
ANNUAL REPORT 2005



ROYAL SECURITIES EXCHANGE OF BHUTAN LTD.

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CONTENTS

1. BOARD OF DIRECTORS

2. MANAGEMENT

3. DIRECTOR'S REPORT

4. MARKET HIGHLIGHT

- **Information on listed companies:**

- **Traded Value:**

→ *In primary market*

→ *In secondary market*

- **Traded Volumes:**

→ *In primary market*

→ *In secondary market*

- **Brokers' Performances**

5. SECURITIES RECORDS IN THE DEPOSITORY

6. RMA DISCOUNT BILLS

7. RGOB BONDS

8. FINANCIAL STATEMENTS

- ◆ *Balance Sheet*

- ◆ *Profit and Loss Account*



1. BOARD OF DIRECTORS

Chairman

1. **Mr. Daw Tenzin**
Managing Director
Royal Monetary Authority of Bhutan

Directors

- | | |
|---|---|
| 2. Mr. Kipchu Tshering
Managing Director
BNB Securities Ltd. | 5. Mr. Nawang Gyetse
Managing Director
Drook Securities Ltd. |
| 3. Mr. Lamkey Tshering
Managing Director
RICB Securities Ltd. | 6. Mr. G.P Sharma
Dy. Managing Director
BOB Securities Ltd. |
| 4. Mr. Sangay Khandu
Director General
Ministry of Trade & Industry | 7. Mr. T. Yezer
Member Secretary
RSEB Ltd. |

2. Management

1. Mr. Tashi Yezer, Chief Executive Officer
2. Mr. Dophu Dorji, Manager
3. Mr. Nawang Lhendup, In-charge (Central Depository)
4. Ms. Khandu Wangmo, Programmer (Trading)
5. Mr. Pema Lhendup, Accountant
6. Mr. Kezang Dorji, Peon

Brokerage Firms:

RICB Securities Ltd.

C/o Royal Insurance Corporation of Bhutan
Phuentsholing, Bhutan
Tel #. 975-2-322426/323993

BNB Securities Ltd.

C/o Bhutan National Bank
Thimphu, Bhutan
Tel # 975-2- 322765/322767

BOB Securities Ltd.

C/o Bank of Bhutan
Thimphu Branch

Drook Securities Ltd.

C/o Bhutan Dev. Finance Corporation
Thimphu

DIRECTOR'S REPORT 2005

1. Background

The Royal Securities Exchange of Bhutan Ltd. (RSEB) was established in 1993 in response to the need to develop Capital Market in the Kingdom. The year 2005 marks its 12th year since inception. However, this report indicates various challenges that the Exchange has been facing in order to become a fully vibrant market. One of the major constraints is its geographical location with difficult terrains, which has been forcing it to remain more or less isolated from the rest of the world and therefore, it is more difficult to achieve further growth and development.

In this competitive world, successes are held in reserve by continuous effort of setting the market forces with the right market infrastructures that no part falls apart to weaken integrity, skill, care and due diligence of the dealers-- and that the market operates timely, efficiently, and orderly under continued scrutiny of the regulators to maintain proper disciplines in the market and protect investors, thus ensuring good governance across the entire structure of the market industry.

In such endeavors, we have found that combined efforts are required to achieve the common goals to ensure peace, prosperity and happiness to our people. The test of time since the inception of the RSEB in 1993 has indicated that no further developments of the Capital Market in the Kingdom shall be fulfilled without further support of the government.

It could be observed that only small volumes of transactions are taking place at the Exchange. It is because of the fact that the size of the capitalization issues coming into the market is firstly small and scarce. The Debt market too is small and underdeveloped. During the past twelve years, the RSEB has been able to list only twelve companies in addition to four in 1993 and that too with their capitalization issue of only 30 to 40 percent of their paid up capital being floated to public. As such, the growth of the market is not much as expected. The Exchange on the other hand has been making its best efforts to ensure adequate measures and control of the market to provide investors' protection.

2. Revenue and commission

It is a fact that the RSEB constantly lacked adequate manpower and technical expertise to adequately meet its urgent need to further strengthen the institutional capacity through procurement of necessary equipment and software package to efficiently handle its ever increasing work load. In order to meet these requirements, the RSEB decided to revise the structure of listing fees with effect from January 2005. With the new structure, the Companies are now required to pay annual listing fees at the rate of 5 percent of the paid up capital with upper ceiling limit up to Nu. 30, 000 per annum, instead of previously charged lump sum

fee of Nu 15,000 per annum. This approach seemed more equitable as it is based on the paid up capital of the companies.

Similarly, the fees for RMA Auction Bills and broker's membership fees have also been increased to Nu.1.5 million from Nu. 0.75 million and to Nu. 50,000 from Nu. 30,000, respectively, with effect from the same date.

With this significant increase in the revenue of the Exchange, it is now possible to recruit few more staff with adequate expertise and educational qualifications.

3. Annual Accounts

The annual accounts of the RSEB as at 31st December 2005 were audited by M/s Deloitte and Haskins, Chartered Accountants, Kolkotta. The audited accounts consisting of Balance sheet and Profit and Loss Account are appended as **appendix C**.

The total assets of the Exchange consisting mainly investment with government bonds and cash and bank balances grew by around 10 percent from Nu. 5,868,353.26 at the end of December 2004 to Nu. 6,453,992.26 at the end of December 2005. This growth was mainly contributed by increase in cash and bank balances and other assets mainly consisting of accrued interest and other receivables.

The growth in the liabilities has been mainly influenced by increase in gratuity provision which grew from Nu. 322,515 at the end of December 2004 to Nu. 515,690 by the end of December 2005.

The Exchange during the year generated a profit after tax of Nu. 329,531.46 as compared to the profit of Nu. 281,663.05 in the previous year. The increase in profit during the year was mainly contributed by significant increase in the revenue. The expenditure too has increased significantly from Nu. 1.42 million to Nu. 2.20 million due to salary revision and also due to increase in the staff strength.

The increasing trend of profitability over the past few years clearly indicates that the Exchange has been making good efforts and achieving better performance over the years.

4. Market Activities

The Equity market, both primary and secondary has maintained its momentum in comparison to a relatively small Debt Market.

5. Primary Offers

In August 2005, S.D Eastern Bhutan Coal Company Ltd. (EBCC) floated 30 percent of its shares to public to raise capital of Nu. 15.63 million in addition to the

promoters' equity of Nu. 36.47 million making its total paid up capital to Nu 52.10 million (Table 6.1 & 6.2). This issue was over subscribed by 24.35 percent.

Further, in November 2005, the Royal Government decided to disinvest 49 percent of the state owned equity holdings of 2,45,000 shares (face value of Nu.100 per share) in Kuensel Corporation Ltd. at a premium of Nu. 335 per share. Since the offer was under subscribed, the government decided to reduce the price to Nu. 300 per share and also extended the subscription period until February 2006.

The Jigme Mining Corporation, which is a newly established Mining Company, is in the early stage of floating its shares to the public. The company plans to resubmit the draft proposal of its prospectus after the finalization of its annual accounts for the year 2005.

6. Secondary Market

During the year 2005, the Secondary Market recorded a total trading volume of 49,198 shares worth Nu 20.77 million (Table – 7.1) as compared to 284,075 shares worth Nu.108.81 million in the previous year 2004 (Table – 7.2).

7. Market Capitalization

During the year 2005, the market capitalization of the 16 listed companies increased to Nu 4,467.12 million from Nu.4,300 million in the previous year indicating a growth rate of 4 percent.

8. Number of Shareholders

There has been a steady of growth in the number of public shareholders in the listed companies during the past years. The year 2005 records a growth of 3.34 percent to 15,616 shareholders from 15,110 shareholders in the previous year.

Disinvestment of fully owned shares of Government in Bank of Bhutan, Bhutan Telecom Corporation, Bhutan Power Corporation and National Pension and Provident Fund would drastically increase the public holdings of equity, in addition to new companies that are expected to emerge in the market.

9. New Listing

The number of listed companies increased to 16 when S.D Eastern Coal Company Ltd. was listed on the RSEB in September 2005. At the time of its listing, the EBCC had 30 percent of it's paid up shares issued to a total of 1,152 shareholders across the kingdom.

10. Market information

The RSEB desires to computerize and validate calculations of the companies information such as issued capital, face value, annual profits/loss, reserves and calculation of book value, market value, earning per share, return on capital, debt equity ratio, dividend yields and dividend paid so as to enable the Exchange to trace the record of the beneficial owners after each transaction at the Exchange. Currently, these calculations are derived manually.

11. Debt Market

The RSEB also allows trading of Bills and Bonds through its Trading Facilities. There are already some proposals for issuance of Corporate Bonds, which will materialize in the near future.

12. RMA Discount Bills

During the year, the RSEB through its facilities has mobilized the auction of the RMA Discount Bills aggregating to Nu. 600 million compared to Nu 2,179.02 million in the previous year. The Bills are now issued at fixed price and the volume is also pre-determined by the RMA.

The overall trading of Bills, since its first trading in 1994 to the year 2005, amounts to Nu.25,197.23 million.

13. Government Bonds

The Ministry of Finance re-issued Nu.300 million T-Bills out of its previously issued T-Bills of Nu. 500 million at a fixed coupon rate of 7% per annum, and redeemed the rest to Bank of Bhutan. During the period, the RSEB has shared its opinion with the Department of Budget and Accounts to look into the possibilities of using price discovery mechanism to float new bonds, besides issuing at fixed coupon rates.

Presently there are series of RGoB 10 year-bonds listed on the Exchange, which have maturities until 2013 and 2014.

During the year, the RGoB paid a total of Nu 172.68 million towards the coupon payment of outstanding Bonds, besides redemption of Treasury Bill amounting to Nu. 500 million.

