



**DRUK PNB BANK LTD**

**CO: THIMPHU**

**BALANCE SHEET**  
**AS ON**  
**31.12.2017**

## INDEPENDENT AUDITORS' REPORT

To The Members of  
DRUK PNB BANK LIMITED  
THIMPU, BHUTAN

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Druk PNB Bank Limited (DPNBL), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory

information. Our audit was conducted in accordance with the standards of independent auditors in the Kingdom of Bhutan. The financial statements are the responsibility of the management of Druk PNB Bank Limited. We are not providing any assurance on the financial statements. Our audit was conducted in accordance with the standards of independent auditors in the Kingdom of Bhutan. The financial statements are the responsibility of the management of Druk PNB Bank Limited. We are not providing any assurance on the financial statements.



other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and the presentation of these financial statements in accordance with the Malaysian Accounting Standards as notified by the Accounting and Auditing Standards Board of Malacca ("AASB") and with the Companies Act of 1965, 1967 and 1991 for such financial control as management deems necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures of obtaining evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

opinion.

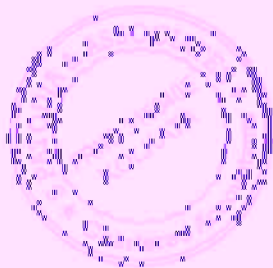
### Report on Other Legal and Regulatory Requirements

As required by the Companies Act of Bhutan, 2016 (The Minimum Audit Examination and Reporting Requirements) issued by the Royal Audit Authority and on the basis of such checks as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure , a statement on the matters specified therein to the extent applicable to the Corporation

As required by the Act, we report that:

- a) we have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purpose of our audit.
- b) in our opinion, proper books of accounts as required by law as stated in the Companies Act of Bhutan, 2016 have been maintained.

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*[Handwritten signature]*

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9. In our opinion, the transactions of purchase and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or their relatives, companies, or firms, in which the directors are, directly or indirectly interested have been made at prices, at which the transactions for similar goods or services have been made with other parties. Such transactions have been adequately disclosed in the financial statements. Such terms and conditions are not prejudicial to the interest of shareholders, and other members of the Bank.

11. According to the records, the Bank is regular in depositing rates and taxes, duties, penalties, fines and other statutory dues with the appropriate authority.

12. There are no undischarged statutory liabilities in respect of rates, taxes, duties, penalties, fines and other statutory dues outstanding at the year-end.

13. No personal expenses of employees or directors have been charged to the Bank accounts. All incurred payments under contractual obligations or in connection with properly accepted business practices.

14. In our opinion, the Bank is maintaining adequate provisions for the proper management of liquid resources, particularly cash / bank and short term deposits. It is reasonably adequate and conservative amounts are not being kept in non interest-bearing accounts.

15. In our opinion and on the basis of available records and information, the policies entered into by the Bank are sound and conducive to the interest of the shareholders.

16. The details of remuneration and other payments made to the Chief Executive Officer of the Bank have been duly disclosed in Note No. 10 of Accounts.

17. The Bank has established an effective budgeting control system.

18. In our opinion, the Bank is maintaining adequate provisions for contingencies.

19. We do not see any items recommended and our knowledge is confined, the articles of the Bank have not provided any other specific information which are not made public, restricted to their relatives / friends / associates or other persons which would directly or indirectly benefit themselves.

20. The Bank has maintained the adequate statements and records which it has required laws and regulations for which appropriate notes have been drawn up and clearly written have been made therein.



20. The Bank has not dealt or traded in shares, securities and other investment during the year.
21. The Bank has adequate records for funds collected from depositors and for interest payments.
22. The Bank has complied with the requirements of Financial Service Act of Bhutan, 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.
23. The requirements of RMA Prudential Regulations, 2016 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 complied with.
25. The assets hypothecated against loans and advances have been physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
26. Proper analysis is carried out before re-phasing / rescheduling of loans.
27. 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 controls

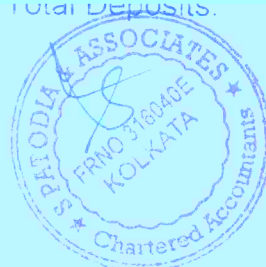


**General**

**1. Going Concern Perspective:**

Based on

massy of India from the Total Deposits.



