been fully provided for in this account.
14. Remuneration and expenditure paid, reimbursed or accrued to the Managing Director was as follows:

	Current year	Previous Year
Salary & other benefits:	Nu. 681,496.00	Nu. 629,865.00
Vehicle Expenses (official):	Nu. 295,509.91	Nu. 204,400.00
Travel-local/foreign (official):	Nu. 104,700.00	Nu. 188,300.00
Medical reimbursements:	Nu. 17,591.00	Nu. 26,400.00
Training & Seminars:	Nu. 269,108.00	Nu. 820,300.00
Total:	Nu. 1,368,404.91	Nu. 1,869,265.00

