

Auditors' Report on the Financial Statements

For the Year ended 31st December, 2004.

The Shareholders,
Bhutan National Bank,
Thimphu,
Bhutan.

We have audited the attached Balance Sheet of Bhutan National Bank as at 31st December, 2004 and the relative Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 of material statements. 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. As required by section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with section II of the Schedule XIV thereto (the Minimum Audit examination and Audit Reporting Requirements issued by the Royal Audit Authority), we enclose in the Annexure B a statement on the matters specified therein to the extent applicable to the Bank.

Further to our comments in the Annexure referred to 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.
2. In our opinion, proper books of account have been kept by the Bank so far as it appears from our examinations of those books.
3. The Bank has complied with the various provisions of the Financial Institution Act 1992 and other applicable laws, rules & regulations, systems, procedures and practices except otherwise stated else where in this report.
4. The Balance Sheet and Profit & Loss account dealt with by this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the books of account.

5. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account and the Cash Flow Statement read together with Significant Accounting Policies and Notes on Accounts as per Schedules 1 to 11 and subject to our comments in the Annexure-A & B attached here with gives the information under the Companies Act of the Kingdom of Bhutan 2000 in the manner so required and exhibit a true and fair view:

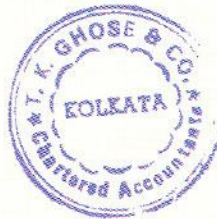
- a) in case of the Balance Sheet, of the state of affairs of the Bank as at 31st December, 2004;
- b) in case of the Profit & Loss Account, of the profit of the Bank for the year ended on that date;

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- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

DATE: 10-03-2005

PLACE: KOLKATA



For T K GHOSE & CO.
CHARTERED ACCOUNTANTS

Nikhilendra Nath Basu

Nikhil. N. Basu
(Membership No. A/8952)
Partner