### 3. Compliance with the Companies Act of Bhutan, 2016.

The Bank has complied with the various provisions of the Companies Act of Bhutan, 2016 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares and all other matters specified in the said Act.

### 4. Conformance to Laws, Rules and Regulations

The audit of the Bank is governed by the Companies Act of Bhutan, 2016, RMA Prudential Regulations, 2016 and Financial Service Act of Bhutan 2011. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

The Bank has generally complied with the applicable laws, rules and regulations, systems, procedures and practices as informed and explained to us.

For S. Patodia & Associates  
Chartered Accountants (FR No. 316040E)

*S. Patodia*

Satish Patodia (Membership No. 052583)



**DRUK PNB BANK LTD.**  
Statement of Financial Position

	31.12.2019	31.12.2018	31.12.2017
Assets	121	102	102
Intangible Assets	1	1	1
Property, plant and equipment	1	1	1
Financial Assets	119	100	100
Loans and advances	119	100	100
Other financial assets	0	0	0
Liabilities	121	102	102
Capital and Reserves	121	102	102
Share Capital	121	102	102
Reserves	0	0	0
Provisions	0	0	0
Other liabilities	0	0	0
Financial Liabilities	0	0	0
Other financial liabilities	0	0	0
Other liabilities	0	0	0
Other provisions	0	0	0
Other assets	0	0	0
Total Assets and Equity	121	102	102

Approved by the Board of Directors on 28.01.2020  
 Approved by the Board of Directors on 28.01.2019  
 Approved by the Board of Directors on 28.01.2018

Dr. J. S. Singh, Chairman



DRUK PNB BANK LTD.

Statement of Comprehensive Income

Amount in Nu.

As at

Note December 31, 2017 December 31, '2016

Interest and similar income	5	721,343,373.59	642,549,342.69
Interest and similar expense	6	405,581,057.42	344,345,209.93
Net interest income		315,762,322.17	298,204,132.76
Fees and commission income	7	113,242,250.06	109,239,217.02
Fees and commission expense		-	-
Net fee and commission income		113,242,250.06	109,239,217.02
Net trading income		-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss		-	-
Other operating income	8	14,452,910.54	20,198,474.77
Total operating income		443,457,482.77	427,641,824.55
Provision for Loans (Standard/NPL)	9A	7,348,987.31	17,778,092.90
Impairment losses on financial investments		-	-
<b>Net operating income</b>		<b>436,108,495.46</b>	<b>409,863,731.65</b>
Personnel expenses	10	72,202,364.08	65,609,523.18
Depreciation of property and equipment		12,357,095.05	14,479,511.35
Amortisation of intangible assets		-	-
Other operating expenses	11	71,980,033.67	66,089,091.48
Total operating expenses		156,539,492.80	146,178,126.01
<b>Profit from continuing operations</b>		<b>279,569,002.66</b>	<b>263,685,605.64</b>
Less: Provision- Others	9B	10,649,750.00	-
Profit for the year		268,919,252.66	263,685,605.64
Income tax expense (Current Tax)	12A	2,000,000.00	2,000,000.00
Income tax expense (Deferred and Additional Tax)	12B	2,000,000.00	2,000,000.00
Profit for the year from continuing operations		264,919,252.66	259,685,605.64
Discontinuation operations		-	-
Profit for the year from discontinued operations		-	-
Profit for the year		264,919,252.66	259,685,605.64
Attributable to:			
Equity holders of the parent			
Profit for the year from continuing operations		264,919,252.66	259,685,605.64
Profit for the year from discontinued operations		-	-
Profit for the year attributable to equity holders of the parent		264,919,252.66	259,685,605.64
Non-controlling interest			
Profit for the year from continuing operations		-	-
Profit for the year from discontinued operations		-	-
Profit for the year attributable to non-controlling interests		-	-
Earnings per share	23		
Basic earnings per share		4.09	3.92
Diluted earnings per share		4.09	3.92
Basic earnings per share from continuing operations		4.09	3.92
Diluted earnings per share from continuing operations		4.09	3.92

Signed in terms of our attached report of even date for S. Patodia & Associates Chartered Accountants (FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

Place: Thimphu



(Chairman) (Director)





DRUK PNB BANK LTD.