14. Brokers Performance

During the year 2005, BNB Securities Ltd achieved trading record of 91 percent as compared to 68 percent in the previous year. It has executed transactions of shares worth Nu. 131.48 million as compared to Nu 187.42 million in the previous year, followed by RICB Securities Ltd.

During the year, the overall traded value (IPO plus secondary, excluding the dematerialized securities) recorded at the Exchange (both buy and sell transactions of all the four brokers amounted to Nu. 144.48 million.

The Exchange inspected the books of accounts and the other activities of the brokers during the year and found them to be smooth.

15. Dematerialization

Dematerialization is a process by which the physical share certificates of the listed companies are converted into scripless shares.

Total of 17,266,670 shares worth Nu 376.67 million of BFAL & PCAL shares were dematerialized during the year.

Starting from April 22, 2005, RICB Securities Ltd. started Dematerialization of PCAL shares. During this process, it helped the company to merge the double entry share account of the same holder into a single Share account. For instance, the name of a single shareholder of the company would appear repeatedly in the company's shareholders register, which have now been merged based on the same name, address and Citizenship Identity Card number provided by the company.

16. Splitting of Shares

Following the decision of the Board of the RSEB in August 2004, the RSEB started splitting the shares of the listed companies whose face value exceeded Nu 1000 per share, and reduced to Nu 100 per share.

By the beginning of the year 2005, the RSEB completed the share splitting of RICB and PCAL. The face values have now been reduced to Nu 100 per share from its previous value of Nu.1000 per share. The process was carried out along with dematerialization of the shares of the said companies.

17. Non-commercial Transaction

The non-commercial transactions such as gifts, inheritance and other noncommercial transfer of ownership of securities within the immediate family members, upon verification by the court, are being approved by the RSEB.

The RSEB has been approached by many individuals to approve the transfer directly without the court order; but this has not been made possible due to difficulty in identifying the family members and other legal aspects.

During the year, the RSEB has recorded about 140 cases of non-commercial transfers worth Nu. 2.15 million for 21,549 shares which generated a total income of Nu 34, 923 as transfer fee to the RSEB.

18. Securities Depository

The volume of Securities deposited in the Central Depository increased to 8.51 million shares during the year from 3.89 million shares in the previous year indicating 54.33 percent growth. This growth was fueled by dematerialization of Penden Cement Authority Ltd, RICB and the BFAL shares. The RSEB hopes to accomplish 100 percent deposit of listed shares in the Central Depository by dematerializing the remaining shares of BTCL, BCCL and BBPL.

The Depository still continues to prepare reports such as statements showing comparisons and tallying the list of beneficial shareholders transacted by each brokers during each calendar year and make these information available to the 16 listed companies for issuing entitlements to their shareholders. If this mechanism is not carried out properly on time, there could be risk of paying dividends and other entitlements to the wrong shareholders.

19. The RSEB in the School Curriculum

Following the inclusion of the features and functions of the RSEB in School syllabus for Class XI and XII, team of Teachers from Schools keep visiting the Exchange to obtain more information. By the year 2008, Bhutan shall have students from Higher Secondary Schools with basic background knowledge on the functions of the RSEB.

20. Public Awareness

The Exchange has prepared brochures both in Dzongkha and English containing frequently asked questions and answers, describing the general activities of the capital market and the RSEB, to create further public awareness in the Kingdom.

21. In-house Training

During the year, one-month-training was conducted to train one additional broker for BNB Securities Ltd. So far, RSEB has trained over 22 personnel from the four Financial Institutions as Sales Representatives (brokers and traders). On successful completion of the course, the trained brokers are awarded with a certificate and they are required to obtain license from the RMA. The course contents include knowledge on trading, clearing and settlement system operated on the automated trading system of the RSEB; acquire full knowledge on broker accounting system and its operation; acquire knowledge on the procedures and functions of the Depository system and trading of Equity securities and management of primary issue of Debt securities.

22. Regional Marketing Committee of South Asian Federation of Exchanges

In line with the Harmonization of Listing Regime of the South Asian Federation of Exchanges (SAFE) a Regional Marketing Committee (RMC) was formed during the Meeting held on 25th March 2005 in Bangladesh.

Chief Executive Officer of the RSEB was elected as one of the Executive Committee Members to the SAFE for the year 2005 at the Annual General Meeting of the SAFE held at the ISE, Islamabad, Pakistan, in May 2005,

23. Acknowledgements

On behalf of the Royal Securities Exchange of Bhutan Limited and its Directors, I would like to take this opportunity to extend deepest gratitude to the listed companies, the Brokerage Firms, the Royal Monetary Authority and the Ministry of Trade and Industry for providing continued support and co-operation to the RSEB, without which the activities of 2005 would not have achieved their goals.

The shareholders, the Directors and I would like to acknowledge the commendable services rendered by the Management team of the RSEBL. The year 2005 also notes the frequency of the Board Meetings being increased to minimum of four from two in the past years. We have full confidence that the management and staffs will continue to work hard to achieve greater performances in the future.

Thank you and Tashi Delek

Chairman

Abbreviations

1. BBCL - Bhutan Beverages Co. Ltd.
2. BBPL - Bhutan Board Products Ltd.
3. BCCL - Bhutan Carbide and Chemicals Ltd.
4. BDL - Bhutan Dairy & Agro Products Ltd.
5. BFAL - Bhutan Ferro Alloys Ltd.
6. BNB - Bhutan National Bank Ltd.
7. BPCL - Bhutan Polymers Co. Ltd.
8. BTCL - Bhutan Tourism Corporation Ltd.
9. DPCL - Druk Petroleum Corporation Ltd.
10. DPOP - Druk Plaster and Chemicals Ltd.
11. DSCL - Druk Satair Corporation Ltd.
12. DSML - Druk Stones and Mineral Export Co. Ltd.
13. PCAL - Penden Cement Authority Ltd.
14. RICB - Royal Insurance Corporation of Bhutan Ltd.
15. STCB - State Trading Corporation of Bhutan Ltd.
16. EBCC - SD Eastern Bhutan Coal Co. Ltd.

MARKET HIGHLIGHTS

Table - 1

Company/ year of Listing	Year	Nu. in million			Face Value	Earnings Per Share Nu.	Book Value Nu.	PE Ratio	Dividend (%)	Dividend Yield (%)	Return on Capital (ROC)	Debt Equity Ratio
		Paid up Capital	Reserves	Profits								
BBCL 2002	2003	115.00	0.00	-17.35	100	-15.09	100.00	-21.21	0.00	0.00	-0.15	2.51
	2004	115.00	0.00	-9.56	100	-8.31	100.00	-29.47	0.00	0.00	-0.08	2.41
	2005	115.00	0.00	1.18	100	1.03	100.00	194.37	0.00	0.00	0.01	2.05
BBPL 1993	2000	140.00	2.67	-9.35	100	-6.68	101.91	-15.42	0.00	0.00	-0.07	1.10
	2001	140.00	7.32	4.65	100	3.32	105.23	31.02	0.00	0.00	0.03	0.97
	2002	140.00	11.27	3.95	100	2.82	108.05	31.56	0.00	0.00	0.03	0.81
	2003	140.00	12.18	9.31	100	6.65	108.70	13.38	6.00	6.74	0.06	0.54
	2004	140.00	18.01	19.82	100	14.16	112.86	6.36	10.00	11.11	0.13	0.17
	2005	140.00	28.69	31.69	100	22.63	120.49	3.98	15.00	16.67	0.19	0.00
BCCL 1993	2000	100.00	283.65	43.36	1000	433.57	3,836.54	9.22	0.00	0.00	0.11	0.00
	2001	100.00	284.40	101.53	1000	1,015.31	3,843.99	4.92	100.00	26.01	0.26	0.00
	2002	100.00	325.43	72.08	1000	720.80	4,254.26	6.94	30.00	7.05	0.17	0.00
	2003	100.00	374.50	79.78	1000	797.76	4,745.03	6.27	30.00	6.00	0.17	0.00
	2004	100.00	398.64	64.92	1000	649.19	4,986.37	7.70	40.00	8.00	0.13	0.00
	2005(P)	100.00	430.02	56.43	1000	564.28	5300.17	10.63	25.00	4.17	0.11	0.92
BDL 1994	2000	2.50	0.00	-0.22	100	-4.39	100.00	-22.78	0.00	0.00	-0.04	1.23
	2001	2.50	0.00	0.83	100	33.16	100.00	3.02	0.00	0.00	0.33	2.84
	2002	2.50	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2003	6.10	0.00	-1.05	100	-17.21	100.00	-5.81	0.00	0.00	-0.17	1.29
	2004	8.60	0.00	-0.88	100	-10.20	100.00	-8.90	0.00	0.00	-0.14	1.43
	2005(P)	14.09	0.00	0.20	100	2.32	100.00	43.07	0.00	0.00	0.02	0.27
BFAL 1995	2000	150.00	293.75	0.66	100	0.44	295.84	306.81	0.00	0.00	0.00	1.09
	2001	150.00	110.39	46.84	100	31.22	173.59	4.48	15.00	8.64	0.18	0.59
	2002	150.00	195.01	90.74	100	60.49	230.00	2.33	35.00	15.22	0.26	0.25
	2003	150.00	239.06	90.71	100	60.47	259.37	2.32	35.00	25.00	0.23	0.09
	2004	150.00	276.84	91.21	100	60.80	284.56	8.39	15.00	2.94	0.21	0.26
	2005	150.00	287.53	33.19	100	22.13	291.69	23.05	0.00	0.00	0.08	2.63
BNB 1996	2000	59.50	195.44	102.92	100	172.96	428.45	4.05	50.00	11.67	0.40	9.64
	2001	59.50	243.80	78.10	100	131.26	509.71	11.05	50.00	9.81	0.26	41.69
	2002	59.50	269.02	40.10	100	67.39	552.10	29.68	25.00	4.53	0.12	56.87
	2003	119.00	549.02	56.92	100	47.83	561.33	11.50	30.00	5.45	0.09	38.54
	2004	119.00	570.52	81.90	100	68.82	579.40	9.45	50.00	7.69	0.12	48.41
	2005	119.00	638.86	151.64	100	127.42	636.82	5.10	70.00	10.77	0.20	53.98
BPCL 1997	2000	12.47	8.82	8.12	100	65.10	170.74	0.58	35.00	20.50	0.38	2.56
	2001	24.93	10.42	6.58	100	26.40	141.78	3.79	20.00	14.11	0.19	2.02
	2002	24.93	12.52	9.58	100	38.42	150.20	6.51	15.00	9.99	0.26	1.52
	2003	24.93	15.45	10.41	100	41.77	161.97	5.99	30.00	12.00	0.26	1.42
	2004	24.93	17.96	7.50	100	30.07	172.03	7.98	20.00	8.33	0.17	1.30
	2005	24.93	21.00	8.03	100	32.22	184.25	7.45	20.00	8.33	0.17	1.29
BTCL 1994	2000	20.94	16.88	4.88	1000	233.01	1,806.09	4.55	20.00	11.07	0.13	0.58
	2001	20.94	15.50	2.77	1000	132.48	1,740.38	7.92	0.00	0.00	0.08	0.97
	2002	20.94	18.55	4.69	1000	223.95	1,886.10	6.70	20.00	10.60	0.12	1.86
	2003	20.94	18.63	4.54	1000	216.92	1,889.84	4.61	0.00	0.00	0.11	1.66
	2004	20.94	29.86	10.52	1000	502.52	2,426.12	3.38	0.00	0.00	0.21	2.16
	2005	20.94	37.06	13.08	1000	624.81	2,770.03	2.72	0.00	0.00	0.23	1.96

Note : 1. Figures may not add up due to rounding. 2. P - Provisional.

Formula Used :-

1. Book Value = Capital + Reserve / No.of Shares
 2. EPS=Net Profit / No.of Shares
 3. PE=Market Price / EPS
 4. Return on Capital = Net Income / (Equity + Reserve) *5.
 5. Div.Yield = Div. per share / Market Price
 6. Debt Equity Ratio=Debt / Paid up Capital
- * Book Value is replaced by Market Price w.e.f. 2003

MARKET HIGHLIGHTS

Table - 1, Continued

Company/ year of Listing	Year	Nu. in million			Face Value (IPO)	Earnings Per Share Nu.	Book Value Nu.	PE Ratio	Dividend (%)	Dividend Yield (%)	Return on Capital (ROC)	Debt Equity Ratio
		Paid up Capital	Reserves	Profits								
DPCL 1995	2000	6.24	0.00	-0.34	100	-5.47	100.00	-18.28	0.00	0.00	-0.05	4.51
	2001	6.24	0.00	-0.13	100	-2.12	100.00	-47.17	0.00	0.00	-0.02	4.74
	2002	6.24	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2003	6.24	0.00	-5.36	100	-85.94	100.00	-1.16	0.00	0.00	-0.86	2.73
	2004	6.24	0.00	-6.24	100	-100.08	100.00	-1.20	0.00	0.00	-1.00	3.89
	2005	6.24	0.00	-0.37	100	-5.91	100.00	-20.32	0.00	0.00	-0.06	5.30
DPOP 2001	2001	10.00	0.00	0.00	100	0.00	100.00	0.00	0.00	0.00	0.00	1.25
	2002	10.00	0.00	0.00	100	0.00	100.00	0.00	0.00	0.00	0.00	1.69
	2003	10.00	0.00	-0.59	100	-5.87	100.00	-17.05	0.00	0.00	-0.06	3.48
	2004	10.00	0.00	0.13	100	1.27	100.00	78.85	0.00	0.00	0.01	3.16
	2005	10.00	1.00	1.96	100	19.60	110.01	17.85	5.00	1.43	0.18	2.37
DSCL 1998	2000	10.13	25.24	17.41	100	171.77	365.84	0.58	50.00	13.67	0.49	0.14
	2001	30.40	11.53	17.00	100	55.98	136.15	1.79	15.00	29.38	0.41	0.08
	2002	30.40	32.71	21.48	100	70.64	207.58	1.42	0.00	0.00	0.34	0.01
	2003	30.40	55.40	32.56	100	107.09	282.21	0.93	0.00	0.00	0.38	0.00
	2004	30.40	68.81	33.78	100	111.11	326.34	3.15	0.00	0.00	0.34	0.00
	2005	30.40	58.57	9.21	100	30.29	292.65	8.98	50.00	18.38	0.10	0.00
DSML 1995	2000	3.77	0.00	-0.74	100	-19.66	100.00	-5.09	0.00	0.00	-0.20	1.56
	2001	3.77	0.00	-0.51	100	-13.62	100.00	-7.34	0.00	0.00	-0.14	1.39
	2002	3.77	0.00	-1.41	100	-37.38	100.00	-2.67	0.00	0.00	-0.37	1.28
	2003	3.77	0.00	2.18	100	57.86	100.00	1.73	0.00	0.00	0.58	1.09
	2004	3.77	0.00	0.48	100	12.62	100.00	23.77	0.00	0.00	0.13	0.75
	2005	3.77	0.00	-2.02	100	-53.54	100.00	-5.60	0.00	0.00	-0.54	0.87
EBCC 2005	2005	52.10	1.13	40.72	100	78.15	102.16	1.28	0.00	0.00	0.76	0.75
PCAL 1993	2000	226.67	317.55	170.46	1000	752.05	2,400.93	5.98	50.00	20.83	0.31	0.00
	2001	226.67	387.96	183.75	1000	810.65	2,711.59	4.93	50.00	18.43	0.30	0.00
	2002	226.67	418.35	200.39	1000	884.09	2,845.68	5.20	75.00	26.36	0.31	0.00
	2003	226.67	496.18	191.16	1000	843.35	3,189.03	6.17	50.00	9.62	0.26	0.00
	2004	226.67	558.31	175.47	1000	774.12	3,463.15	7.10	50.00	9.09	0.22	0.00
	2005	226.67	625.77	180.79	100	79.76	376.08	7.52	50.00	8.33	0.21	0.00
RICB 1993	2000	48.00	69.55	21.85	1000	455.23	2,448.98	9.01	15.00	6.12	0.19	0.00
	2001	48.00	103.92	34.76	1000	724.09	3,165.03	5.66	20.00	6.32	0.23	19.05
	2002	48.00	145.61	41.69	1000	868.45	4,033.48	4.84	0.00	0.00	0.21	22.49
	2003	96.00	155.21	43.90	1000	457.26	2,616.78	7.65	0.00	0.00	0.17	5.62
	2004	96.00	210.45	73.32	1000	763.78	3,192.16	4.58	20.00	5.71	0.24	7.31
	2005	96.00	276.96	72.61	100	75.64	388.50	3.97	10.00	3.33	0.19	5.92
STCB 1997	2000	20.00	36.99	29.75	100	148.76	284.93	0.87	40.00	14.04	0.51	0.00
	2001	20.00	40.53	8.55	100	42.74	302.67	3.04	25.00	8.26	0.14	0.00
	2002	20.00	40.96	4.43	100	22.15	304.82	5.87	20.00	6.56	0.07	0.00
	2003	20.00	45.76	10.80	100	54.00	328.82	2.41	30.00	23.08	0.16	0.00
	2004	20.00	50.50	9.74	100	48.70	352.52	3.90	25.00	13.16	0.14	0.00
	2005	20.00	54.73	4.22	100	21.11	373.63	9.00	0.00	0.00	0.06	0.00

Note : 1. Figures may not add up due to rounding. 2. P - Provisional.

Formula Used :-

1. Book Value = Capital + Reserve / No.of Shares
 2. EPS=Net Profit / No.of Shares
 3. PE=Market Price / EPS
 4. Return on Capital = Net Income / (Equity + Reserve) *5.
 5. Div.Yield = Div. per share / Market Price
 6. Debt Equity Ratio=Debt / Paid up Capital
- * Book Value is replaced by Market Price w.e.f. 2003

SHARE HOLDING PATTERN - (2005)

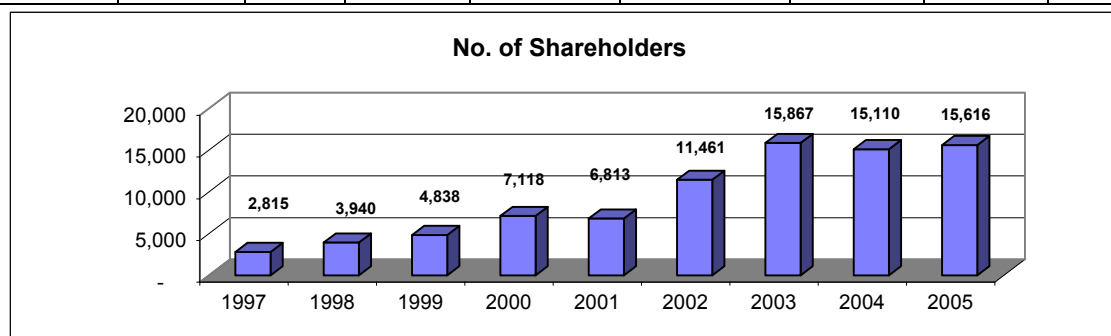
Table - 2

ISSUING COMPANY	Paid up Shares	Holdings in Percent						Total
		RGOB	FIS	Institutional Investors	Foreign Inst. Investors	Promoters	Public	
BBPL	1,400,014	44.88	13.26	13.20	-	-	28.66	100
BCCL	100,000	-	39.23	1.35	-	52.11	7.30	100
BDL	25,000	-	15.00	6.00	-	59.04	19.96	100
BFAL	1,500,000	25.73	8.69	9.66	12.00	43.69	0.23	100
BNB	1,190,080	13.61	2.10	35.61	10.05	-	38.63	100
BPCL	249,334	-	5.10	1.70	-	53.72	39.48	100
BTCL	20,940	-	-	0.96	-	80.94	18.10	100
DPCL	62,370	-	13.42	-	-	83.33	3.26	100
DPOP	100,000	-	-	-	-	70.00	30.00	100
DSCL	304,032	-	-	-	-	69.94	30.06	100
DSML	37,702	-	-	-	-	92.04	7.95	100
PCAL	226,667	42.68	1.82	35.54	-	-	19.96	100
RICB	96,000	39.25	0.37	4.59	-	-	55.80	100
STCB	200,000	51.00	11.96	10.90	-	-	26.14	100
BBCL	1,150,000	-	-	9.39	-	60.00	30.60	100
EBCC	520,000	-	-	-	-	70.00	30.00	100

NUMBER OF SHAREHOLDERS

Table - 3

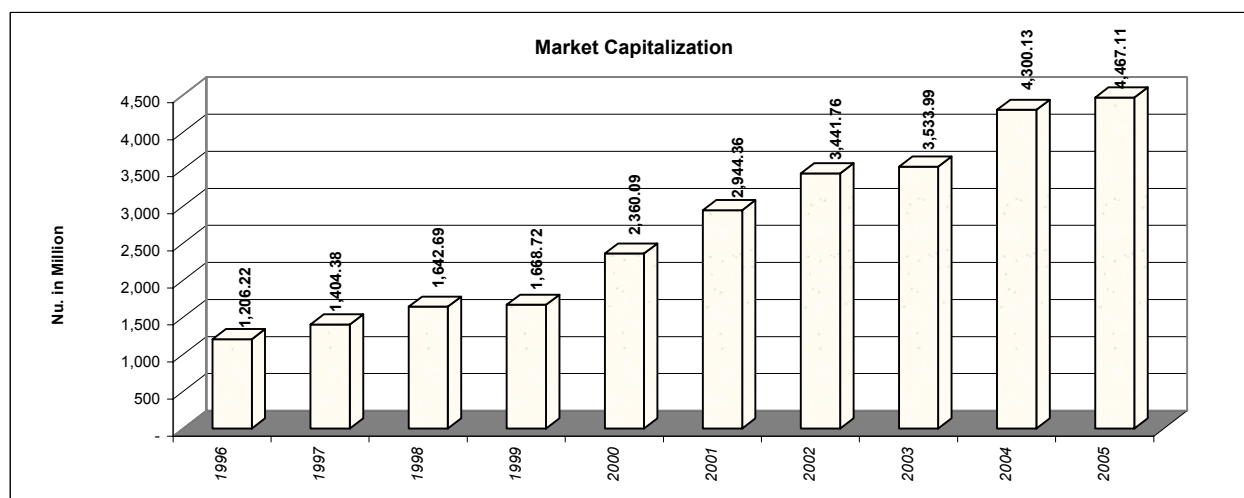
Issuing Company	1997	1998	1999	2000	2001	2002	2003	2004	2005
BBPL	474	475	489	489	489	489	489	489	489
BCCL	268	267	267	266	266	267	267	270	269
BDL	89	96	96	96	96	96	96	96	96
BFAL	56	48	44	42	37	37	40	50	46
BNB	411	406	407	407	405	409	5,451	4,656	4,193
BPCL	54	54	78	78	78	95	104	102	102
BTCL	87	87	89	89	89	83	83	161	161
DPCL	79	80	80	80	80	80	79	71	71
DSCL	-	1,201	1,201	1,201	1,201	1,200	1,186	1,264	1,150
DSML	59	59	64	64	64	64	64	69	69
PCAL	901	835	1,630	1,630	1,616	1,620	1,520	1,477	1,477
RICB	205	200	260	2,543	2,056	1,871	1,715	1,670	1,641
STCB	132	132	133	133	133	127	127	125	125
DPOP	-	-	-	-	203	203	203	203	203
BBCL	-	-	-	-	-	4,820	4,443	4,407	4,372
EBCC	-	-	-	-	-	-	-	-	1,152
Total :-	2,815	3,940	4,838	7,118	6,813	11,461	15,867	15,110	15,616



MARKET CAPITALIZATION

Table - 4

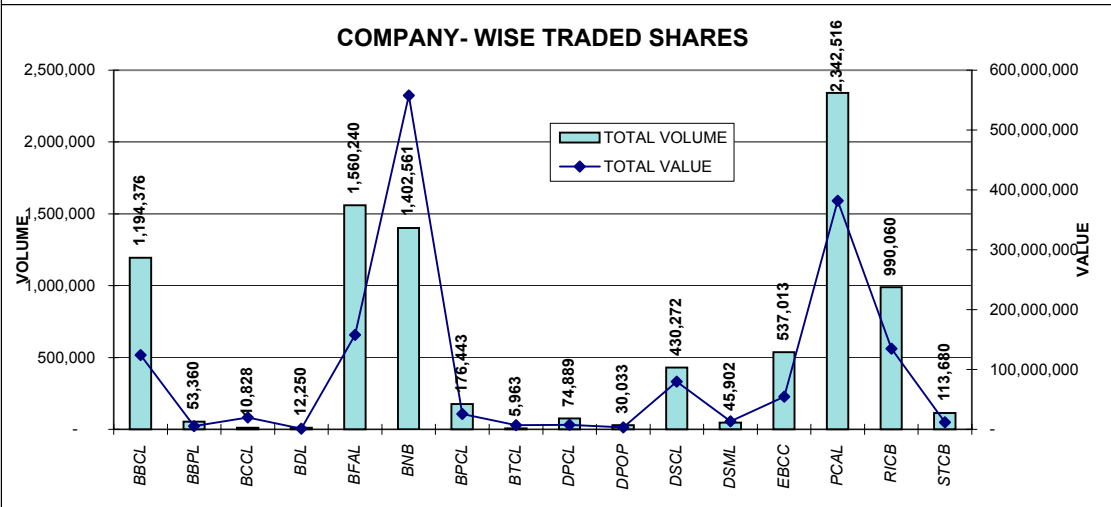
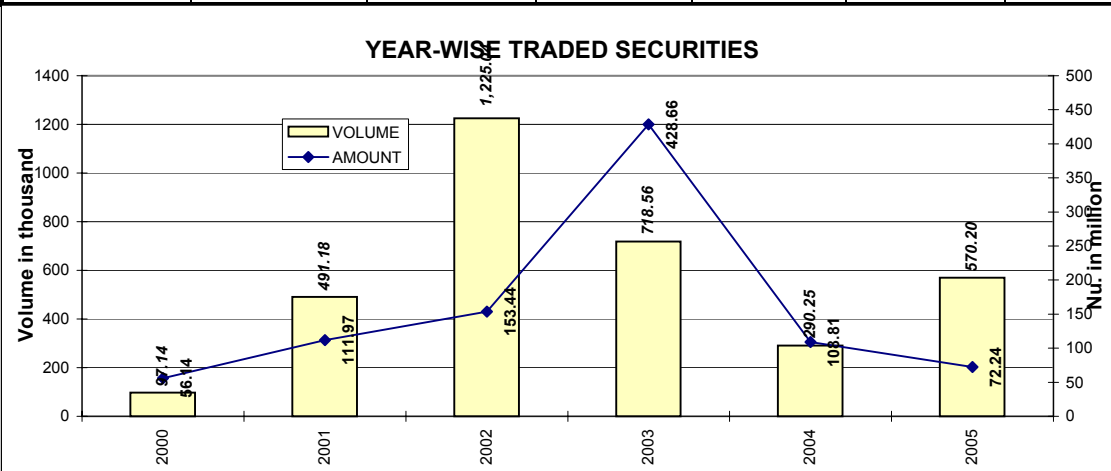
Company	Market Capitalization									
	Nu. in million									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BBCL	-	-	-	-	-	-	115.00	368.00	281.75	230.00
BBPL	101.40	101.40	107.48	106.47	144.20	144.20	124.60	124.60	126.00	126.00
BCCL	250.00	300.00	375.00	375.00	400.10	500.00	500.00	500.00	500.00	600.00
BDL	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
BFAL	180.00	180.00	180.00	195.00	202.50	210.00	210.00	210.00	765.00	765.00
BNB	130.91	133.88	142.81	148.76	416.53	862.81	1,190.00	654.54	773.55	773.56
BPCL	-	10.80	10.80	12.47	24.93	24.93	62.33	62.33	59.84	59.84
BTCL	20.94	21.99	20.94	21.99	21.99	21.99	31.41	20.94	35.62	35.62
DPCL	3.84	3.84	3.84	3.84	3.84	4.29	6.24	6.24	7.48	7.48
DPOP	-	-	-	-	-	10.00	10.00	10.00	10.00	35.00
DSCL	-	-	6.75	10.13	10.13	30.40	30.40	30.40	106.41	82.70
DSML	3.30	3.30	3.77	3.77	3.77	3.77	3.77	3.77	11.31	11.31
EBCC										52.10
PCAL	453.33	566.67	680.00	680.00	906.80	906.67	1,042.67	1,178.67	1,246.67	1360.00
RICB	60.00	60.00	88.80	88.80	196.80	196.80	201.84	336.00	336.00	288.00
STCB	-	20.00	20.00	20.00	26.00	26.00	26.00	26.00	38.00	38.00
TOTAL	1,206.22	1,404.38	1,642.69	1,668.72	2,360.09	2,944.36	3,441.76	3,533.99	4,300.13	4,467.11



TOTAL TRADED VOLUME

Table - 5

Company	Traded Volume					
	2000	2001	2002	2003	2004	2005
BBCL	-	-	1,160,153	27,346	3,912	2,965
BBPL	5,000	-	230	-	5,000	140
BCCL	4	58	-	6	-	9
BDL	-	-	-	-	-	-
BFAL	3,500	24,750	-	-	100	-
BNB	3,773	124,119	2,898	607,369	51,106	20,997
BPCL	58,719	-	57,185	1,100	720	-
BTCL	-	-	20	17	1,497	35
DPCL	-	-	-	-	61,437	-
DPOP	-	30,000	-	-	-	33
DSCL	23	304,032	-	27	120,941	5,699
DSML	-	4,800	-	-	38,130	-
EBCC	-	-	-	-	-	537,013
PCAL	3,977	1,393	2,974	679	176	957
RICB	12,141	2,021	1,583	82,012	6,860	2,350
STCB	10,000	10	-	-	370	-
TOTAL	97,137	491,183	1,225,043	718,556	290,249	570,198



PUBLIC OFFERS (IPO)

Table 6.1

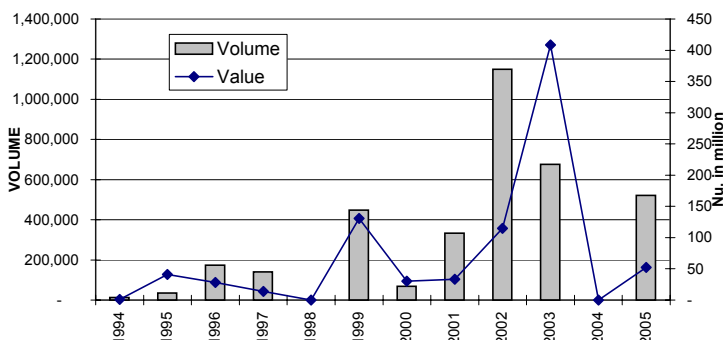
COMPANY	TRADED VOLUME (IPO)												TOTAL VOLUME
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
BBCL	-	-	-	-	-	-	-	-	1,150,000	-	-	-	1,150,000
BBPL	-	-	-	-	-	-	-	-	-	-	-	-	-
BCCL	-	-	-	-	-	-	-	-	-	-	-	-	-
BDL	12,250	-	-	-	-	-	-	-	-	-	-	-	12,250
BFAL	-	-	-	-	-	-	-	-	-	-	-	-	-
BNB	-	-	170,040	-	-	400,000	-	-	-	595,040	-	-	1,165,080
BPCL	-	-	-	37,800	-	16,667	58,719	-	-	-	-	-	113,186
BTCL	-	-	-	-	-	-	-	-	-	-	-	-	-
DPCL	-	9,000	-	4,452	-	-	-	-	-	-	-	-	13,452
DPOP	-	-	-	-	-	-	-	30,000	-	-	-	-	30,000
DSCL	-	-	-	-	-	-	-	304,032	-	-	-	-	304,032
DSML	-	-	2,972	-	-	-	-	-	-	-	-	-	2,972
EBCC	-	-	-	-	-	-	-	-	-	-	-	521,000	521,000
PCAL	-	26,667	-	-	-	30,752	-	-	-	-	-	-	57,419
RICB	-	-	-	-	-	-	10,441	-	-	81,360	-	-	91,801
STCB	-	-	-	98,000	-	-	-	-	-	-	-	-	98,000
TOTAL	12,250	35,667	173,012	140,252	-	447,419	69,160	334,032	1,150,000	676,400	-	521,000	3,559,192

Table - 6.2

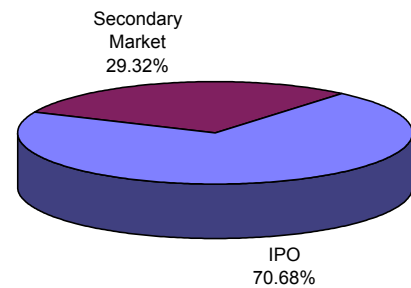
Nu. in million

COMPANY	TRADED VALUE (IPO)												TOTAL VALUE
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
BBCL	-	-	-	-	-	-	-	-	115.00	-	-	-	115.00
BBPL	-	-	-	-	-	-	-	-	-	-	-	-	-
BCCL	-	-	-	-	-	-	-	-	-	-	-	-	-
BDL	1.23	-	-	-	-	-	-	-	-	-	-	-	1.23
BFAL	-	-	-	-	-	-	-	-	-	-	-	-	-
BNB	-	-	28.06	-	-	76.00	-	-	-	327.27	-	-	431.33
BPCL	-	-	-	3.78	-	1.67	5.87	-	-	-	-	-	11.32
BTCL	-	-	-	-	-	-	-	-	-	-	-	-	-
DPCL	-	0.90	-	0.45	-	-	-	-	-	-	-	-	1.35
DPOP	-	-	-	-	-	-	-	3.00	-	-	-	-	3.00
DSCL	-	-	-	-	-	-	-	30.40	-	-	-	-	30.40
DSML	-	-	0.30	-	-	-	-	-	-	-	-	-	0.30
EBCC	-	-	-	-	-	-	-	-	-	-	-	52.10	52.10
PCAL	-	40.00	-	-	-	53.05	-	-	-	-	-	-	93.05
RICB	-	-	-	-	-	-	24.53	-	-	81.36	-	-	105.89
STCB	-	-	-	9.80	-	-	-	-	-	-	-	-	9.80
TOTAL	1.23	40.90	28.36	14.03	-	130.72	30.40	33.40	115.00	408.63	-	52.10	854.77

PUBLIC OFFERS



Percentage turnover in IPO's & Secondary Market (1993 - 2005)



SECONDARY MARKET

Table - 7.1

COMPANY	TRADED VOLUME										TOTAL VOLUME
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
BBCL	-	-	-	-	-	-	10,153	27,346	3,912	2,965	44,376
BBPL	14,290	100	8,000	15,340	5,000	-	230	-	5,000	140	53,360
BCCL	1,112	85	22	-	4	58	-	6	-	9	10,828
BDL	-	-	-	-	-	-	-	-	-	-	-
BFAL	-	-	19,850	7,040	3,500	24,750	-	-	100	-	60,240
BNB	924	12,064	9,019	252	3,773	124,119	2,898	12,329	51,106	20,997	237,481
BPCL	-	-	-	4,252	-	-	57,185	1,100	720	-	63,257
BTCL	22	614	2,287	96	-	-	20	17	1,497	35	5,963
DPCL	-	-	-	-	-	-	-	-	61,437	-	61,437
DPOP	-	-	-	-	-	-	-	-	-	33	33
DSCL	-	-	-	-	23	-	-	27	120,941	5,699	126,690
DSML	-	-	-	-	-	4,800	-	-	38,130	-	42,930
EBCC	-	-	-	-	-	-	-	-	-	16,013	16,013
PCAL	302	751	777	6,077	3,977	1,393	2,974	679	176	957	18,427
RICB	165	50	88	20	1,700	2,021	1,583	652	686	2,350	9,320
STCB	-	300	-	5,000	10,000	10	-	-	370	-	15,680
TOTAL	16,815	13,964	40,043	38,077	27,977	157,151	75,043	42,156	284,075	49,198	766,035

Table - 7.2

Nu. in millions

COMPANY	TRADED VALUE										TOTAL VALUE
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
BBCL	-	-	-	-	-	-	1.02	6.74	1.04	0.52	9.32
BBPL	1.43	0.01	0.80	1.60	0.52	-	0.02	-	0.45	0.01	5.37
BCCL	2.28	0.26	0.08	-	0.02	0.29	-	0.03	0.00	0.06	19.66
BDL	-	-	-	-	-	-	-	-	0.00	-	-
BFAL	-	-	2.38	0.85	-	3.47	-	-	0.05	-	7.35
BNB	0.20	2.65	2.07	0.06	2.06	60.16	3.83	6.93	34.36	13.85	126.17
BPCL	-	-	-	0.43	-	-	13.28	0.33	0.17	0.60	14.81
BTCL	0.02	0.64	2.29	0.10	0.470	-	0.04	0.02	2.49	-	7.53
DPCL	-	-	-	-	-	-	-	-	6.31	-	6.31
DPOP	-	-	-	-	-	-	-	-	0.00	0.10	0.10
DSCL	-	-	-	-	0.002	-	-	-	47.86	1.51	49.37
DSML	-	-	-	-	-	0.480	-	-	12.68	-	13.16
EBCC	-	-	-	-	-	-	-	-	-	2.29	2.29
PCAL	0.60	1.83	2.28	18.00	13.96	5.88	13.65	3.40	0.94	0.97	62.16
RICB	0.41	0.13	0.26	0.07	7.41	8.29	6.62	2.58	2.40	0.86	29.04
STCB	-	0.03	-	0.50	1.30	0.001	-	-	0.06	-	1.89
TOTAL	4.94	5.55	10.16	21.61	25.74	78.57	38.46	20.03	108.81	20.77	354.53

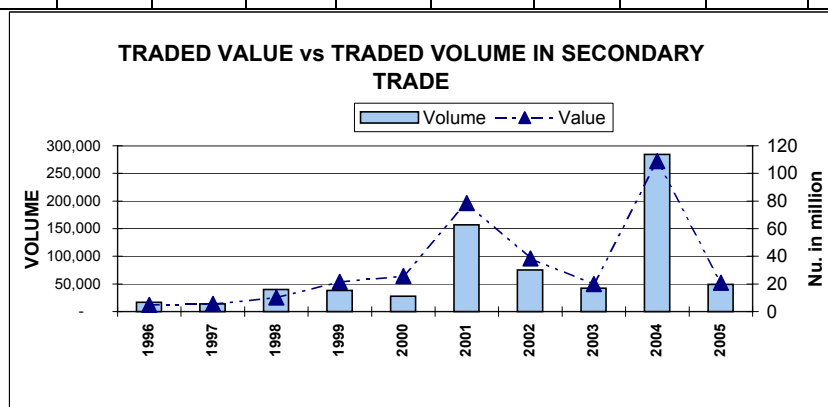


Table - 8 MARKET PRICE

Company	Year	Market Price		Year End
		High	Low	Closing Price
BCCL	2000	4,001	4,001	4,001
	2001	5,000	4,000	5,000
	2002	5,000	4,000	5,000
	2003	5,200	5,000	5,000
	2004	5,000	5,000	5,000
	2005	8,000	5,000	6,000
RICB	2000	4,702	2,350	4,100
	2001	4,100	4,099	4,100
	2002	4,205	4,100	4,205
	2003	4,205	1,000	3,500
	2004	3,650	3,000	3,500
	2005	420	300	300
PCAL	2000	4,500	3,000	4,000
	2001	4,500	3,000	4,000
	2002	4,600	4,000	4,600
	2003	5,300	4,400	5,200
	2004	5,500	4,000	5,500
	2005	600	440	600
BTCL	2000	1,050	1,050	1,050
	2001	1,050	1,050	1,050
	2002	2,000	1,500	1,500
	2003	1,500	1,000	1,000
	2004	1,701	1,000	1,701
	2005	1,701	1,701	1,701
BFAL	2000	135	135	135
	2001	140	140	140
	2002	140	140	140
	2003	140	140	140
	2004	510	510	510
	2005	510	510	510
BBPL	2000	103	103	103
	2001	103	103	103
	2002	89	89	89
	2003	89	89	89
	2004	90	90	90
	2005	90	90	90
BDL	2000	100	100	100
	2001	100	100	100
	2002	100	100	100
	2003	100	100	100
	2004	100	100	100
	2005	100	100	100
BBCL	2002	100	100	100
	2003	350	100	100
	2004	310	245	245
	2005	200	140	200

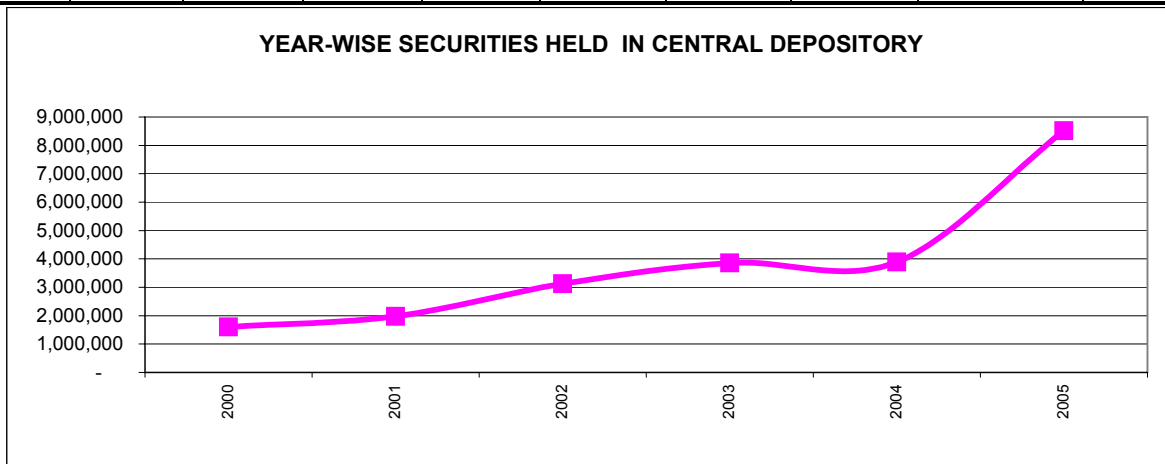
Table - 8..... Contd. MARKET PRICE

Company	Year	Market Price		Year End
		High	Low	Closing Price
BNB	2000	700	450	700
	2001	1,500	439	1,450
	2002	2,000	1,100	2,000
	2003	2,000	550	550
	2004	750	650	650
	2005	750	645	650
DPCL	2000	100	100	100
	2001	100	100	100
	2002	100	100	100
	2003	100	100	100
	2004	100	120	120
	2005	120	120	100
DSML	2000	100	100	100
	2001	100	100	100
	2002	100	100	100
	2003	100	100	100
	2004	370	300	300
	2005	370	300	300
BPCL	2000	100	100	100
	2001	100	100	100
	2002	300	205	250
	2003	300	250	250
	2004	240	240	240
	2005	240	240	240
STCB	2000	130	130	130
	2001	130	130	130
	2002	130	130	130
	2003	130	130	130
	2004	130	190	190
	2005	190	130	190
DSCL	2000	100	100	100
	2001	100	100	100
	2002	100	100	100
	2003	100	100	100
	2004	400	350	350
	2005	400	250	272
DPOP	2001	100	100	100
	2002	100	100	100
	2003	100	100	100
	2004	100	100	100
	2005	350	350	350
EBCC	2005	200	100	100

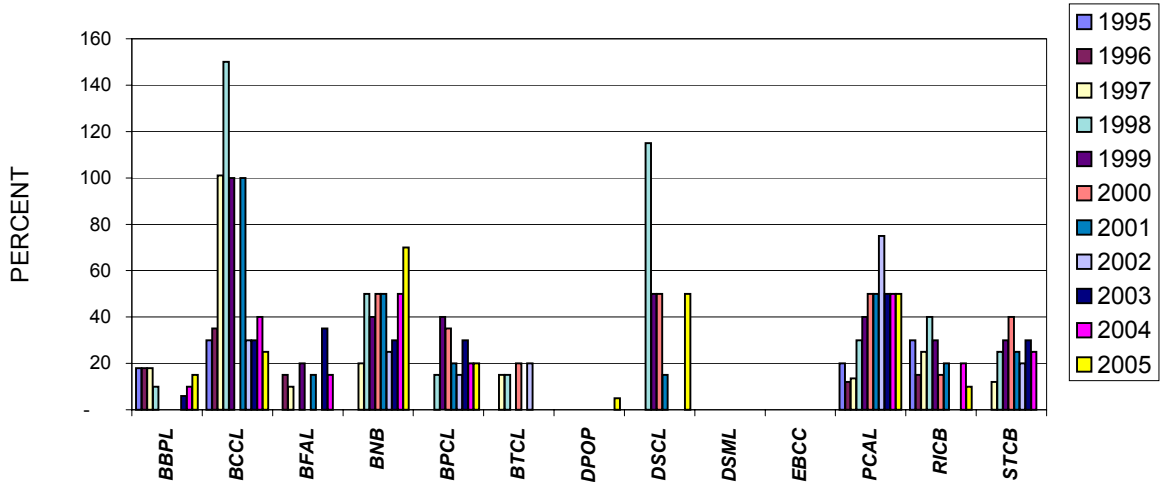
YEAR-WISE SECURITIES HOLDINGS IN THE CENTRAL DEPOSITORY

Table - 9

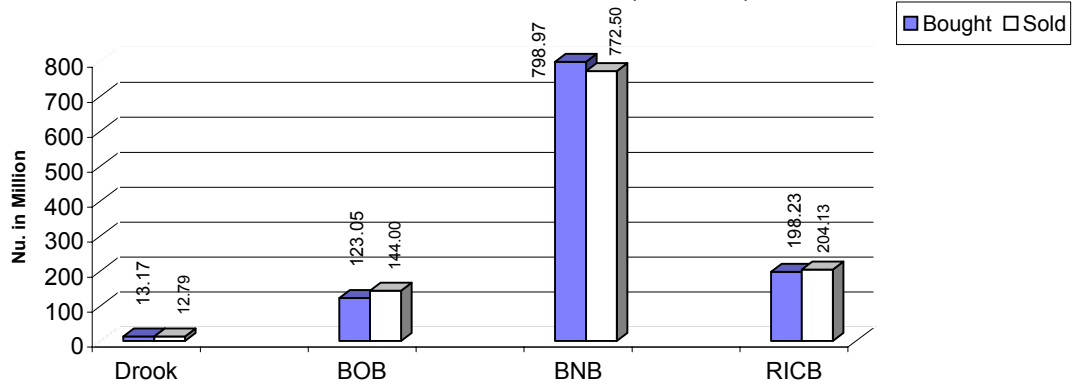
Company	Yearwise turnover of Securities in Depository						Paid Up Shares for 2005	Total Holdings Nu. in Millions (2005)	Percent holdings of securities in Depository
	2000	2001	2002	2003	2004	2005			
BBCL			1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	230,000,000	100%
BBPL	483,100	498,100	498,100	498,100	498,100	498,100	1,400,014	126,001,260	36%
BCCL	43,204	43,204	43,204	43,204	43,204	43,204	100,000	600,000,000	43%
BDL	12,250	12,250	12,250	12,250	12,250	12,250	25,000	2,500,000	49%
BFAL	35,350	59,850	59,850	59,850	59,850	1,500,000	1,500,000	765,000,000	100%
BNB	595,040	595,040	595,040	1,190,080	1,190,080	1,190,080	1,190,080	773,552,000	100%
BPCL	117,438	117,438	117,438	117,438	117,438	249,334	249,334	59,840,160	100%
BTCL	10,220	10,220	10,220	10,220	10,416	10,416	20,940	35,618,940	50%
DPCL	8,367	8,367	8,367	62,370	62,370	62,370	62,370	7,484,400	100%
DPOP		30,000	30,000	30,000	30,000	30,000	100,000	35,000,000	30%
DSCL	3,398	304,032	304,032	304,032	304,032	304,032	304,032	82,696,704	100%
DSML	2,972	2,972	2,972	2,972	37,702	37,702	37,702	11,310,600	100%
PCAL	76,147	76,647	76,647	76,647	76,647	2,266,670	2,266,670	1,360,002,000	100%
RICB	14,933	15,207	15,207	96,000	96,000	960,000	960,000	288,000,000	100%
STCB	200,000	200,000	200,000	200,000	200,000	200,000	200,000	38,000,000	100%
EBCC						520,000	520,000	52,000,000	100%
TOTAL:-	1,602,419	1,973,327	3,123,327	3,853,163	3,888,089	8,514,158	9,566,142	4,467,006,064	89.00%



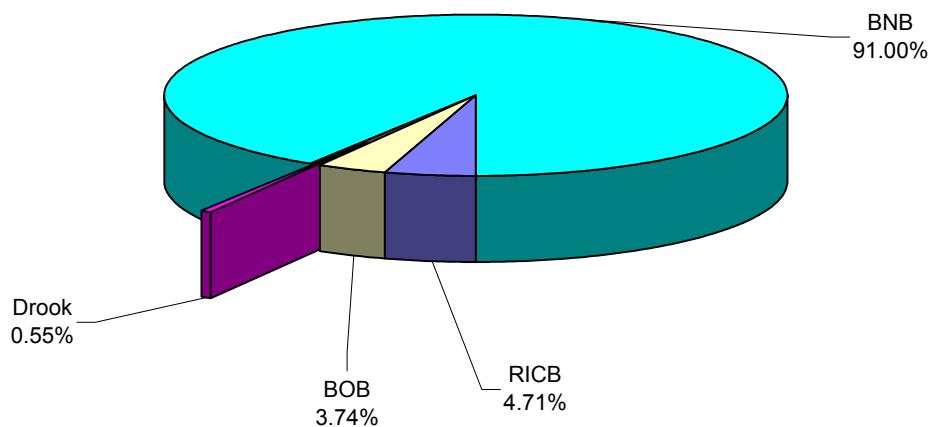
DIVIDENDS

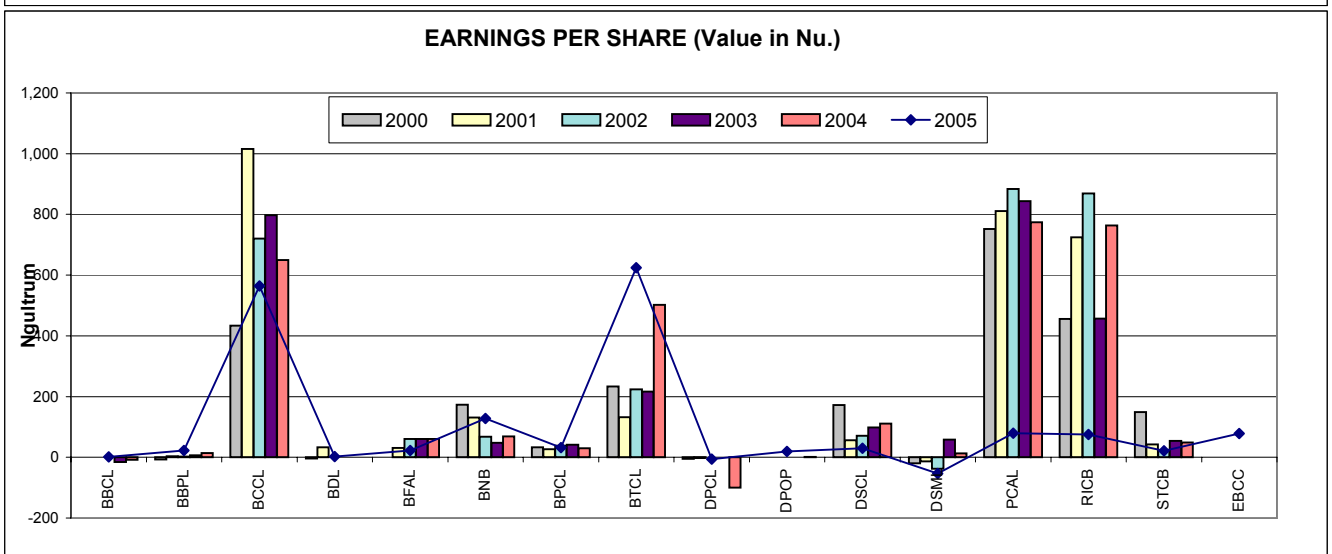
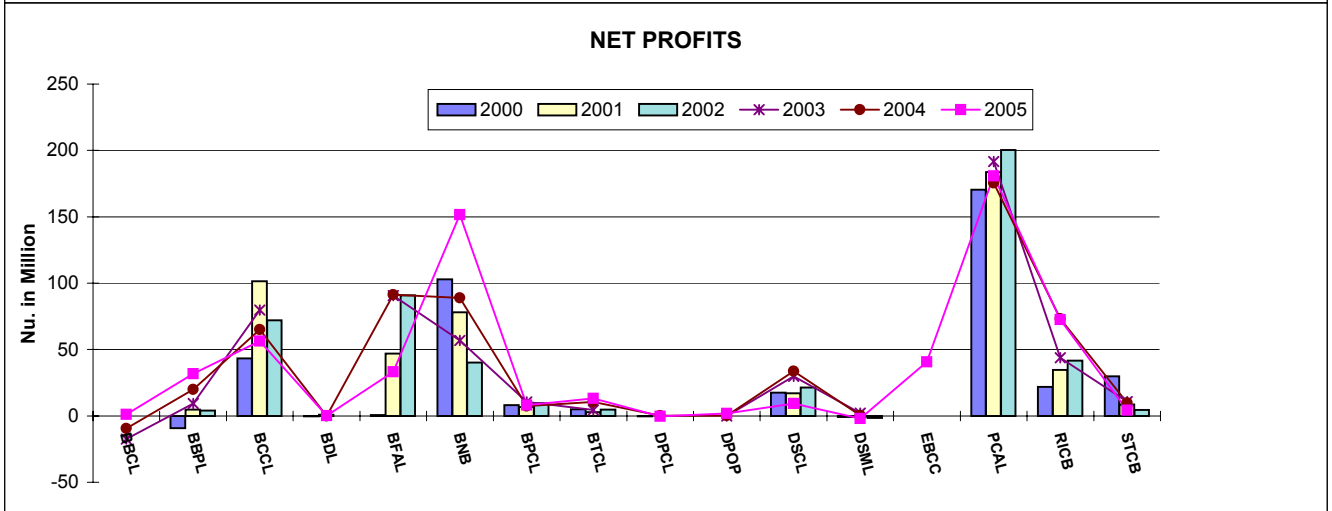
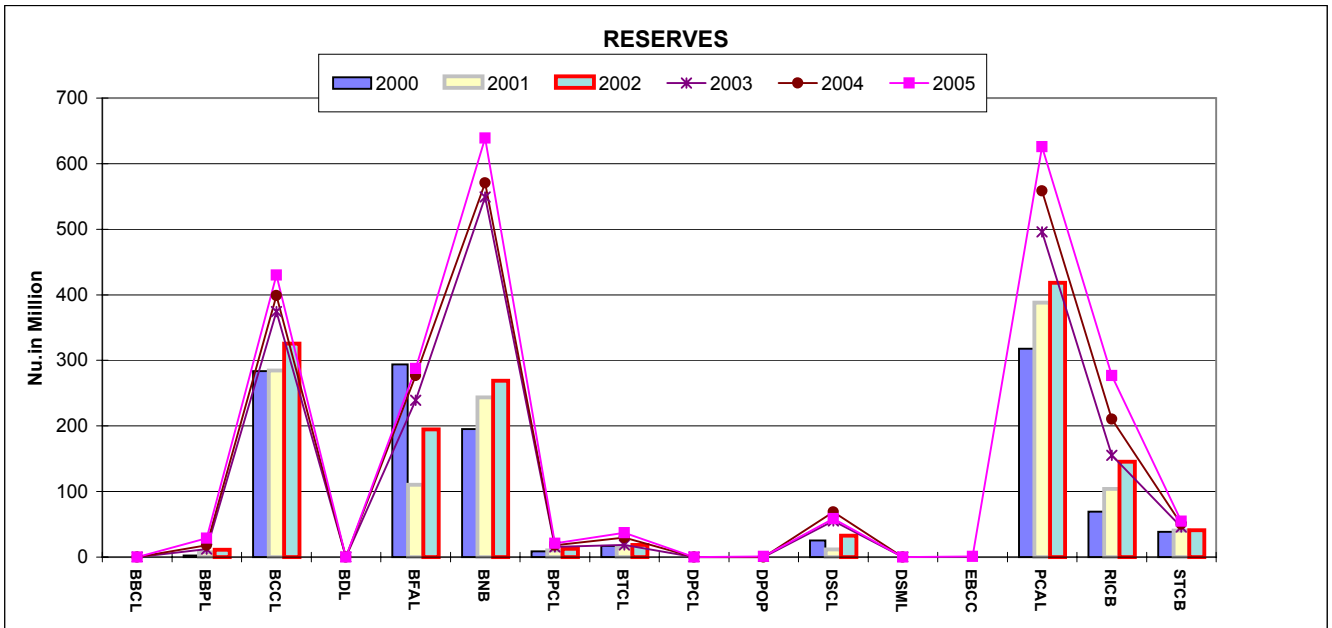


VALUE TRADED BY BROKERS (1993 - 2005)

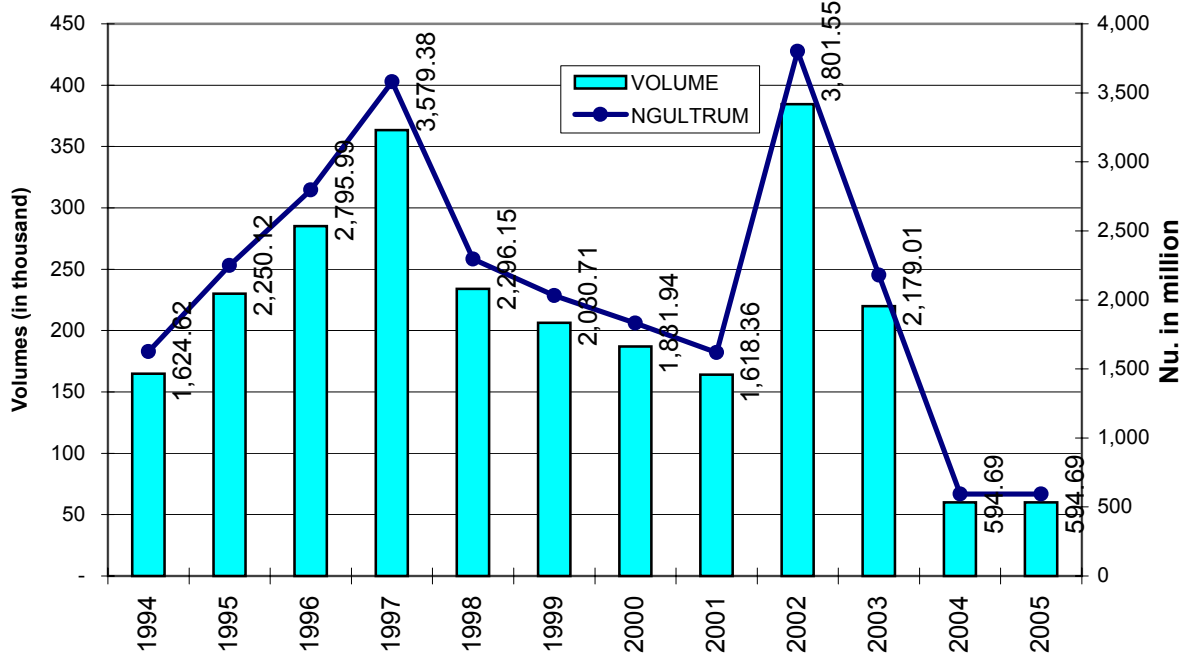


Broker's Performance (2005)

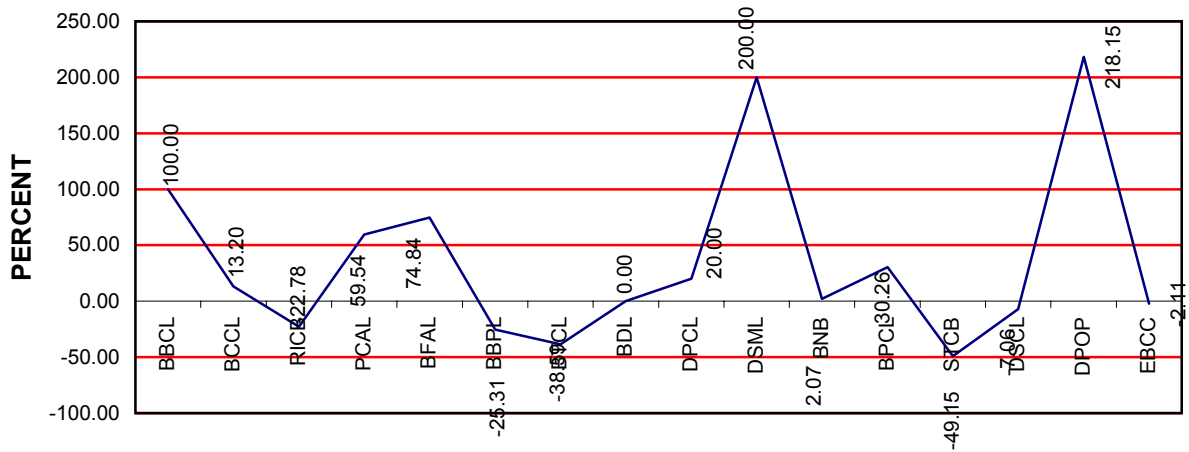




RMA Discount Bills

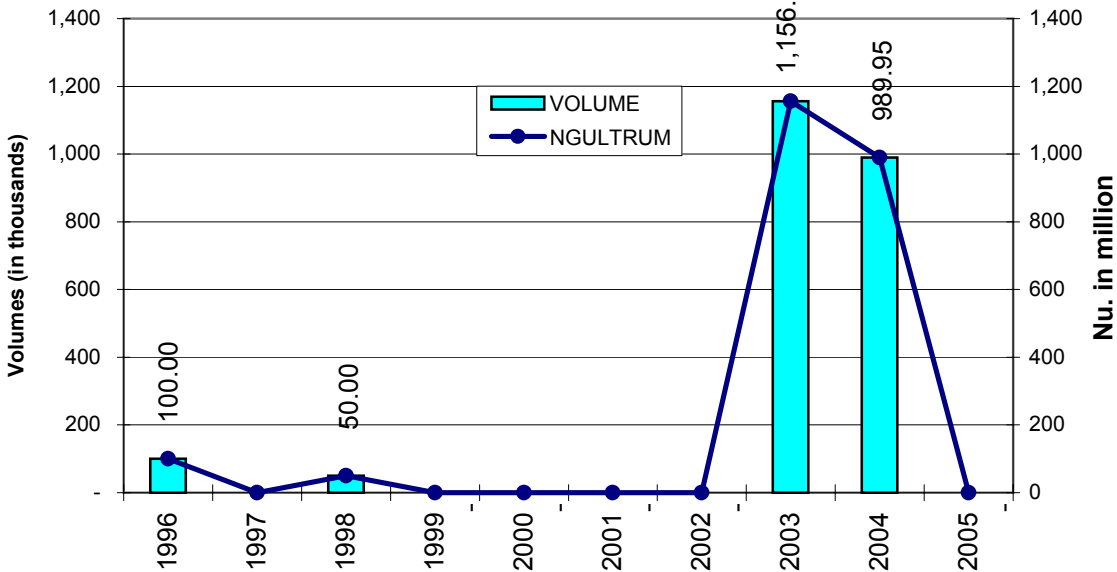


COMPARISON OF PRICES - 2005 BOOK VALUE AGAINST MARKET PRICE (PERCENTAGE)

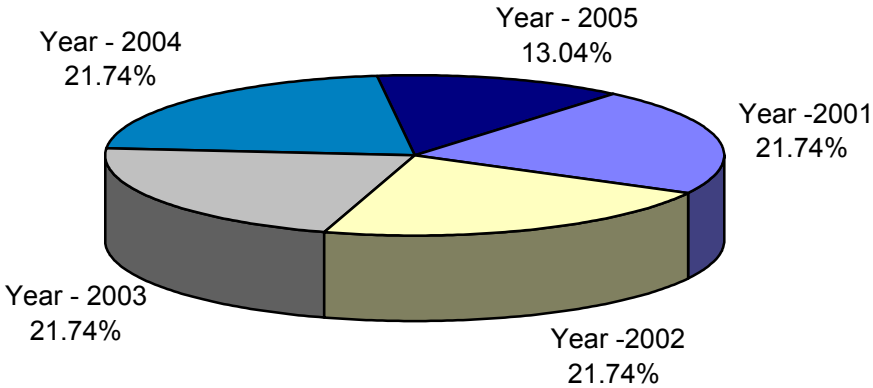


* Zero indicates Book Value Equals to Market Price

RGOB Bonds



RGOB Treasury Bills



ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2005

Sources of Funds	2005 (Nu.)	2004 (Nu.)
	<hr/>	<hr/>
Share Capital	2,000,000.00	2,000,000.00
General Reserve	3,115,951.86	2,786,420.40
Capital Grants	522,499.35	614,705.12
Total	<u>5,638,451.21</u>	<u>5,401,125.52</u>
Application of Funds		
Fixed Assets		
Gross Block	3,289,385.22	3,169,339.22
Less : Accumulated Depreciation	<u>(2,283,160.95)</u>	<u>(2,093,704.45)</u>
	1,006,224.27	1,075,634.77
Investments	2,725,000.00	2,725,000.00
Current Assets:		
Cash and Bank Balances	2,392,074.69	1,867,441.31
Loans and Advances	123,156.94	117,987.01
Other Assets	<u>207,537.07</u>	<u>82,290.17</u>
	2,722,768.70	2,067,718.49
Less: Current Liabilities	<u>815,541.77</u>	<u>467,227.74</u>
Net Current Assets	1,907,226.93	1,600,490.75
Total	<u>5,638,451.20</u>	<u>5,401,125.52</u>

ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 (Nu.)	2004 (Nu.)
Income		
Revenue and Commission	2,422,347.24	1,639,091.56
Other Income	232,555.51	178,387.00
Total	2,654,902.75	1,817,478.56
Expenditure		
Employees Remuneration & Benefits	1,170,386.00	731,712.00
Other Expenses	916,506.80	579,381.68
Depreciation	97,250.73	104,009.09
Total	2,184,143.53	1,415,102.77
Profit before Tax	470,759.22	402,375.79
Provision for Taxation	141,227.77	120,712.74
Profit / (Loss) after tax transferred to General Reserve	329,531.45	281,663.05

ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED

CASH FLOW STATEMENT FOR YEAR ENDED ON 31 DECEMBER 2005

	2005 (Nu.)	2004 (Nu.)
Net Cash Flow from Operating Activities	581,887	1,207,691
Returns on Investments and Servicing of Finance	204,021	114,627
Taxation	(141,228)	(133,019)
Capital Expenditure	(120,046)	(2,047,734)
Net Cash Inflow/(Out Flow) from Investing activities	-	-
Financing	-	-
Net Cash Inflow/(Out Flow) after financing	524,634	(858,435)
Increase / (Decrease) in Cash	524,634	(858,435)