Statement of Cash Flow

Particulars	31-Dec-17	31-Dec-16
	Amounts(Nu.)	Amounts(Nu.)
<b>A. Operating Activities</b>		
Profit before tax from continuing operations	279,569,002.66	263,685,605.64
Profit before tax from discontinued operations	-	-
<b>Profit before tax</b>	<b>279,569,002.66</b>	<b>263,685,605.64</b>
<b>Adjustment for:-</b>		
Change in operating assets	(1,378,059,645.84)	(580,750,603.68)
Change in operating liabilities	3,448,721,403.75	1,428,404,695.08
Change in other operating assets	(45,230,092.14)	(29,195,232.47)
Change in other operating liabilities	70,449,391.51	27,718,121.06
Other non-cash items included in profit before tax	12,357,005.05	14,479,000.00
Net gain/(loss) from investing activities		
Profit on sale of PPE		
Net gain/(loss) from financing activities		
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(1,049,150.56)	(4,077,172.92)
Income tax paid	(62,973,683.42)	(67,452,640.96)
<b>Net cash from/(to) operations</b>	<b>(1,043,005,072.10)</b>	<b>(1,231,481,523.88)</b>

S. Patodia

19.03.2018

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## Significant Accounting Policies for the Year ended 31<sup>st</sup> December 2017

### 1. Basis of Preparation :

These financial statements are general purpose financial statements that have been prepared in accordance with the Accounting Standards for Entities in the Private Sector (ASIS) prescribed by the Institute of Chartered Accountants of India (ICAI) and the related provisions of the Companies Act, 2013.

The financial statements have been prepared on a historical cost basis in accordance with the historical cost convention and going concern basis concept as stated elsewhere in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses may differ from the actuals.

#### A. Revenue Recognition:

(i) Sale of goods and provision of services are recognized when ownership is transferred, or guarantee and title of goods, which is transferred to the buyer.

(ii) Interest, Rent, etc. are recognized on accrual basis before realization of cash.

(iii) Interest Income on loans is recognized on accrual basis except for non performing loans with default over 90 days in respect of which the following criteria are to be followed: (a) If the borrower is a company, the financial statements of the borrower are audited by a Chartered Accountant and the auditor's report is not qualified; (b) If the borrower is an individual, the borrower is a resident Indian citizen and has sufficient assets in India to meet the interest on the loan.

#### B. Depreciation of Fixed Assets:

The depreciable assets are valued at the lower of cost or fair value less impairment. The impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

The impairment loss is recognized in the profit and loss account. All non-current assets are reviewed at the end of each reporting period to determine whether there is any indication that impairment loss has been recognized. If any such indication is present, the carrying amount of the asset is reviewed to determine whether there is any indication that the impairment loss recognized in prior periods should be reversed.

Depreciation is provided on a straight line basis over the estimated useful life of the asset. The useful life of the asset is determined on the basis of the expected usage of the asset and the expected residual value of the asset at the end of its useful life.

Subsequent to initial recognition, property, plant and equipment are carried at their depreciated value, less impairment and subsequent impairment losses, if any. Impairment losses relating to property, plant and equipment is recognized only when it is probable that future economic benefits associated with the cash flow to the Company and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits specifically associated with the item will flow to the Company and the cost of the item, plus any associated liability, if necessary, can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is computed using the straight line method over the estimated useful lives. Residual value is not depreciated as it has an indefinite useful life unless specifically stated to be depreciated over a straight line method over the primary term of the lease.

The Company has based an acquisition performed by the United Kingdom, established the estimated range of useful lives of assets for depreciating its property, plant and equipment as follows:

Buildings (Capitalized Leases)	5 years
Machinery & Structural Plants Other Items	3-5 years
Motor Vehicle	10 years
Machinery & Structural Plants	3-5 years
Office	3-5 years
Computer Software	3-5 years
Administrative Tools	3-5 years

The useful life, residual value and depreciation method are reviewed, and adjusted accordingly, at least at each statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Changes in the estimated useful life, residual value and / or depreciation method, if any, is depreciated prospectively over the asset's remaining useful life.

The cost and the accumulated depreciation for property, plant and equipment will be reported, netted or otherwise disposed off and transferred from the financial statements of the Company when the asset is sold, transferred or otherwise disposed of.

Management's notes:

