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DRUK HOLDING & INVESTMENTS LTD.

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ANNUAL REPORT 2019



dhi
ANNUAL REPORT 2019

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INTRODUCTION

Who we are

Established in November 2007, Druk Holding and Investments Limited is the managers of national wealth. It holds and manages existing and future investment of the Royal Government of Bhutan for the long-term benefit of the people of Bhutan.

DHI's investment portfolio spreads across various segments such as 'energy and resources', 'communication and transport', 'financial services', 'manufacturing' and 'construction'. The overall Group's net worth is Nu. 96.06. In last few years, the company included 'pharmaceutical' and 'information technology (IT)' segments to its portfolio.

DHI renewed its vision in 2019, after the visit of His Majesty the King, to create and manage business that 'Strategic', 'Necessary' and 'Purposeful'. In order to maximize returns to its shareholders, the people of Bhutan, DHI draws inspiration from the purpose and functions highlighted in the Royal Charter, which was issued for its establishment.

OUR MANDATE

As the holding company for the Government Linked Companies (the GLCs), DHI's primary mandates are to strengthen Corporate Governance (CG), enhance performance of the GLCs by making them responsible and accountable for their performance, raise funds for investments and maximize return on investments. Further, it is also mandated to play a catalytic role in the development of our private sector and digital transformation in the country.

THRUST AREA FRAMEWORK

T1**PERFORMANCE
IMPROVEMENT**

- Strengthen corporate governance
- Improve performance
- Provide managerial support
- Promote brand Bhutan

T2**RESOURCE
OPTIMIZATION**

- Ensure optimal capital efficiency
- Provide guarantees
- Divest shares
- Raise funds for investments
- Subscribe or purchase equity, debt or other securities

T3**NEW
INVESTMENTS**

- Undertake investments
- Undertake investments outside Bhutan
- Undertake investments in reserved Areas
- Undertake commercial investments of the government

T4**PRIVATE SECTOR
DEVELOPMENT**

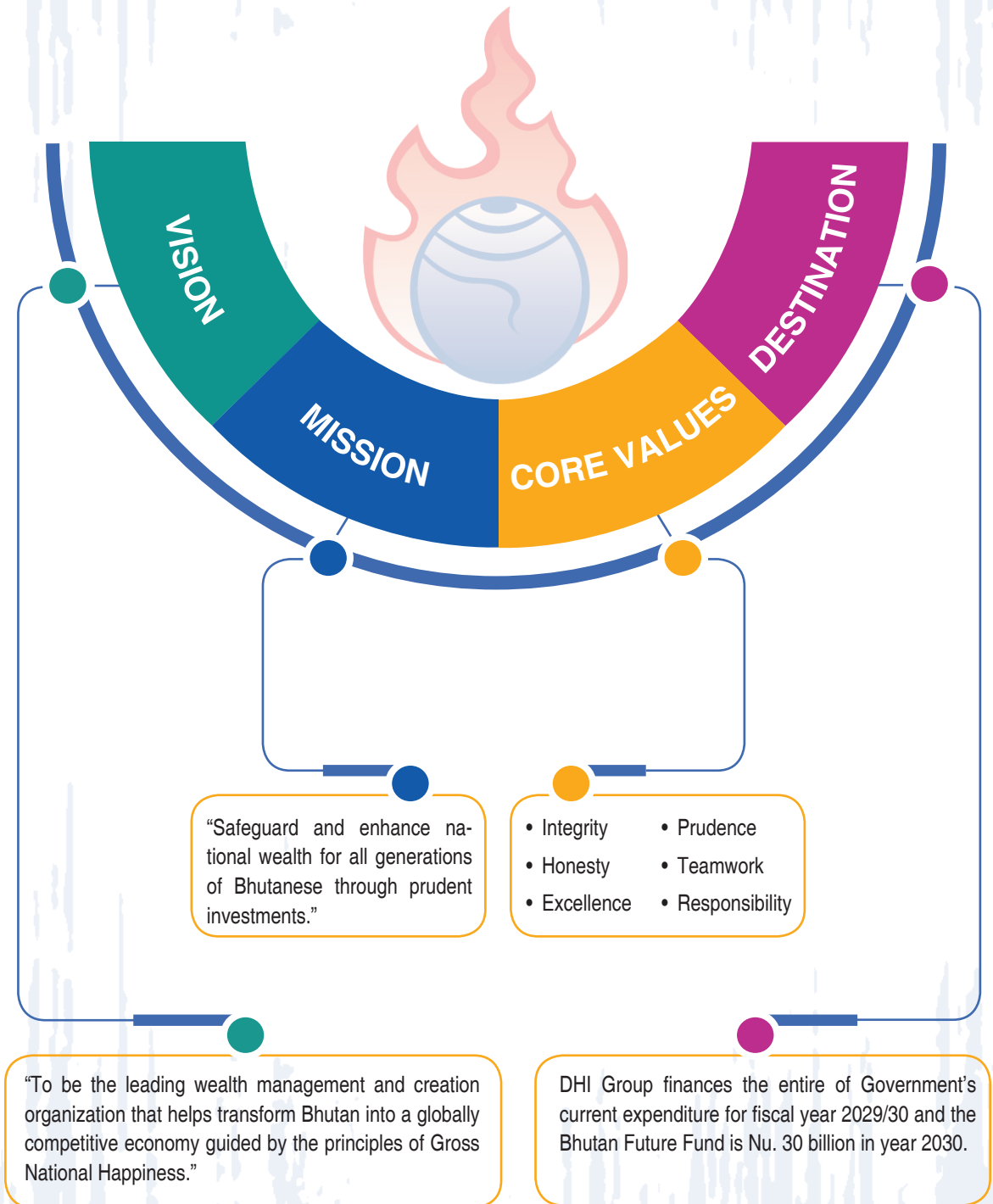
- Provide venture capital & institutional support
- Incubate new business
- Policy feedback
- Initiate R&D

T5**REVENUE TO THE
GOVERNMENT**

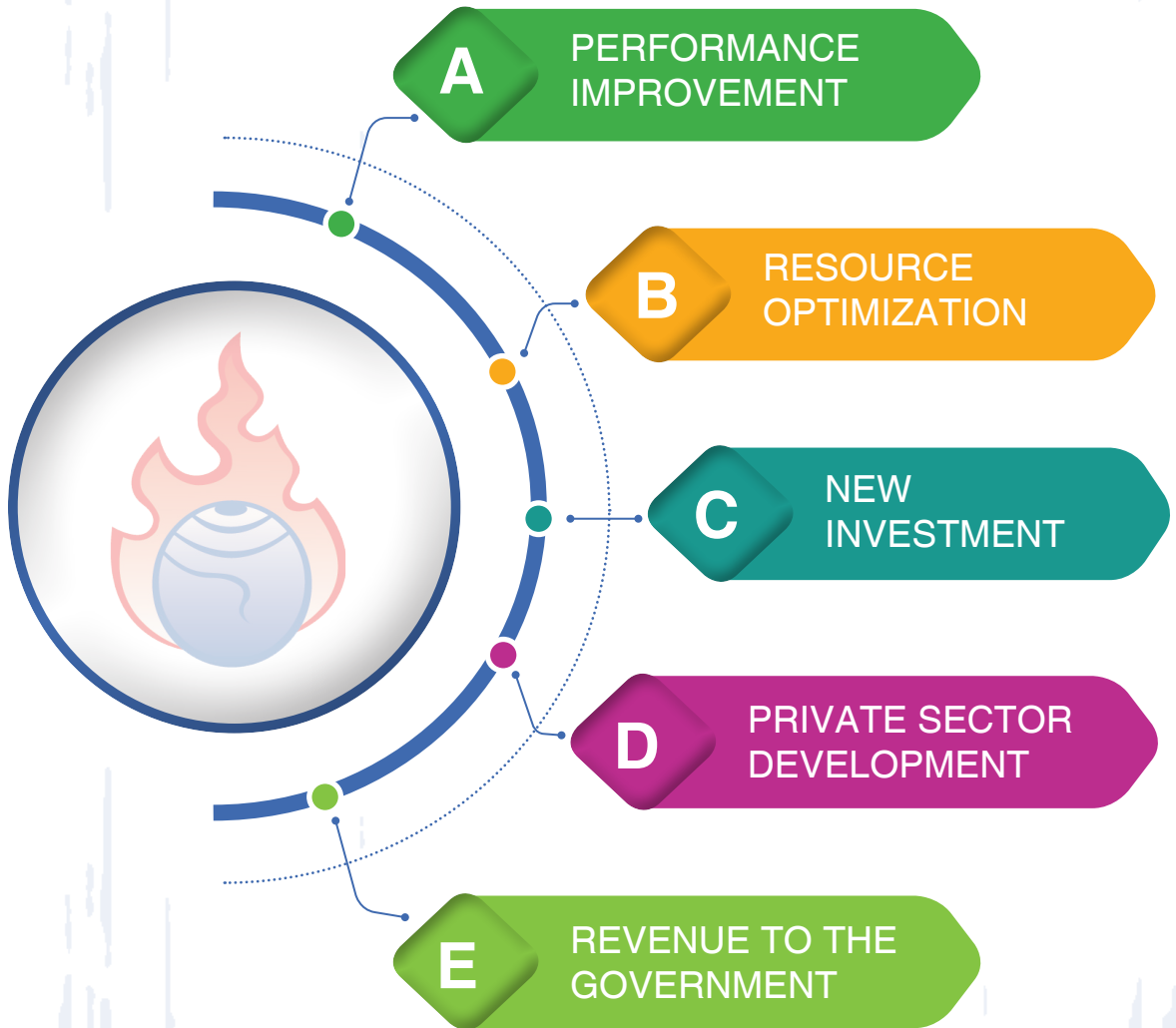
- Mutually agree dividend amount with MoF
- Pay agreed dividend on a periodic basis



MISSION, VISION, DESTINATION



FUNCTIONS OF DHI



PORTFOLIO COMPANIES



Wood Craft Center Ltd.



Dungsam Cement Corporation Ltd.



Dungsam Polymers Ltd.



Bhutan Board Products Ltd.



Penden Cement Authority Ltd.



Druk Metallurgy Ltd.



Koufuku International Ltd.



Azista Bhutan Healthcare Ltd.



Bhutan Ferro Alloys Ltd.



Druk Green Power Corporation Ltd.



Bhutan Power Corporation Ltd.



Natural Resources Development Corporation Ltd.



State Mining Corporation Ltd.



Bank of Bhutan Ltd.



Royal Insurance Corporation of Bhutan Ltd.



Bhutan National Bank Ltd.



Bhutan Telecom Ltd.



Druk Air Corporation Ltd.



Construction Development Corporation Ltd.



Thimphu Tech Park Ltd.



State Trading Corporation of Bhutan Ltd.

- Dagachhu Hydro Power Corporation limited: **59%**
- Tangsibji Hydro Energy Limited: **100%**
- Kholongchhu Hydro Energy Limited: **50%**
- Bhutan Hydropower Services Limited: **51%**
- Bhutan Automation and Engineering Limited: **51%**

- Bhutan Board Products Ltd.: **12.3%**
- Bhutan Development Bank Ltd.: **2.5%**
- Bhutan Carbide & Chemicals Ltd.: **15.8%**
- Bhutan Ferro Alloys Ltd.: **3.4%**
- Penden Cement Authority Ltd.: **0.1%**
- Druk Ferro Alloys Ltd.: **4.1%**
- STCBL: **7.1%**
- Credit information Bureau: **7%**
- FITI: **20%**

MANUFACTURING

ENERGY & RESOURCES

FINANCIAL SERVICES

COMMUNICATION & TRANSPORTATION

REAL ESTATE & CONSTRUCTION

TRADING

DHI PORTFOLIO COMPANIES DEPICTING DHI SHAREHOLDING AND NET WORTH/ MARKET CAPITALIZATION OF THE COMPANIES AS AT 31ST DECEMBER 2019.

Sector	Share Holding (in %)	DPC Category	Net Worth*/Market Capitalization (in million Nu.)
Energy & Resources			
Druk Green Power Corporation Ltd.	100	DOC	46,604.99
Bhutan Power Corporation Ltd.	100	DOC	14,637.65
Natural Resources Development Corporation Ltd.	100	DOC	596.54
State Mining Corporation Ltd.	100	DOC	681.77
Communication & Transport			
Bhutan Telecom Ltd.	100	DOC	4,640.09
Drukair Corporation Ltd.	100	DOC	3,625.81
Finance			
Bank of Bhutan Ltd.	80	DCC	6,328.31
Bhutan National Bank Ltd. **	12	DLC	1,763.42
Royal Insurance Corporation of Bhutan Ltd.**	18.4	DLC	1,931.21
Real Estate and Construction			
Thimphu Tech Park Ltd.	100	DOC	260.34
Construction Development Corporation Ltd.	100	DOC	875.36
Trading			
State Trading Corporation of Bhutan Ltd.***	56.5	DLC	587.27
Manufacturing			
Dungsam Cement Corporation Ltd.	80	DCC	2,522.95
Wood Craft Center Ltd.	100	DOC	71.51
Dungsam Polymers Ltd.**	51	DCC	121.70
Penden Cement Authority Ltd.**	40.4	DLC	1,679.57
Bhutan Ferro Alloys Ltd.**	28.42	DLC	506.09
Bhutan Board Products Ltd.***	57.6	DLC	138
Koufuku International Private Ltd.	100	DOC	28.32
Azista Bhutan Healthcare Ltd. (JV)**	28%	DLC	22.4
Druk Metallurgy Ltd. (JV)**	40%	DLC	180

ACCOMPANYING NOTES:

* Net worth is calculated only for DHI's shareholding in the companies and is reflected based on book value.

**Market Capitalization is reflected for listed DHI Linked Companies

***Due to indirect holding through BOB, DHI's shareholdings in STCBL and BBPL have increased.

GLOSSARY

DPC- DHI Portfolio

DOC- DHI Owned Companies

DCC- DHI Controlled Companies

DLC- DHI Linked Companies



SMCL starts operation of Kothagpa Gypsum mine, Pema Gatshel

JANUARY

02



His Majesty visits DHI

JUNE

- Bhutan's first Disaster Resilient Emergency Mobile Network was launched by BTL in Jakar on June 29
- CDCL completes construction of 66 kV Transmission Line from Jemina to Changidaphu, Thimphu

04



DGPC signs MHPA PPA with PTC in August 2019

AUGUST

- InnoTech Department started at DHI

06



CDCL ventures into supply and sewerage treatment project for the Jigme Singye Wangchuck School of Law at Pangbisa in Paro



Drukair adds A5-JNW, state-of-art ATR 42-600 to its fleet on 26th October 2019

OCTOBER

- Pay Revision for DHI and DHI owned companies
- Drukair started charter operations to Dili in East Timor, with 2 flights a week operated from Singapore to Dili.

08



SCADA commissioned at KHP by DGPC



ABHL first packaging unit commissioned

DECEMBER

- BOB embeds bilingual option in its digital services/products

01

FEBRUARY

YEAR IN REVIEW



SMCL outsources all EME hiring to Rangjung Norbu Gongphel Tshogpa, owned by the people of Shumar Gewog, Pema Gatshel

03

JULY



Hon'ble Prime Minister (Dr) Lotay Tshering visits DHI

05

SEPTEMBER



CDCL resumes Nyera Amari Drift Tunnel works, after it was halted due to presence of Methane Gas

07

NOVEMBER



Druk Metallurgy Ltd. (DML) commissioned



Launched improved Druk Zambhala Cheese by KIL (fist launched in June)

09



OUR GOVERNANCE FRAMEWORK

The Board of Directors consists of seven members appointed by the Blue Ribbon Panel for a period of three years. The Chairman of the Board is appointed by His Majesty the King. The management of DHI is headed by the Chairman and the Chief Executive Officer (CEO) leads the day to day affairs of the Company.

DHI ensures transparency and accountability in managing its existing and future investments through high corporate governance standards drawn from the Royal Charter.

To facilitate efficient decision-making, DHI Board has established the Board Committee for Performance Management (BCPM) that reviews annual compact target setting and performance evaluation of DHI owned and controlled companies. Further, the Nomination and Governance Committee (NGC) is established as a special committee of board member representatives from both the individual Company Board and DHI Board for the selection and appointment of Chief Executive Officers in DHI owned and controlled companies.

As the holding company, DHI is also mandated to strengthen corporate governance in DHI portfolio companies. The Ownership Policy that was introduced in 2010 and revised in 2013 provides the guiding framework for the governance of DHI's companies. The Ownership Policy document articulates expectations, policies and functional relationships with respect to its companies to fulfill the mandate of the Royal Charter.

As part of our continuing efforts in strengthening corporate governance, DHI introduced Corporate Governance Code in 2013. The Code is based on internationally accepted good corporate governance practices. The document contains corporate governance principles, and associated model charters, namely Board Charter, Board Audit Committee Charter, and Code of Conduct for Board Directors and Senior Managers.

To develop the professional capacity of the Board Directors in DHI portfolio companies, annually DHI conducts the Board Orientation Program and Board Directorship skills training for the newly appointed Board Directors.

BOARD OF DIRECTORS



DASHO UGEN CHEWANG

Chairman, Druk Holding and Investments Ltd.
Appointed on 27th July 2018

MR. NIM DORJI

Secretary, Ministry of Finance
Appointed on 21st July 2016



MR. PEMA CHEWANG

Secretary, National Land commission of Bhutan
Reappointed on 17th November 2018

MR. THINLEY NAMGYEL

Secretary, Gross National Happiness Commission Secretariat
Appointed on 17th November 2018



MR. KINGA TSHERING

CEO, Technical and Vocational Education and Training
(TVET), Reforms PMO
Appointed on 17th November 2018

MR. DECHEN DORJI

Senior Director for Asia Wild Life Conservation WWF US
Appointed on 17th November 2018



DASHO KARMA YEZER RAYDI

Chief Executive Officer, Druk Holding and Investments Ltd.
Appointed on 27th November 2015.

EXECUTIVE MANAGEMENT TEAM PROFILE



DR. DAMBER SINGH KHARKA

DIRECTOR
CORPORATE PERFORMANCE DEPARTMENT

Dr. Damber Singh Kharka serves on the Boards of Natural Resources Development Corporation Limited and the Bhutan Board Products Ltd.



MS. TASHI LHAMO

DIRECTOR
DEPARTMENT OF FINANCE

Ms. Tashi Lhamo serves on the Board of Druk Green Power Corporation Limited and the Bank of Bhutan Limited.



MR. CHENCHO TSHERING NAMGAY

DIRECTOR
DEPARTMENT OF INVESTMENTS

Mr. Chencho Tshering Namgay serves on the Board of Bhutan Telecom Limited.



MR. UJJWAL DEEP DAHAL

DIRECTOR
DEPARTMENT OF INNOVATION AND TECHNOLOGY

Mr. Ujjwal Deep Dahal serves on the Board of Thimphu Techpark Limited



MR. SONAM LHUNDRUP

ASSOCIATE DIRECTOR
CORPORATE SERVICE DIVISION & GENERAL COUNSEL

Mr. Sonam Lhundrup serves on the Board of Bhutan Power Corporation Limited



DIRECTOR'S REPORT

Dear Shareholders,

The Board is pleased to report to the shareholders of DHI on the performance of the Company for the period 1st January 2019 to 31st December 2019.

MAJOR HIGHLIGHTS OF THE YEAR

Guided by the founding purpose and functions enshrined in the Royal Charter, and path laid out in the Roadmap for DHI and Group, we embarked 2019 with the goal to lay foundations for the next decade. As we set forth with this goal, we were blessed by the visit of The Druk Gyalpo on 19th June 2019. During the visit, His Majesty the King highlighted that DHI is an institution conceived out of love and devotion to the people of Bhutan; and envisioned to create and manage businesses that are **Strategic, Necessary and Purposeful**. Ever since, our initiatives and decisions were guided by this renewed strategic vision; and it continues to do so every day

His Majesty's visit was followed by the visit of His Excellency the Prime Minister on 9th July 2019, for AM with PM session. The session was a platform for DHI to apprise Honorable Prime Minister about its progress and plan for the future; and to integrate expectations of the government as we ascend into the new decade. Honorable Prime Minister shared that expectations of the Royal Government of Bhutan from DHI and Group include performance excellence, setting industry standards, investment in broad-based transformative industries, and driving private sector growth, to mention few. His excellency emphasized on the significance of DHI's role in the economy and DHI-Government relationship; and assured to strengthen proactive collaboration between the government and DHI in accelerating progressive and sustainable economic growth of the nation.



FINANCIAL HIGHLIGHTS

Financial year 2019 was a good year for the Group. The Group's revenue grew by 8.69% to Nu. 39,632.93 Million, expenditures by 3.85% and Profit After Tax by 62.32%. Key financial highlights of the Group and DHI's standalone accounts for the year ended 2019 is summarized in table below.

Particulars	Group (in million Nu.)			DHI Standalone (in million Nu.)		
	2019	2018	Variance	2019	2018	Variance
Total assets	203,207.30	179,738.07	13.06%	64,820.10	60,828.21	6.56%
Net worth	96,064.76	90,705.48	5.91%	62,372.91	58,436.74	6.74%
Income	39,632.93	36,462.89	8.69%	7,224.17	8,778.70	-17.71%
Expenditure	26,374.03	25,395.63	3.85%	127.23	113.16	12.43%
PBT	13,258.90	11,067.26	19.80%	7,096.94	8,665.54	-18.10%
Tax	6,552.93	6,935.86	-5.52%	2,132.38	2,612.59	-18.38%
PAT	6,705.97	4,131.40	62.32%	4,964.56	6,052.95	-17.98%

GROUP ACCOUNTS

Total Assets and Net worth

In FY2019, the Group's total assets increased by 13.06% (Nu. 23,469.24 M) and the net worth by 5.91% (Nu. 5,359.28 M) respectively.

The increase in assets was mainly on account of increase in 'capital works in progress' (by 18.36% or Nu. 2,117.51 M), 'investments' (by 27.48% or Nu. 1,411.45 M), 'long term financial assets' (by 151.55% or Nu. 3,287.95 M), and 'banking loans and advances' (by 32.29% or Nu. 11,359.83 M).

The increase in net worth was due to Nu. 2,494.07 M increase in the 'paid up capital' and Nu. 2,744.88 M increase in the 'reserves'. During the year, DHI allotted 24,940,745 shares at Nu. 100 each to Ministry of Finance as equivalent value for: (a) transfer of land to DHI from subsidiaries (valued at Nu. 210.64 M), (b) allotment of DGPC's share worth Nu. 294.86 M injected by GoI as equity to Kholongchu Hydro energy Limited (KHEL), and (c) grant of Nu. 2,010.18 M received by BPC for MHPA. These transactions contributed towards increase in the paid-up capital by 5.40%.

Revenue

The total income earned by the group for the year is Nu. 39,632.93 M, an increase of 8.69% from previous year's Nu. 36,462.89 M.

Higher revenue growth from Communications and Transport segment (11.60%, Nu. 872.61 M), Finance segment (8.43%, Nu. 210.39 M), and energy and resources segment (6.08%, Nu. 1,431.70 M) contributed to the increase in total revenues. Revenues from Manufacturing segment decreased by 2.50% (Nu. 148.74 M) from FY2018.

Expenditure

The total expenditure of the group grew by 3.85% in 2019. The increase in expenditure is primarily because of increase in employee cost (15%, Nu. 606.91 M) and cost of sales (11.14%, Nu. 935.32 M). But the group recorded significant reduction in R&M cost by 11% (Nu. 541.98 M) and impairment losses by 73% (Nu. 200.71 M).

Profit after tax

As the increase in revenue was much higher than the increase in the expenditure, the Profit After Tax for the year increased by 62.32%, to Nu. 6,705.97 M from Nu. 4,131.40 M in FY2018. The increase in PAT is attributed to increase in PAT from energy and resources segment (18.76%), communications and transport segment (25.01%), and finance segment (15.57%). But manufacturing segment suffered loss in 2019.

We would also like to report that the revision of electricity tariff from October 2019 impacted bottom line negatively to the tune of Nu. 176.99 M and tax contribution to the government to the extent of Nu. 75.86 M.

DHI STANDALONE ACCOUNTS

Total assets and net worth

The total assets and net worth of DHI standalone grew by 6.56% (Nu. 3,990.89 M) and 6.74% (Nu. 3,936.15 M) respectively.

The increase in total assets was on account of 7.06% increase in investments, which was fueled primarily by allotment additional shares to MoF and injection of fresh equities in subsidiaries. Allotment of shares happened on account of Nu. 294.85 M worth DGPC shares injected by Gol in KHEL and Nu. 2,010.64 M grant received by BPC from MHPA. Fresh equities injected were Nu. 333.15 M in Drukair, Nu. 150 M in DML and Nu. 16.80 M in Azista Bhutan Health Care Ltd.. The total assets increased also due to increase in fair value of BNB and RICBL's stock by Nu. 473 M and Nu. 302 M respectively.

The increase in net worth by Nu. 3,936.15 M was because of increase in paid up capital (by Nu. 2,494.07 M) due to allotment of DGPC's KHEL shares and BPC's MHPA grant to MoF as explained before. Further, there was transfer of ownership of freehold lands of DOCs to DHI for which an aggregate value of Nu. 189 M was allotted to MoF.

Revenue

The total revenue realized during the year was Nu. 7,224.17 M, which is a decrease of 18.22% from FY2018. While DHI's dividend income from companies fell by 17.71% during the year, one of the main causes of year's lower revenue, it also had to do with considerations made on Group Investment Reserve (GIR) in FY2018.



In FY2018, DHI's dividend income included Nu. 616.60 M transfer from companies (as DHI did away with GIR policy), which was a one-off event and one that caused FY2019's dividend income to seem lowered.

Expenditure

The total expenditure for the year, recorded at Nu. 127.23 M, was an increase by 12.43% from the previous year. Increase in employee benefit expense (8.87%) because of pay revision and increase in consulting fees associated with DHI BizApp contributed to the expenditure growth.

Profit After Tax

Owing to decrease in dividends from owned/linked companies from FY2018, the PAT for the year decreased by 17.96% to Nu. 4,964.81M from Nu. 6,052.95 M in FY2018.

OPERATIONAL HIGHLIGHTS

Financial year 2019 was an exceptional year for the group companies. Almost all companies reported much higher level of performances as compared to any previous financial years.

Financial services

The Bank of Bhutan is the marvel of Financial Institution and Banking industry. It left its closest competitor miles behind as it registered bottom line PAT of more than a billion Ngultrum (Nu. 1.25 Billion) for the second time while maintaining a lowest ever NPL of 3.5%. It continued to lead the industry in the digital drive. In FY2019, it initiated digitalization of the government accounting system with the launch of e-PEMs with MoF and the RMA. The Bank also conducted Disaster Recovery Drills successfully, five during the year in fact, which indicates that banking services will function seamlessly in case of any disaster at the primary data center.

Communication and Transport

Together with financial services, communication and transport segment posted its best ever performance in FY2019.

Bhutan Telecom's set a new milestone upon surpassing a billion-mark bottom line PAT for the first time in its history (Nu. 1.10 B). It also launched its first ever Disaster Resilient Emergency Mobile Network in Jakar to help the country prevent complete communication blackout in the event of disasters.

Similarly, Drukair made its own historic mark by crossing the equator for the first time, as it commenced a breakthrough aircraft lease deal with Air Timor with two chartered flights a week from Singapore to Dili, East Timor. Its revenue also surpassed a four billion mark (Nu. 4.35 Billion) for the first time and registered one of the highest ever net profit (of Nu. 343 M) in FY2019. Further, ensuring safety as the top most priority at all times, Drukair replaced the aging ATR 42-500 with new state of the art ATR 42-600 aircraft in October 2019.

Energy and Resources Segment

The segment as always reigned the Group in FY2019 as well with more than 81% of DHI's dividend coming from it. But it was SMCL that lead the group, as its return on equity soared 49.33% from 24.43% in FY2018 with successful take-over and commencement of Gypsum mining. It is also notable to report that SMCL contributed more than Nu. 235 M in taxes, mineral rent and royalty during the year, its initial year of mining operation. During the year, SMCL paid more than Nu. 270 M to communities for (EME hiring, transportation, daily wage etc.) and declared dividend of 108% of the paid-up share capital.

DGPC experienced better river inflows (mainly in Wangchu basin) during the year and increased power generation by 5.36% to 6,926.22 MU from the aggregate generation of 6,573.99 MU in FY2018. While Chhukha plant faced technical glitches in one of its generating units, but it did very little to impact power generation as two of the five impacted months fell in the lean season and DGPC ensured 100% water utilization factor then. Consequently, the net energy exported to India increased by 10% and the net profit by 9.47% to Nu. 4,926.73 M.

Similarly, BPC further reduced its already low global energy loss (lowest in the region) of 2.21% in FY2018 to 1.99%. Therefore, besides more than 50% reduction (Nu. 868 M) in its construction contracts revenue, its net profit rose 55% to Nu. 1,154.63 M from Nu. 762.31 M in FY2018.

And for NRDCL as well, it achieved best ever operational performance with highest timber, sand and stone extraction and disposal quantities in FY2019. Consequently, net profit also registered one of the highest figures of recent years with Nu. 61.33 M.

Manufacturing

In this segment, companies such as DCCL, DPL and KIL continues to make progress in reducing expenses and enhancing earnings.

FY2019 proved to be a challenging year for both DCCL and DPL as cement sales reduced more than 9%, to 585,737 MT from 633,385 MT in FY2018, due to (i) completion of MHPA project, (ii) India's Citizenship Amendment Bill induced strikes, and (iii) impact of sale due to load restriction. Regardless of these external factors, DCCL went on to post the highest ever export figure (220,496.40 MT) since its commercial operation (in Jan 2014) and registered an operational profit of Nu. 251.12 M, an increase of 43% from FY2018's Nu. 175.13 M.

DPL also posted a net profit of Nu. 8.18 M as it improved its cost structure better than the rate at which the sales revenue dropped.

IT and Construction

As may have been noted by now, FY2019 was a year of change for almost all segment companies. But for TTPL, it was a major transformation as it reorganized itself from being a manager of IT park into the Center of Excellence for IT Services. It has now began implementing crucial IT applications for the Government and Group companies.



CDCL established its position as the leader of construction sector, mainly for bridge construction, as it successfully closed crucial projects and handed over the bridges to clients within time and cost.

And finally, recognizing the achievements of the Group as a whole, for the leadership of CDCL in the construction sector as a company and for his contribution in setting high standards for construction (in efficiency and quality) and engagement of youth in construction in particular, CDCL CEO was awarded National Order of Merit by His Majesty the King on 112th National Day.

Other operational highlights

As per the Roadmap, group digitalization was expected to be completed by 2025. Considering the digital transformation momentum in Bhutan and beyond, this target was front loaded and DHI invested in creation of Department of Innovation and Technology, to spearhead as well as fast-track digital transformation of DOCs. Some other significant achievements/activities initiated during the year include following:

1. TTPL transformation was initiated by starting an IT department. Prioritizing group resource and value optimization, IT professionals of DOCs have been transferred to TTPL;
2. DCCL restructured its long-term debt which contributed to finance cost savings of Nu. 80 M. The Nu. 1.039 billion bond series-I was redeemed in September, and Nu. 1.56 billion consortium loan was refinanced by long term loan at lower interest rate;
3. SMCL outsourced EME hiring of Kothagpa Gypsum Mine to Shumar community (700 plus households) to ensure that benefits accrue to the community;
4. As per the DHI land ownership policy, a total of 74 plots of land valued at Nu. 240.46 million have been transferred from subsidiaries to DHI; and
5. The pay & allowances for employees of DHI and group was revised in October 2019 ranging from 22% to 60%. Along with the revision, pay structure of the group was rationalized.

Investments

In the Nu. 6 Billion Phuntsholing Township Development Project (PTDP), over 2,500 meters of the diaphragm walls of the River Embankment works have been completed with substantive progress on backfilling works.

DHI invested 40% stake in Druk Metallurgy Limited (DML) and the first phase production of MS Billets was commissioned in November, 2019.

We also invested 28% stake in Azista Bhutan Healthcare Limited and the first phase for packaging of the generic drugs was commissioned in December, 2019.

Based on the due diligence and evaluation of numerous investment opportunities in overseas markets, we have committed over USD 14.5 Million to various investment funds promising good long-term returns.

Private Sector Development

DHI continued to conduct the DHI Business Acceleration Training Programs (DHI BizAP) in partnership with University of Texas, United States of America. Two DHI BizAP trainings with total of 37 trainees was completed during the year. A total of Nu. 12.50 M funding support was provided through three funding rounds to 26 entrepreneurs. In addition, mentoring and access to corpus fund facility support were also provided.

DIVIDEND AND TAXES

During the year, DHI remitted Nu. 3,350 M as advance dividend to MoF and Nu. 2,131.13 M as standalone taxes.

However, as a Group, the total tax contribution to the government during the year amounted to Nu. 6,552.93 M, which works out the 'effective tax rate' to 49.42%.

Additionally, the Group also made a payment of Nu. 2,047.71 M on account of royalty energy and Nu. 154.44 M¹ on account of royalty on minerals.

In total, the group has remitted Nu. 12,105.08 M as dividend, taxes, and royalty to the Royal Government of Bhutan in FY2019.

Further, as per MoF-DHI dividend determination norm, the dividend for FY2020 works out to around Nu. 4,532 M, which is a significant increase of 36.06% from Nu. 3,350 M for FY2019.

CORPORATE GOVERNANCE

Since its establishment, DHI has made concerted effort in improving corporate governance in its portfolio companies. In order to further improve CG systems and processes, DHI in FY2019 streamlined the Terms of Reference of board committees and continued with the capacity development and re-orientation programs for directors and senior executives. Additionally, to enhance CG beyond the Group, DHI extended workshop and training supports to MoF companies on CG best practices and PMS.

A testament to being a CG champion, DHI for the fifth year in a row maintained clean accounts and no adverse audit observation was issued in its audited accounts for FY2019. Besides, it also complied fully with the Companies Act of Bhutan 2016 and other statutory requirements.

During FY2019, the DHI Board consisted of seven directors including the Chairman and the CEO. Seven board meetings were held in 2020 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2016.

¹ Royalty and mineral rent paid by DCCL was Nu. 36.32M, SMCL's was Nu. 89.84M and NRDC's was Nu. 28.28M.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

DHI is committed to supporting impactful initiatives and events that enhances social, cultural, community, economic and intellectual values in our society through our CSR support. We contributed a total of Nu. 3.35 M towards activities initiated by CSOs, NGOs, and institutions; and Nu. 1.20 M in donations during FY2019.

STATUTORY AUDIT REPORT

Although M/s Singhi and Company was initially appointed as the statutory auditors for the year, owing to international travel restriction associated with COVID-19 pandemic, RAA appointed Jigme Audit and Financials Pvt. Ltd, and Tshechu & Associates to conduct audit for FY2019 on 28th April 2020. The firms audited the standalone accounts and the consolidated accounts from 11th May to 3rd June 2020. The audit was carried out in accordance with the auditing standard prescribed by the Accounting and Auditing Standard Board of Bhutan and the relevant provisions of the Companies Act of Bhutan 2016.

The Auditors' Report for the standalone accounts does not have any qualifications on the accounts of the company. The auditors concur that the accounts along with schedules, significant accounting policies and notes to accounts are in compliance with the requirements of the Bhutanese Accounting Standards and Companies Act of Bhutan 2016. However, the Auditor's Report for consolidated accounts has reported few issues, which are spillover of companies' qualifications. We would like to ensure that these qualifications are addressed appropriately and adequately.

CHALLENGES AND WAY FORWARD

We embarked our journey into the new decade with the goal of laying foundations for the next decade for the DHI and Group. We were privileged and empowered in being reinforced with the renewed strategic vision and focus that drives every single decision, and we commit to venture into businesses that are strategic, necessary and purposeful. Our foundational steps into the new decade has presented us many challenges as well as opportunities.

First is group digitalization. We recognize that digitalization is not an option for us, and our shareholders deserve all the potential efficiency gains, resource dividends, and economic returns that digitalization delivers. We are wary that our country in general and the DHI group in particular is falling behind in terms of digitalization and digital transformation. Building a digital culture in the group is a key challenge in the coming years.

Second is investment abroad. Investing in markets beyond Bhutan requires expertise, and support from regulatory agencies as well as enabling policies. We have committed investment of more than USD 14.50 million in markets outside Bhutan. While challenge related to expertise is addressed through planned capacity building of our staff, regulatory issues within as well as regulatory issues of the country where we decide to invest remains an elusive challenge.

Third, is creating transformative industries. Our endeavor in identifying and investing in transformative industry, be it IT or resource or any other strategic segment, is confronted by labor market dynamics, regulatory hurdles, scalability, and misplaced perceptions of DHI to mention few.

Fourth, is COVID-19. As we present this report, our companies are braving challenges associated with the pandemic, from disrupted supply chains to losses in revenues. Our preliminary assessment of impact of COVID-19 shows grim projections for 2020. Overcoming the pandemic with similar performance like FY2019 would be a humongous task for the group.

These challenges are opportunities for us at the same time. We commit to complete group digitalization including development of skillset, mindset and toolset by 2023. We will continuously invest in development of skills and expertise of our investment abroad division while continuing to leverage on all possible networks as well as brand DHI for investing in overseas market. Based on founding purpose and functions of DHI, and renewed strategic vision; we will continue to invest in creating industries that are strategic, necessary, and purposeful; such as IT, agritech and innovations, resources, hydropower construction, etc. COVID-19 pandemic is testing agility of our companies and we commit to transform it based on experiences of the pandemic so that we deliver improved performance, year on year.



ACKNOWLEDGEMENT

On behalf of the DHI Board, I would like to take the opportunity to offer our heartfelt gratitude to His Majesty the King for his wisdom in establishing DHI, for continued guidance bestowed upon the Group and the renewed vision for DHI.

The outcome of our continued pursuit of safeguarding and enhancing national wealth is contingent upon support of the Royal Government of Bhutan. We sincerely thank the government, particularly Ministry of Finance, Ministry of Economic Affairs, Ministry of Information and Communications, Ministry of Foreign Affairs, Ministry of Home and Culture Affairs, and Ministry of Agriculture and Forest for their unconditional support.

We would also like to thank the regulatory agencies including Royal Monetary Authority, the CSOs and all private sector agencies for their invaluable support and cooperation that enabled us to achieve our mandates. We also thank the Government of India and other international agencies for their support in many of our initiatives.

Finally, we would like to thank all the Board directors, the CEOs, executives and employees of DHI and the companies for their tireless efforts toward achieving the shared common mission.

Thank you!

(Dasho Ugen Chewang)

CHAIRMAN

REPORT ON CORPORATE GOVERNANCE

DHI is committed to enhancing and implementing the highest standards of corporate governance. Towards this objective, we have made concerted effort in improving corporate governance of the portfolio companies since its establishment. DHI is guided by the CG Code, developed in 2013 based on the OECD Corporate Governance principles, which covers Corporate governance framework and associated model charters and code viz., Board Charter, Board Audit Committee Charter and Code of Conduct.

Besides fulfilling the requirements set in the Code, DHI has complied fully with the Companies Act of Bhutan 2016 and other statutory requirements for FY2019.

Board of Directors

The Board of Directors is entrusted with the ultimate responsibility to provide strategic guidance and monitoring of management. The Board has the full authority for making decisions regarding investments and divestments.

The board has delegated responsibility for the operation and administration of the Company to the Executive Chairman, CEO and the management executives. During FY2019, all responsibilities were carried out as per the formal authority delegations.

Composition of the Board and attendance in FY2019

7 Board Meetings were held in 2020 and the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan 2016.

Name of Director	Category	Profile	No. of BM attended during 2019	No. of Directorship on other DHI owned/controlled companies	
				Chairman	Member
Dasho Ugen Chewang	Non-independent Executive	Chairman, DHI	7	1 (Bhutan Power Corporation Ltd (BPC))	
Mr. Nim Dorji	Non-independent Non-executive	Secretary, MoF	7	-	1 (Druk Green Power Corporation Ltd (DGPC))
Mr. Pema Chhewang	Independent Non-executive	Secretary, NLC	6	1 (Druk Air Corporation Ltd. (DAC))	
Mr. Thinley Namgyel	Independent Non-executive	Secretary, GNHC	6	-	1 (State Mining Corporation Ltd (SMCL))
Mr. Dechen Dorji	Independent Non-executive	Country Representative WWF	6	-	1 (Bhutan Telecom Ltd (BTL))
Mr. Kinga Tshering	Independent Non-executive	Founder, Institute of Happiness	5	-	
Dasho Karma Yezer Raydi	Non-independent Executive	CEO, DHI	7	2 (State Mining Corporation Ltd (SMCL) and Dungsam Cement Corporation Ltd (DCCL))	



BOARD COMMITTEE MEETINGS AND PROCEDURES

Board Committee for Performance Management (BCPM)

The DHI BCPM is the standing committee of the DHI Board to negotiate, finalize, monitor, review and evaluate the annual compacts of DHI with DHI Board, DHI Owned Companies and DHI Controlled Companies.

A total of 26 BCPM meetings were held in 2019 including the compact negotiation meetings and mid-term review of the compacts.

Nomination and Governance Committee (NGC)

The Nomination and Governance Committee is a special committee consisting of Board member representatives from both the concerned company Board and DHI Board established for selection and appointment of CEO in DHI owned companies. In 2019, a total of three NGCs were formed for selection and appointment of CEOs in Bank of Bhutan Limited (BoB), State Mining Corporation Limited (SMCL) and Construction Development Corporation Limited (CDCL).

Board and CEO Evaluation

DHI has instituted conducting online survey annually, whereby feedback is collected from the Chairman and CEO on the performance of the individual board directors in the DHI Owned and Controlled Companies. The key parameters covered include the board directors' dedication and preparedness for the meeting, professional and ethical attributes, team work and their contribution in the meeting. The report is used to identify the skill-development needs of Directors and is also considered in determining the reappointment of the current board directors.

Further, DHI conducted annual performance evaluation of the CEOs of DHI Owned Companies. The performance evaluation of CEO is divided into two parts:

1. A questionnaire-based leadership assessment which accounts for 20% weight of the overall evaluation; and
2. Annual compact performance which accounts for 80% weight.

The leadership assessment is administered online by Corporate Performance Department, DHI, and is undertaken by all the Board Directors. The combined score is used to pay out the CEO's performance linked financial incentives and is also considered during the renewal of contracts of the CEO in DHI owned companies.



RISK MANAGEMENT

Risk Management Framework based on the enterprise risk management principles was issued by DHI in 2013 to provide overall guideline to ensure that risks related to the activities undertaken by the portfolio companies are managed deliberately and effectively through a properly established process of assessment, resource allocation, review and reporting. An enterprise risk management framework is used to manage risks more consistently, comprehensively and economically. The aim of risk management is not to eliminate risks, but to manage the risks involved in the activities to maximize opportunities and minimize adversity.

Risk Management in the DHI and Group is institutionalized through compact targets on risk management which requires DOCs to specify minimum process/activity requirements and mitigations measures. The risk registers approved by DOC Board is consolidated and reviewed the DHI Board.

2019 CHARITABLE CONTRIBUTION HIGHLIGHTS

In 2019, under the CSR charitable contributions alone, DHI provided financial support to activities initiated by external agencies, CSOs/NGOs, institutions and individuals amounting to a total contribution of Nu. 3.35 million and under the Donation scheme, DHI contributed to more than 20 activities amounting to Nu. 8.67 million. Some of the major activities are as below:

- Financial contribution to Annual Moenlam Chenmo held at Kuenselphrodrang, Thimphu.
- Financial support to Trashigang Rabdhey for renovation of Lhakhangs.
- Financial contribution to Tshokey Dorji Foundation.
- Financial support for the renovation of Orong Lhakhang, SamdrupJongkhar.
- Donation to Khenkhar Mangdok for their annual moenlam rimdro.
- Thrumshingla Chorten Construction.



RELIGION

Nu. 5.69 m.

- Financial support to the Construction Association of Bhutan:
- Financial support to Bhutan Cancer Society in reinforcing and strengthening their activities.
- Financial support to Lhomon Society, for the model house project at Menchuri village, SamdrupJongkhar:
- Financial support for Bhutan Clean Event Festival Program.



SOCIAL

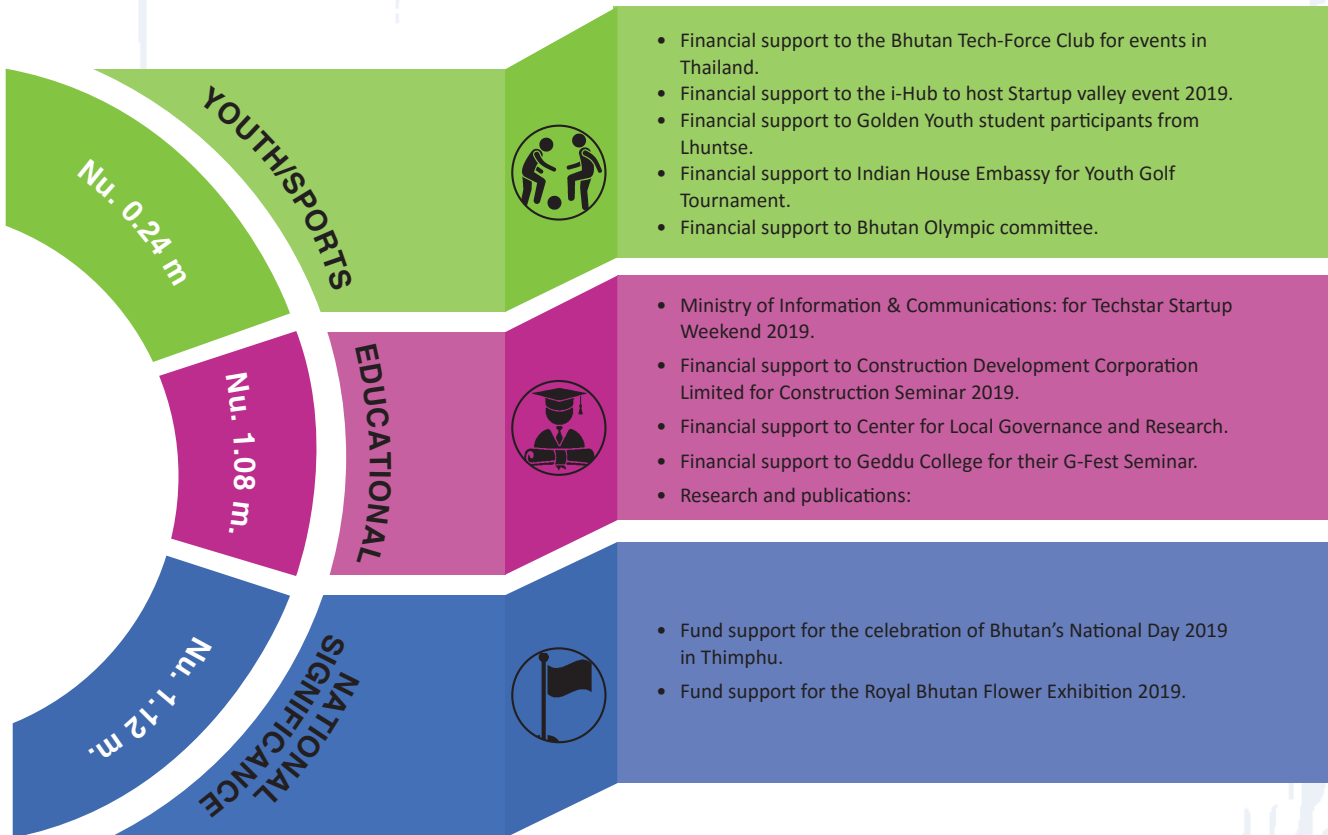
Nu. 0.34 m.

- Financial contribution to the Center for Bhutan and GNH studies.
- Financial support for Snowman Run, 2019.
- Financial support to Dharma Arts and Crafts in preserving age old tradition of craftsmanship.



CULTURAL

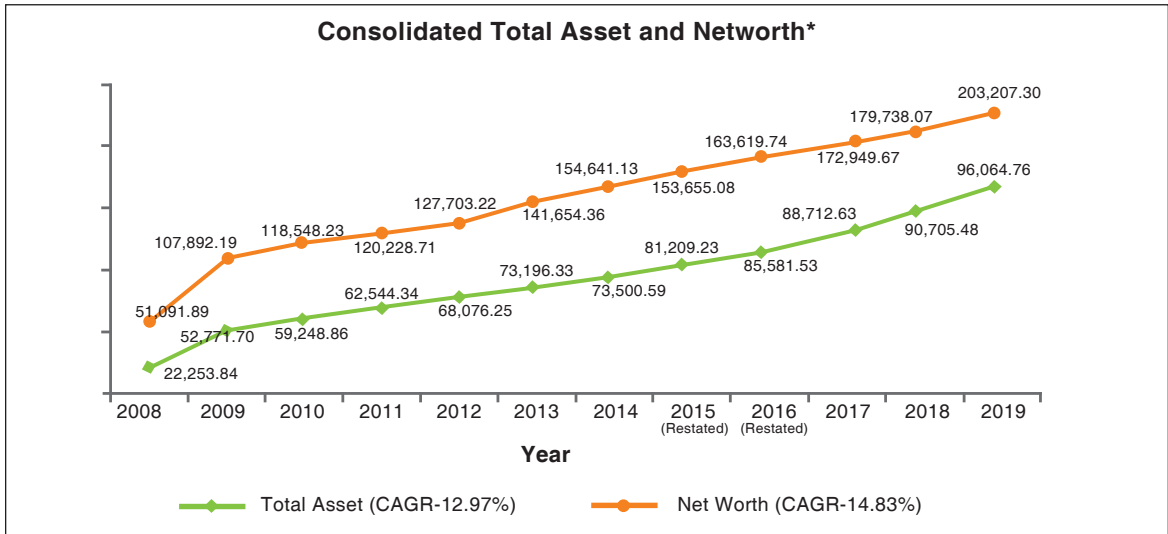
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FINANCIAL REVIEW

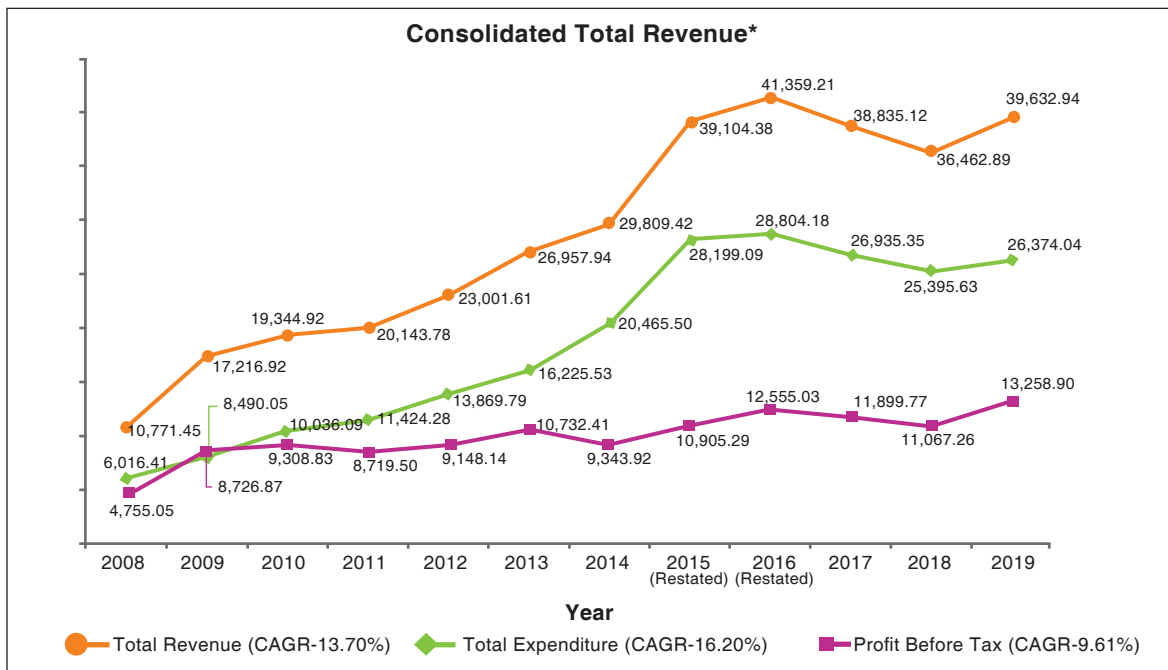
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GROUP ASSETS AND NETWORK

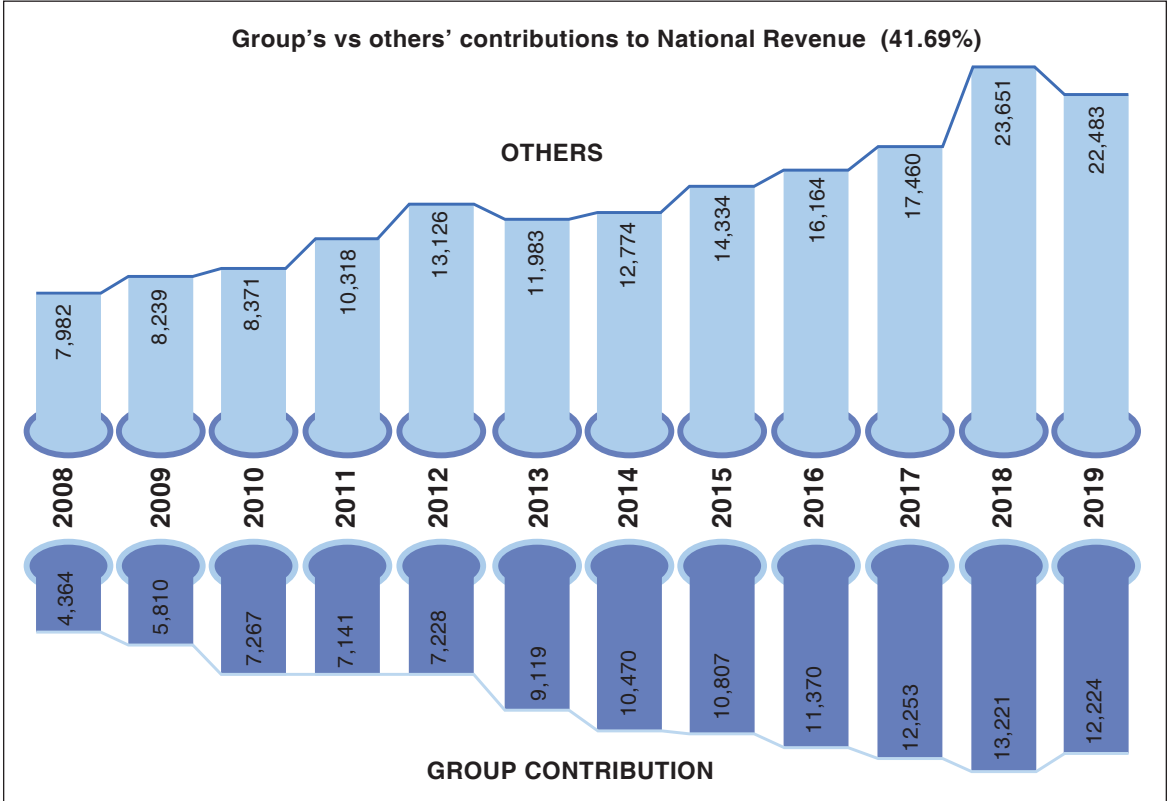
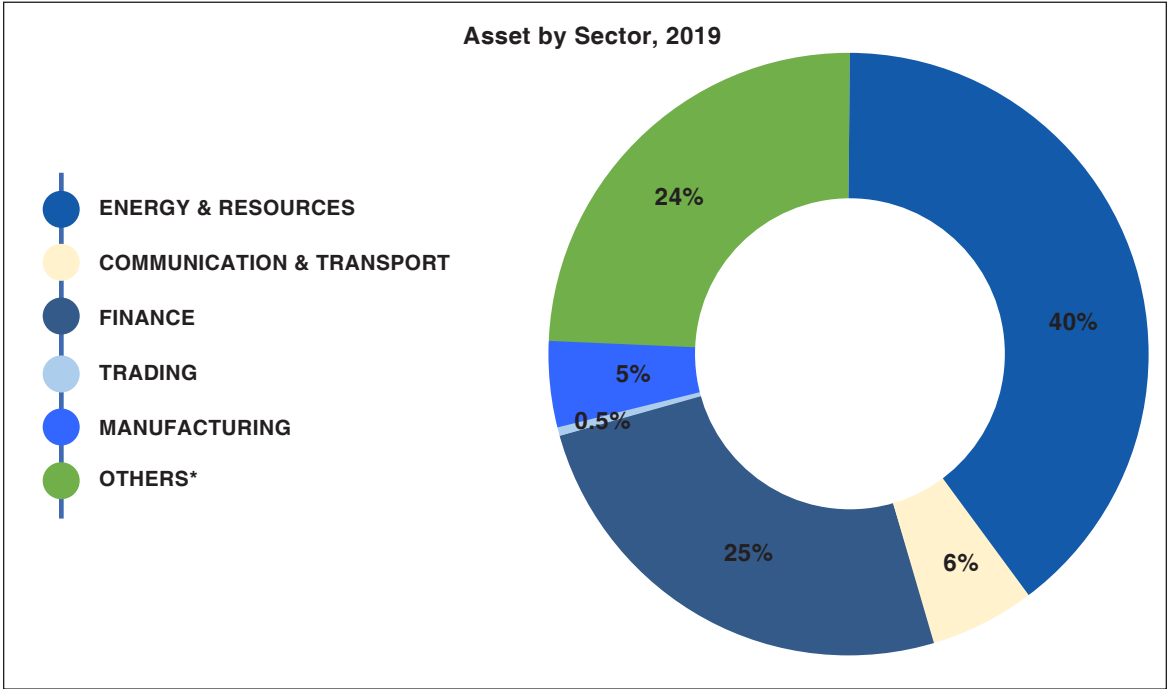


*With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.

GROUP REVENUE AND PROFIT BEFORE TAX (PBT)



*With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.



**KEY FINANCIAL AND
OPERATIONAL HIGHLIGHTS
OF DHI SUBSIDIARIES**

2



DRUK GREEN POWER CORPORATION LIMITED

- Achieved power plant availability (PPA) of 96.02% and water utilization factor (WUF) of 99.99%;
- Generated 6,926.22 million units (MU) of electricity;
- Commissioned the SCADA for Kurichu Hydropower Project's first generating unit (Unit II);
- Dewatered the Pressure Shaft-I and repaired 38 failed grout plugs at Tala Hydropower Plant to rule out possible cause of rock bolt failures in the powerhouse caverns.
- Signed the Power Purchase Agreement (PPA) for the sale and purchase of Mangdechhu power with Power Trading Corporation of India (PTC) in August 2019. The starting export tariff of Nu. 4.12 per unit and the mechanism for tariff revisions over the 35 years PPA period was mutually agreed to between the two Governments.
- Signed a Memorandum of Understanding (MoU) with WAPCOS Limited, India for carrying out the balance infrastructural works for the Punatsangchhu I hydroelectric project in October. During the year, DGPC also started to support the Punatsangchhu II project with the geotechnical related instrumentation activities.

Company	Particulars	2019	2018
DGPC	Total Assets	55,215.31	53,476.13
	Net Worth	46,604.99	45,993.01
	Income	11,918.67	11,681.98
	Expenditure	4,865.63	5,002.92
	PBT	7,053.05	6,679.06
	Tax	2,106.52	2,182.49
	PAT	4,946.53	4,496.57





BHUTAN POWER CORPORATION LIMITED

- Domestic electricity consumption decreased by 2.05% to 2,280.63 MU from 2,328.44 MU in 2018;
- Achieved global energy loss of 1.85 % and transmission and distribution loss of 6.53%;
- Wheeled 6,172.44 MU of energy for export to India for BPC;
- Completed all works related to construction of three 400 kV transmission lines to evacuate power from the Mega Hydro Project Plants under construction; and
- Completed construction, tested and commissioned three 132kV and one 66 kV transmission lines, three 132 kV two 66 kV substations (including bay extension works) and one 22 kV substation.

Company	Particulars	2019	2018
BPCL	Total Assets	35,248.82	30,056.79
	Net Worth	14,638.00	13,076.56
	Income	9,533.00	9,508.44
	Expenditure	7,881.00	8,355.40
	PBT	1,651.00	1,153.04
	Tax	467.00	390.73
	PAT	1,184.00	762.31





BHUTAN TELECOM LIMITED

- Deployed new 108 3G and 63 4G (LTE) sites, and implemented Carrier Addition for the existing sites to decongest the mobile network in urban areas;
- Upgraded DWDM nodes for 11 sites to 10Gbps and commissioned 18 IP radio hops for Access Network, as part of Transmission backbone up-gradation;
- Increased active mobile customers to 403,559 from 396,502 in 2018;
- Increased leased line Internet subscriptions to 1,153 from 772 in 2018; and
- Launched Bhutan’s first Disaster Resilient Emergency Mobile Network in Jakar on June 29.

Company	Particulars	2019	2018
BTL	Total Assets	7,067.00	5,954.34
	Net Worth	4,640.00	4,418.42
	Income	4,039.00	3,593.28
	Expenditure	2,338.00	2,220.20
	PBT	1,701.00	1,373.08
	Tax	598.00	431.30
	PAT	1,103.00	922.46





NATURAL RESOURCES DEVELOPMENT CORPORATION

- Increased timber extraction to 2.51 million cft from 2.04 million cft in 2018 and sale to 2.13 million cft of from 1.71 million cft in 2018.
- Increased production of stone chips to 940,784 cft from 775,925 cft in 2018. However, sale slightly dropped to 931,824 cft from 984,522 cft in 2018;
- Carried out plantation of 39.91 hectare as part of NRDCL's reforestation initiatives and constructed 11.83 km road to facilitate timber harvesting and for access to operation areas;

Company	Particulars	2019	2018
NRDCL	Total Assets	818.00	726.687694
	Net Worth	588.59	566.94
	Income	792.85	681.67
	Expenditure	716.03	624.23
	PBT	76.82	57.44
	Tax	23.44	17.63
	PAT	53.38	39.81





DRUKAIR CORPORATION LIMITED

- A total of 5,188 flights were operated compared to 5,271 flights in 2018;
- A total of 285,911 passengers were carried compared to 285,397 passengers in 2018;
- Load factor of 72.5% was achieved, equivalent to 2018;
- Achieved 67% market share on the four competitive routes;
- Started chartered operations to Dili in East Timor, with 2 flights a week operated from Singapore to Dili. This is a historic milestone in the history of Bhutan's aviation industry;
- Replaced the aging ATR 42-500 with a new state-of-art ATR 42-600.

Company	Particulars	2019	2018
Drukair	Total Assets	8,552.00	6,381.79
	Net Worth	3,626.00	2,956.51
	Income	4,162.00	3,695.90
	Expenditure	3,660.00	3,524.59
	PBT	508.00	261.88
	Tax	165.00	102.47
	PAT	343.00	159.41





CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

- Completed a number of major infrastructure projects including significant structures such as Dechen Zam at Chubachhu Thimphu and the Pre-stress Concrete Girder Bridge in Samdrup Jongkhar;
- Completed the construction of 66 kV transmission line from Jemina to Changidaphu, Thimphu for BPC;
- Took up water supply and sewerage treatment project for the Jigme Singye Wangchuck School of Law at Pangbisa in Paro, which is the first major project of its kind;
- Secured the construction of the Motanga Bridge in Samdrup Jongkhar and a number of new bridge projects are either under negotiation or in the pipeline; and
- Continued to maintain fully national workforce in all its projects. At the same time, continued to render high quality services at competitive rates.

Company	Particulars	2019	2018
CDCL	Total Assets	2,181.13	1,787.91
	Net Worth	875.36	981.02
	Income	1,863.60	733.00
	Expenditure	1,908.18	730.65
	PBT	-44.58	2.35
	Tax	-5.18	3.24
	PAT	-49.76	5.59





WOODCRAFT CENTRE LIMITED

- Increased usage of local timber to 30.1% from 21.10% in 2018;
- Developed and implemented Enterprise Resource Planning (ERP) system; and
- Trained 50 trainees for a duration of four weeks in basic furniture making and upholstery with funding support from the UNDP and the Ministry of Economic Affairs.

Company	Particulars	2019	2018
WCCL	Total Assets	120.66	182.96
	Net Worth	71.51	137.31
	Income	103.20	111.15
	Expenditure	88.66	89.23
	PBT	12.51	21.91
	Tax	5.66	7.84
	PAT	6.85	14.07



THIMPHU TECHPARK LIMITED

- Initiated transformation into an IT/software company;
- Started providing SAP support services to companies within the Group and also signed contracts with NRDCI and Gelephu Thromde;
- Completed the construction of the second IT Park building;
- Created direct employment opportunities to over 600 youths.

Company	Particulars	2019	2018
TTPL	Total Assets	415.43	385.32
	Net Worth	260.34	259.24
	Income	38.18	36.58
	Expenditure	34.94	25.62
	PBT	3.24	10.95
	Tax	0.46	1.00
	PAT	2.78	9.95





STATE MINING CORPORATION LIMITED

- Operated Kothakpa Gypsum mines and extracted 512,218 MT of Gypsum, of which 488,000 MT was sold;
- Outsourced equipment hiring to the community of Shumar Gewog to ensure broad based sharing of benefits from mining operations;
- Mined 77,670 MT of coal from Habrang & Tshopangma coal mines (decreased from 80,253.154 MT in 2018);
- Produced 17,021.592 MT of aggregates and sold 23,013 MT to the local market;
- Hired 44 earthmoving equipment, 81 tippers and 679 freelance tippers in 2019;
- Engaged 44 operators, 760 drivers, 105 coal raisers including 66 students, 32 daily wage earners and 56 construction workers;
- Benefited the private sector with a direct business of Nu. 644 million.

Company	Particulars	2019	2018
SMCL	Total Assets	1,032.93	642.76
	Net Worth	681.77	410.60
	Income	1,432.76	449.72
	Expenditure	952.26	325.61
	PBT	480.50	124.11
	Tax	144.15	32.72
	PAT	336.35	91.39



- Implemented Credit Scoring System and Anti Money Laundering/Countering Financial Terrorism (AML/CFT) system;
- Increased loan portfolio by 23.30% from Nu. 35.51 billion in 2018 to Nu. 43.79 billion in 2019 with non-performing assets of 3.61%;
- Launched the Dzongkha version of mBoB and website along with keyboard banking services;
- Launched e-PEMs in collaboration with the Ministry of Finance and the Royal Monetary Authority;
- Increased deposits from Nu. 46.48 billion in 2018 to Nu. 59.24 billion in 2019.

Company	Particulars	2019	2018
BOBL	Total Assets	69,548.96	55,811.97
	Net Worth	7,910.39	7,074.76
	Income	4,015.56	3,464.85
	Expenditure	2,604.93	2,430.42
	PBT	1,795.11	1,477.34
	Tax	538.02	436.52
	PAT	1,257.08	1,040.83





DUNGSAM CEMENT CORPORATION LIMITED

- Produced 559,842 MT of Clinker and achieved 64% capacity utilization;
- Produced 604,936 MT of cement, and achieved 51% capacity utilization;
- Signed an MoU with a globally reputed Siam Cement Group (SCG), Thailand and fielded their experts in the key areas of plant operation and maintenance; and
- Redeemed Nu. 1.039 Billion Bond Series-I in November 2019 & re-financed Nu. 1.56 billion consortium and reduced interest rates by about 250 basis points, which resulted in interest savings of more than Nu. 80 million.

Company	Particulars	2019	2018
DCCL	Total Assets	9,887.00	9,784.27
	Net Worth	3,154.00	3,487.23
	Income	3,389.00	3,784.67
	Expenditure	3,440.00	3,921.88
	PBT	-51.00	-137.21
	Tax	-279.70.00	-
	PAT	-331.00	-137.21





KOUFUKU INTERNATIONAL LIMITED

- Plant capacity utilization increased to 33% from 32.5% in 2018;
- Purchased 393,360 liters of milks from farmers (280 households) compared to 429,565 liter in 2018;
- Developed and standardized the new formulation of “Druk Zambala” processed cheese after series of trial production and market feedback and training of its key staff in Singapore.
- Secured a CARLEP fund of US \$ 3.96 million for the upgradation of the current plant at Chenary, establishment of a UHT plant in Dewathang and a milk processing plant in Nganglam.

Company	Particulars	2019	2018
KIL	Total Assets	88.82048961	79.03471132
	Net Worth	35.40	40.47
	Income	21.99	12.93
	Expenditure	39.31	33.84
	PBT	-17.32	-20.91
	Tax	0.98	
	PAT	-18.29	-20.91





DUNGSAM POLYMERS LIMITED

- Recorded its first ever profit with Nu. 8.19 million;
- Achieved plant availability of 98.73% and plant capacity utilization of 46%; and
- Produced 15.06 million bags and 1,191.99 MT of fabric.

Company	Particulars	2019	2018
DPL	Total Assets	172.32	199.52
	Net Worth	53.69	48.04
	Income	177.63	179.70
	Expenditure	171.69	180.30
	PBT	5.95	-0.59
	Tax	(2.25)	(0.30)
	PAT	8.19	-0.90





STATE TRADING CORPORATION LIMITED

- Sold 696 vehicles during the year;
- Undertook Organizational Development exercise;
- Upgraded Enterprise Resource Planning (ERP) software to a higher version;
- Introduced Tata Service Van equipped with welding, pneumatic system, lube carrying unit and tools for quick and onsite service.

Company	Particulars	2019	2018
STCBL	Total Assets	1,396.90	1,296.87
	Net Worth	481.16	478.15
	Income	2,192.43	2,366.19
	Expenditure	2,127.31	2,234.07
	PBT	65.12	114.60
	Tax	20.56	47.01
	PAT	44.56	67.59



**AUDIT REPORT AND
FINANCIAL STATEMENTS**

3



Independent Auditor's Report on the Consolidated Financial Statements for year ended 31 December 2019

To
The Members of Druk Holding and Investments Limited

Qualified Opinion

We have audited the Consolidated Financial Statements of Druk Holding and Investments Limited and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2019, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the Consolidated Financial Statements, including significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion, except for the possible effects of matters described in the Basis for Qualified Opinion section of our report, the accompanying Consolidated Financial Statements give a true and fair view of the Consolidated Financial Position of the Group as at 31 December 2019 and its Consolidated Financial Performance and its Consolidated Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Druk Holding and Investments Limited and its subsidiaries ("the Group") in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.





Basis for Qualified Opinion

1. We draw attention to Note 39 of this consolidated Financial Statements with regard to non-compliance of **BAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, BAS 12 – Income Tax, BAS 19 - Employee Benefit, BFRS (Bhutanese Financial Reporting Standard) 9 - Financial Instruments, and BFRS 15 - Revenue from Contract with Customers.**
 - i. Although certain companies such as Bhutan Board Product Limited (BBPL), Construction Development Corporation Limited (CDCL), Bhutan Telecom Limited (BTL), Dungsam Cement Corporation Limited (DCCL), and State Trading Corporation of Bhutan Limited (STCBL) have corrected the prior period errors, some (BBPL, CDCL, and DHI Group) have not restated, as required by BAS 8, the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable. These companies have either corrected the error through recognizing in current period or restated in comparative statement without any disclosure. As such, we are not able to ascertain the impact of this non-compliance;
 - ii. Certain companies such as BBPL, Bhutan Power Corporation Limited (BPCL), DCCL, Penden Cement Authority Limited (PCAL), Koufuku International Ltd. (KIL), Dungsam Polymers Ltd. (DPL), Drukair Corporation Ltd. (DCL), and Natural Resources Development Corporation Ltd. (NRDCL) have not recognized deferred tax pertaining to actuarial gain/loss from valuation of post-employment benefits and the allowances for impairment losses. Further, certain companies, such as Bank of Bhutan Ltd. (BoBL), BTL, and Druk Green Power Corporation Ltd. (DGPCL), have presented deferred tax assets and deferred tax liabilities in the Statement of Financial Position without offsetting. As such, we are not able to ascertain the impact of this non-compliance and inconsistent application of standards;
 - iii. Certain subsidiaries, such as DCL, DGPCL, DPL, NRDCL and PCAL, have a policy of recognized impairment losses on expected loss model while BAS requires an entity to use incurred loss model in recognizing the impairment loss of financial assets. Consequently the Group has also not reported the required information;
 - iv. None of the subsidiaries has disclosed the information required to be disclosed under BFRS 15. Certain companies (NRDCL and CDCL) are still implementing the Standards, such as BAS 11 and BAS 18, which were superseded by BFRS 15. As a result, the impact of this non-compliance in a group could not be ascertained.
2. We draw attention to the following matters qualified by the component auditors of CDCL, a Subsidiary not audited by us: “Upon perusal of their financial records, it was noted that physical verification of inventories had not been completed and non-provision against the non-moving inventories as referred in **Note 31(XV) of their Audit Report**, and its impact on the comprehensive income of the company was not ascertainable. Owing to the above, they were unable to comment on the adequacy of the inventory reflected in **Note-6 of their Audit Report** for the year 2019”.



3. We draw attention to the following matters qualified by the component auditors of DCCL, a Subsidiary not audited by us: “In terms of BAS 16 - Property, Plant and Equipment (PPE), items such as spare parts, standby equipment and servicing equipment are recognized under PPE when they meet the definition. However, certain stores, spares and service equipment meeting the definition in terms of BAS-16 have not been recognized as PPE but have been shown under inventory, consequently not providing the depreciation due to wear and tear, technical or commercial obsolescence”.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matter described below to be the key audit matter to be communicated in our report. We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures provide the basis for our audit opinion on the accompanying consolidated financial statements.

Other Matters

1. In view of the time lag between our appointment as group auditor and the appointment of component auditors of subsidiary companies of DHI Group, we were not able to directly contact the concerned component auditors of DHI Subsidiary companies to obtain understanding of the nature, timing and extent of their audit as required under **ISA 600 – The Audit of Group Financial Statements (Including the Work of Other Auditors)**. As such the audit of Consolidated Financial Statements are based on reviews of Subsidiary Companies’ Audit Reports issued by the respective component auditors, our views and opinions expressed herewith are based on the completeness, accuracy and validity of information contained in the respective Audit Reports issued by the component auditors.

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

Management is responsible for the preparation and fair presentation of these Consolidated Financial statements in accordance with BAS and for such internal controls as management determines is necessary enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.





In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as 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 Group or cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- v. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- vi. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance for the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016 (the Minimum Audit Examination and Reporting Requirements) we enclosed in the Appendix I, on the matters specified therein to the extent applicable.

As required by Section 265 of the Companies Act of Bhutan 2016, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, the companies under the Group have kept proper books of account as required by law insofar as it appears from our examination of the audited report of financial statements.





- c. The Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this report has been prepared accordance with BAS.
- d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Jigmi Audit & Financials Pvt. Ltd.

For Tshechu & Associates

Jigmi Rinzin FCCA
(Membership No. 0283308)

Managing Partner

Place: Thimphu

Date:, 2020



Tshechu CPA
(Membership No. 9798359)

Managing Partner

Place: Thimphu

Date:, 2020





Independent Auditor's Report on the Standalone Financial Statements for year ended 31 December 2019

To
The Members of Druk Holding and Investments Limited (DHI)
Thimphu

Opinion

We have audited the standalone financial statements of Druk Holding and Investments Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and Notes to the standalone financial statements, including a summary of significant statement accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with BAS.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the BAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the standalone 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 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 Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and



- v. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- c. The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and



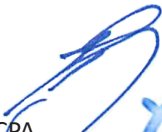

- d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Jigmi Audit & Financials Pvt. Ltd.



 Jigmi Rinzin FCCA
 (Membership No. 0283308)
Managing Partner
 Place: Thimphu
 Date:, 2020

For Tshechu & Associates



 Tshechu CPA
 (Membership No. 9798359)
Managing Partner
 Place: Thimphu
 Date:, 2020

Appendix I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The Company’s Management had conducted physical verification of fixed assets during the year. The discrepancies noted were not material and the same have been properly dealt with in the books of accounts;
2. *None of the items of fixed assets including the 74 plots of land received by way of transfer from DHI Owned Companies (DOCs) for a total amount of Nu.210,641,947.00 at cost are not revalued during the period;*
3. The Company has taken a secured loans during the year from the Asian Development Bank and the rate of interest and the other terms and conditions of the of loan availed are prima facie not prejudicial to the interest of the company;



4. The Company had granted loans to Subsidiary Companies during the year. The rate of interest and other terms and conditions of such loan are prima facie not prejudicial to the interest of the Company. The principal along with the interest have been paid during the year as per agreement. The guarantees are active during the year as the loans against which such guarantees were given have not been fully repaid;
5. The parties to whom the loans and advances have been given by the Company are generally regular in repaying the amounts as stipulated period except a few cases wherein the company has extended the repayment schedule;
6. The loans/advances granted to officers/staff are generally in keeping with the provisions of its service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is generally avoided;
7. The Company has established an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records during the year, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures;
8. There is a reasonable system of obtaining competitive biddings/quotations/agreed rate contracts in place from the parties in respect of purchase of fixed assets and commensurate with the size of the Company and the nature of its business. The Company is not engaged in manufacturing or trading activities or sale of services, hence the question of purchasing or selling goods or services does not arise;
9. The Company has a process of obtaining confirmation from all Directors with respect to transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the directors or any other parties related to the directors or with company or firms in which the directors are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties;
10. The transactions 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;
11. The Company is regular in depositing rates and taxes, duties, and statutory dues with the appropriate authorities. We believe that the provision for corporate tax is adequate;



12. The undisputed outstanding amount payable in respect of contractor taxes / health tax / salary tax etc. at the year end is as follows:

Particulars	Amount in Nu.
Contractor tax deducted at source – deduction of December 2018 remitted subsequently in 2019.	3,474.00
Corporate Income Tax Payable – provision for the year ended December 2018 remitted subsequently in 2019.	750,290,355.00
Total	750,293,829.00

13. No personal expenses of employees or directors have been charged to the account other than those payable under contractual obligation/in accordance with generally accepted practice;
14. The system for follow up with debtors and other parties for recovery of outstanding amounts are reasonable. Also age-wise analysis of outstanding amount is carried out on a regular basis for management information and follow-up action;
15. *The management of liquid resources, particularly cash/bank is adequate and we further report more than Nu.51 million amounts are in non-interest-bearing accounts as on 31 December 2019;*
16. The activities carried out by the Company during the year are in our opinion lawful and intra vires the Articles of Incorporation of the Company;
17. Activities/investment decisions are made after the prior approval of the Board and are made in new projects only after ascertaining the technical and economic feasibility of such new ventures;
18. The Company has established an effective budgetary control system;
19. The details of remuneration, commission and other payments made in cash or kind to the board of Directors or any of their relatives by the Company directly or indirectly are disclosed in the Note 36.8 to 36.12 of Notes to Financial Statements;
20. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, directives of the Board appears to have been complied with;
21. Adequate documents and records are maintained for loans and advances granted, agreements have been drawn up and timely entries have been made therein;
22. During the course of our audit, we have not come across any investments (shares) that would require provision for permanent diminution;



23. The Company is not covered under Financial Services Act of Bhutan, 2011 and has complied with other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities; and
24. *The company has allotted 2,948,560 number of shares of Nu.100 each to Ministry of Finance (MoF) for receiving Nu.294,856,000.00 through DGPC from government of India for onward injection as equity to the Kholongchhu Hydro Energy Limited which was allotted to DHI. Further, DHI allotted 2,010,183 number of shares of Nu.100 each to MoF for receiving Nu.2,010,183.00 through BPC for onward injection as equity to the Mangdechhu Hydro Project Authority. The Company had allotted additional 1,890,355 number of shares of Nu.100 each to MoF for transfer of ownership of 74 plots of lands from DOCs to DHI.*
25. *During the year 2019, the total amount of Nu. 333,140,800 inter-corporate loan inclusive of interest payable from DCL was converted to 3,331,408 numbers of shares of Nu.100 each and allotted to DHI.*

COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to size and nature of Computer installations.
2. The Company has adequate safeguard measures and backup facilities.
3. As regards back up facilities and disaster recovery measures, we are given to understand that the back-up files are kept at different locations.
4. Operational controls are found adequate to ensure correctness and validity of input data and output information.
5. Measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

GENERAL

1. Going Concern Problems:

Based on the Company's financial statements for the year ended 31 December 2019 audited by us, the Company has earned sufficient profit during the year under audit and we have no reason to believe that the Company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.



2. Ratio Analysis.

Financial and Operational Ratio Analysis in respect of the Company are given below:

Ratios	Basis	2019	2018
Earnings per share	(Profit After Tax/No. of Shares Issued)	10.72	13.18
Net Profit Ratio (%)	(Net Profit/Turnover*100)	68.72	69.05
Return on Assets (%)	(Net Profit/Total Assets*100)	7.66	9.96
Return on Equity (%)	(Net Profit/Owner's Equity*100)	7.96	10.37
Dividend Coverage Ratio	(Net Profit Available to equity shareholders/Dividend paid to Equity shareholders)	1.23	1.50
Dividend payout Ratio (%)	(Dividend per share/Earning Per Share*100)	80.99	66.62
Current Ratio	Current Asset/Current Liability	7.07	4.92

3. Adherence to Laws, Rules and Regulations:

Audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation relevant to the financial statements and we are unable to state whether the Company has been complying with applicable laws (other than the Companies Act), rules and regulation, systems, procedures and practices.

For Jigmi Audit & Financials Pvt. Ltd.

For Tshechu & Associates



 Jigmi Rinzin FCCA
 (Membership No. 0283308)
Managing Partner
 Place: Thimphu
 Date:, 2020



 Tshechu CPA
 (Membership No. 9798359)
Managing Partner
 Place: Thimphu
 Date:, 2020


1. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(All figures in millions of Bhutanese Ngultrums, except share data and as otherwise stated)

	Note	Consolidated		Standalone	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
INCOME					
Revenue from customers	4.a	37,451.48	33,342.80	-	-
Dividend Income	4.b	54.65	107.23	6,911.92	8,452.11
Other Income	5	2,126.80	2,986.60	312.25	326.59
Share of Profits of Associates & Joint Venture	6	-	26.26	-	-
Total Income		39,632.93	36,462.89	7,224.17	8,778.70
EXPENDITURE					
Direct Costs of Sales	7	9,331.26	8,395.94	-	-
Employee related Costs	8	4,653.94	4,047.02	66.42	61.00
R & M and other Costs	9	4,372.57	4,914.55	54.43	42.70
Finance Cost		1,778.55	1,790.17	3.12	4.95
Depreciation and amortisation	10,14 & 26	6,076.26	5,973.65	3.26	4.51
Impairment losses		73.58	274.30	-	-
Share of Losses of Associates & Joint venture	6	87.87	-	-	-
Total Expenditure		26,374.03	25,395.63	127.23	113.16
Profit on Operations before Tax		13,258.90	11,067.26	7,096.94	8,665.54
Income Tax Expenses	11	6,552.93	6,935.86	2,132.38	2,612.59
Profit on Operations after Tax		6,705.97	4,131.40	4,964.56	6,052.95
OTHER COMPREHENSIVE INCOME					
Actuarial (gain)/loss on post-employment benefits	30	(212.18)	(127.99)	(4.19)	(1.14)
Fair value gain/(loss) on Equity Investment measured through FVOCI	31	1,284.73	482.95	716.90	473.22
Tax on Other Comprehensive Income	11	(200.38)	(0.16)	(213.81)	(141.62)
Other comprehensive income for the period, net of tax		872.17	354.80	498.90	330.46
TOTAL COMPREHENSIVE INCOME		7,578.14	4,486.20	5,463.45	6,383.41
Attributable to shareholders of DHI		8,029.15	4,541.83		
Attributable to Non controlling interest		(451.00)	(55.63)		
Basic and Diluted Earnings per Share	12	14.48	8.99	10.72	13.17

For Statutory Auditors

For Druk Holding & Investment Limited



Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
 JIGMI Audit & Financials Pvt. Ltd.




Dasho Karma Y. Raydi
Chief Executive Officer



Nirm Dorji
Board Director



Tshechu CPA (Membership No. 9798359)
Managing Partner
 Tshechu & Associates




Tashi Lhamo
Director, Finance



2. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2019

(All figures in millions of Bhutanese Ngultrums, except share data and as otherwise stated)

	Note	Consolidated		Standalone	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Non-current Assets					
Property Plant and Equipment	10	95,786.27	88,445.88	313.36	104.85
Capital work in progress	10	13,651.32	11,533.81	358.36	75.84
Investment Property	13	378.88	335.06	-	-
Intangible Assets	14	1,252.90	1,438.12	0.10	0.34
Goodwill	15	11.95	11.95	-	-
Investments	16	6,547.77	5,136.32	57,077.31	53,313.53
Long Term Financial assets	17	5,457.04	2,169.09	-	-
Banking Loans and Advances		46,538.85	35,179.02	-	-
Long Term Employee Benefits		268.26	75.39	-	1.86
Other Non Current Assets	18	151.13	128.51	50.12	-
Total Non-current Assets		170,044.37	144,453.15	57,799.25	53,496.42
Current Assets					
Inventory	19	3,809.86	3,500.26	-	-
Trade Receivables	20	3,111.09	2,166.82	0.45	2.07
Other Receivables and Advances	21	8,891.53	15,089.49	893.81	1,358.48
Advance to Ministry of Finance	22	3,350.00	4,021.00	3,350.00	4,021.00
Cash and Cash Equivalentents	23	14,000.47	10,507.35	2,776.59	1,950.24
Total Current Assets		33,162.95	35,284.92	7,020.85	7,331.79
TOTAL ASSETS		203,207.32	179,738.07	64,820.10	60,828.21
EQUITY					
Paid up Share capital	24	48,695.60	46,201.53	48,695.60	46,201.53
Reserves		42,463.06	39,718.18	13,677.31	12,235.21
Non-controlling Interests		4,906.10	4,785.77	-	-
Total Equity		96,064.76	90,705.48	62,372.91	58,436.74
Non-current Liabilities					
Long Term Borrowings	25	33,539.68	26,590.76	37.86	36.74
Customer Deposits in Banking Sector		53,143.64	43,387.21	-	-
Deferred Government Grants	26	3,742.17	2,069.19	412.18	146.73
Long Term Employee Benefits		1,843.28	1,322.48	5.90	0.60
Deferred Tax Liability	11	1,310.50	1,245.04	994.78	779.71
Other Non Current Liabilities	27	1,239.06	601.91	15.78	14.49
Total Non-current Liabilities		94,818.33	75,216.59	1,466.50	978.27

Current Liabilities					
Current Portion of Borrowings	25	2,359.52	1,640.94	207.22	-
Working Capital Loans from Banks		79.68	83.59	-	-
Deferred Government Grants	26	55.04	63.24	-	-
Income Tax Payable		3,307.44	3,576.63	750.98	1,390.23
Trade and Other Payables	28	2,763.42	3,256.59	19.64	17.91
Other Current Liabilities	29	3,759.13	5,195.01	2.85	5.06
Total Current Liabilities		12,324.23	13,816.00	980.69	1,413.20
TOTAL EQUITY AND LIABILITIES		203,207.32	179,738.07	64,820.10	60,828.21

For Statutory Auditors




Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
 JIGMI Audit & Financials Pvt. Ltd.




Tshechu CPA (Membership No. 9798359)
Managing Partner
 Tshechu & Associates

For Druk Holding & Investment Limited



Dasho Karma Y. Raydi
Chief Executive Officer



Nirm Dorji
Board Director



Tashi Lhamo
Director, Finance





3. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019

(All figures in millions or Bhutanese Ngultrums, except share data and as otherwise stated)

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
CASHFLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	13,258.90	11,067.27	7,096.20	8,665.53
Adjustments for:				
Depreciation and amortization	6,076.26	5,973.65	3.19	4.99
Net loss / (gain) on sale of property, plant and equipment	-	(0.01)	0.07	(0.14)
Dividend Received	(54.66)	(107.23)	(6,911.93)	(8,452.11)
Interest expenses	1,778.55	1,790.17	0.60	2.53
Interest income	287.30	(380.82)	(91.60)	(111.88)
Operating profit before working capital changes	21,346.35	18,343.03	96.53	108.92
Decrease / (Increase) in Inventories	(309.61)	(301.20)	-	-
Decrease / (Increase) in Trade and other receivables	4,537.83	(7,018.53)	636.92	(14.05)
Increase / (Decrease) in non current assets	(22.62)	123.51	(110.96)	(282.40)
Increase / (Decrease) in Trade and other payables	(493.17)	(917.08)	1.74	(11.42)
Increase / (Decrease) in current and non current liabilities	(798.71)	934.48	(2.51)	(8.22)
Increase / (Decrease) in provision	58.70	34.94	6.49	0.11
Net cash generated from operating activities before income tax	24,318.77	11,199.15	628.21	(207.06)
Tax Paid	(6,687.84)	(5,943.42)	(2,078.67)	(1,665.87)
Movements in Banking Loans and Deposits				
- Decrease/(Increase) in Customer Loans	(11,359.83)	(1,376.25)	-	-
- Increase/(Decrease) in Customer Deposits	9,756.43	3,073.52	-	-
Net cash generated from operating activities	16,027.53	6,953.00	(1,450.46)	(1,872.93)
CASHFLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and Intangible assets	(15,159.90)	(7,868.18)	(283.42)	(65.14)
Investment in Investment Property	-	(10.01)	-	-
Dividend Received	54.66	107.23	6,219.53	6,589.14
Loan to subsidiary companies	-	-	(443.13)	(354.25)
Loan repaid by subsidiary companies	-	-	330.81	1,160.55
Investments in other investments	(3,414.66)	(288.58)	(3,068.51)	(1,323.13)
Interest received	(287.30)	380.82	91.60	111.20
EPF	-	-	1.67	0.80
Net cash generated from investing activities	(18,807.20)	(7,678.72)	2,848.55	6,119.17

CASHFLOWS FROM FINANCING ACTIVITIES				
Proceeds from Borrowings	7,663.61	1,482.35	208.35	36.74
Receipt/(repayments) of government grants	1,664.77	355.81	265.45	146.73
Issue of share Capital	2,305.04	230.52	2,305.04	230.52
Advance to MoF	(3,350.00)	(4,021.00)	(3,350.00)	(4,021.00)
Interest Paid	(1,778.55)	(1,790.18)	(0.60)	(2.53)
Payment of dividend on ordinary shares	(232.08)	(226.37)	-	-
Net cash used in financing activities	6,272.79	(3,968.87)	(571.76)	(3,609.54)
Net increase in cash and cash equivalents	3,493.12	(4,694.59)	826.33	636.71
Opening Cash and cash equivalents	10,507.35	15,201.94	1,950.24	1,313.53
Closing Cash and cash equivalents	14,000.47	10,507.35	2,776.46	1,950.24


For Statutory Auditors


 Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
JIGMI Audit & Financials Pvt. Ltd.

**For Druk Holding & Investment Limited**


 DASHO KARMA Y. RAYDI
Chief Executive Officer


 NIRM DORJI
Board Director


 Tshachu CPA (Membership No. 9798359)
Managing Partner
Tshachu & Associates




 Tashi Lhamo
Director, Finance




4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

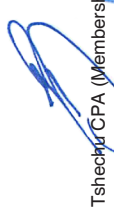
(All figures in millions or Bhutanese Ngultrums, except share data and as otherwise stated)

	Share Capital	Retained earnings	Statutory and Restricted Reserves	Group Investment Reserve	Other Reserves	Total Shareholder Equity	Non Controlling Interests	Total Equity
Opening Balance 1 January 2018	45,946.20	22,092.27	5,648.99	708.91	10,587.83	84,984.20	4,732.83	89,717.03
Operating Income for the year	-	4,547.63	-	-	-	4,547.63	(61.43)	4,486.20
Other Comprehensive Income for the year	-	349.00	-	-	-	349.00	5.80	354.80
Dividends Paid	-	(4,038.23)	-	-	-	(4,038.23)	(226.37)	(4,264.60)
Transfer to Reserve	-	136.75	-	(136.75)	-	-	-	-
Share of losses and other adjustment	-	(178.20)	-	-	-	(178.20)	87.29	(90.91)
Shareholders contributions to paid up capital	255.33	-	-	-	-	255.33	247.63	502.96
Closing Balance 31 December 2018	46,201.53	22,909.22	5,648.99	572.16	10,587.83	85,919.73	4,785.75	90,705.48
Opening Balance 1 January 2019	46,201.53	22,909.22	5,648.99	572.16	10,587.83	85,919.73	4,785.75	90,705.48
Operating Income for the year	-	6,472.57	-	-	-	6,472.57	233.41	6,705.98
Other Comprehensive Income for the year	-	654.58	-	-	-	654.58	217.59	872.17
Dividends Paid	-	(4,021.00)	-	-	-	(4,021.00)	(232.08)	(4,253.08)
Transfer to Reserve	-	572.16	-	(572.16)	-	-	-	-
Share of losses and other adjustment	-	(361.27)	-	-	-	(361.27)	(88.59)	(459.86)
Shareholders contributions to paid up capital	2,494.07	-	-	-	-	2,494.07	-	2,494.07
Closing Balance 31 December 2019	48,695.60	26,226.25	5,648.99	-	10,587.82	91,158.66	4,906.10	96,064.76

For Statutory Auditors


 Jigmi Rinzin FCCA (Membership No. 0283308)
 Managing Partner
 JIGMI Audit & Financials Pvt. Ltd




 Tshechu CPA (Membership No. 9798359)
 Managing Partner
 Tshechu & Associates



For Druk Holding & Investment Limited


 Dasho Karma
 Chief Executive Officer


 Jasmi Lhamo
 Director, Finance

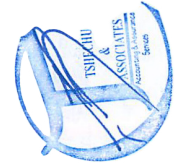



 Nity Dorji
 Board Director

5. STANDALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(All figures in millions or Bhutanese Ngultrums, except share data and as otherwise stated)

	Ordinary Shares				Retained Earnings	General Reserve	OCI	Total
	No. of Shares (issued and fully paid up)	Par value per Share	Total Value of Shares					
Balance as at 1 January 2018	459.46	100.00	45,946.20	4,006.61	4,398.89	1,485.00	55,836.70	
Profit after income-tax	-	-	-	6,052.95	-	-	6,052.95	
Other comprehensive income (expense) for the year	-	-	-	-	-	330.46	330.46	
Dividends paid	-	-	-	(4,038.23)	-	-	(4,038.23)	
Shares allotted to MoF	2.55	100.00	255.33	-	-	-	255.33	
Transferred to General Reserve	-	-	-	(639.13)	639.13	-	-	
Transferred to Entrepreneurship Promotion Fund	-	-	-	(0.47)	-	-	(0.47)	
Balance as at 31 December 2018	462.01	100.00	46,201.53	5,381.73	5,038.02	1,815.46	58,436.74	
Balance as at 1 January 2019	462.01	100.00	46,201.53	5,381.73	5,038.02	1,815.46	58,436.74	
Profit after income-tax	-	-	-	4,964.56	-	-	4,964.56	
Other comprehensive income (expense) for the year	-	-	-	-	-	498.90	498.90	
Dividends paid	-	-	-	(4,021.00)	-	-	(4,021.00)	
Shares allotted to MoF	24.94	100.00	2,494.07	-	-	-	2,494.07	
Transferred to General Reserve	-	-	-	(938.49)	938.49	-	-	
Transferred to Entrepreneurship Promotion Fund	-	-	-	(0.36)	-	-	(0.36)	
Balance as at 31 December 2019	486.95	100.00	48,695.60	5,386.44	5,976.51	2,314.36	62,372.91	



5. STANDALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (Contd...)

Authorized Capital:

Authorized Share capital	As at 31 December	As at 31 December
	2019	2018
5,000,000,000 equity shares of Nu. 100/- each	500,000.00	500,000.00

Nature of Reserves

1. All shares are of same class and have the same rights attached.
2. Retained Earnings comprise profits from previous year. Out of these profits, dividends paid for previous year in the current year is adjusted along with other adjustments. The balance amount after these adjustments is transferred to General Reserve. The current year's profits are then transferred to the Retained Earnings.
3. General Reserve is the DHI's General Reserve stated in the Royal Charter through which the company was formed. Dividends may be declared from the General Reserve only after fulfilling the required formalities as written in the Royal Charter.
4. OCI represents the gain or loss that have not been realised on the fair valuation of Investments other than investment in subsidiaries, associates and joint ventures and on Actuarial Valuation of gratuity and leave.

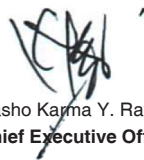
For Statutory Auditors



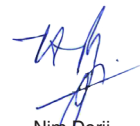
Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
 JIGMI Audit & Financials Pvt. Ltd.



For Druk Holding & Investment Limited



Dashi Karma Y. Raydi
Chief Executive Officer



Nim Dorji
Board Director



Tshechu CPA (Membership No. 9798359)
Managing Partner
 Tshechu & Associates




Tashi Lhamo
Director, Finance



NOTES TO FINANCIAL STATEMENTS

NOTE 1: GENERAL CORPORATE INFORMATION

Druk Holding and Investments Limited (DHI) was constituted through a Royal Charter on 11 November 2007. It was subsequently incorporated on 16th November 2007 (Certificate of Incorporation Registration No.U20071116TH10198) under the Companies Act of the Kingdom of Bhutan, 2000. DHI is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is 18 Thori Lam, Motithang, Thimphu, Bhutan.

The primary mandate of DHI is *“to hold and manage the existing and future investments of the Royal Government of Bhutan for the long term benefit of its shareholders, the people of Bhutan”* and it is the investment arm of the Government. The Ministry of Finance of the Royal Government of Bhutan (RGoB) is DHI’s sole shareholder.

The key purpose of DHI is to ensure that its companies are able to meet the challenges and requirements of the corporate sector in a highly competitive global economy, such that DHI create and maximise returns to its shareholders.

Initially, shares held by the Ministry of Finance, RGoB, in 14 companies amounting to Nu. 15,998,982,400 was transferred to DHI as it’s issued and subscribed capital divided into 159,989,824 equity shares of Nu. 100 each. In subsequent years, RGoB has handed over various projects to DHI and the relevant share capital has been issued to the Ministry of Finance.

Currently, there are 25 companies that come under DHI’s investment as Subsidiaries, Associates and Joint Ventures. These companies cover segments like hydropower, telecommunication, aviation, natural resources, banking, insurance, manufacturing, infrastructure, and trading. The principal activity of DHI, the Parent company, is the holding company for investments. All significant operations of these companies take place within Bhutan.

These financial statements cover DHI, the Parent company, and the financial statements of all companies in the DHI Group for the year ended 31 December 2019.





NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

Financial statements of DHI and the consolidated financial statements of all companies in the DHI Group have been prepared in accordance with Bhutanese Accounting Standards (BAS) issued by Accounting & Auditing Standard of Bhutan (AASBB) under the accrual, historical cost and going concern conventions.

Preparation of financial statements is in conformity with BAS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as under:

- **Income:** Revenue is determined on the basis of the percentage of completion of contracts and the likely outcome of the contract;
- **Fixed assets:** Critical judgments are expected for period of use, condition of the asset, technological advances, regulation, and residual values;
- **Actuarial valuation of employee benefits:** Expected uptake of the gratuities and the discount rate used in the valuation;
- **Investments** are generally stated at cost except for investments other than in subsidiaries, associates and joint ventures companies, where the investments are measured at market value and the net gain or loss reflected in Other Comprehensive Income as per BFRS-9;
- **Investment properties:** Investment property is measured at fair value and movements in the fair value are included in reported income. The valuation of investment property involves assumptions on changes in costs and useful life of the asset; and
- **Tax:** The Group is subject to taxes in Bhutan and other jurisdictions in which it operates. Application of tax law to specific circumstances and transactions require an exercise of judgment by the management.

The functional currency and presentation currency is the Bhutanese Ngultrum.

B. Application of Bhutanese Accounting Standards

The Financial Statements have been prepared in accordance with BAS and in compliance with relevant provisions of The Companies Act of Bhutan, 2016.



C. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

D. Consolidation

Financial statements of the Group companies are consolidated on a line-by-line basis. Significant intra-group balances and transactions, and any unrealized incomes and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group level. In certain cases, companies in the Group have applied accounting policies that do not match Group accounting policies. Adjustments have been made to ensure that consistent accounting policies have been applied in the consolidated financial statements.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Company controls an investee if, and only if, the Company has all the following:

- a. Power over the investee;
- b. Exposure, or rights, to variable returns from its involvement with the investee; and
- c. The ability to use its power over the investee to affect the amount of the Company's returns.

Generally, there is a presumption that majority of voting rights results in control. To support this presumption and when the Group has less than a majority of voting of similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

E. Foreign currency translation

a. Transactions in foreign currencies are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of



transaction. Foreign currency differences arising on translation are recognized in the income statement for determination of net profit or loss during the period.

b. Borrowing costs may include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Such borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which it incurs them.

F. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self-constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset Class	Useful life
Land Development Cost	30-40 years
Buildings and civil structures	30-40 years
Plant and machinery and other equipment	05-30 years
Furniture and fixtures	07-10 years
Computers and office equipment	03-07 years
Cables and power system	05-10 years
Vehicles	07-10 years
Capital tools and spare parts	05-10 years
Aircraft fleet	15-17 years
Other aviation assets	10 years
Transmission and Distribution lines	30 years

The assets’ useful lives and residual values are reviewed by the concerned company, and adjusted if appropriate, at the end of each reporting period.



When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Income' or 'Other expenses' as the case may be, in the Statement of Comprehensive Income.

G. Intangible assets: Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

H. Business Combination

i. Business combination other than under common control

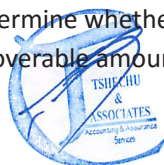
Accounting for Business combinations requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. The valuations are conducted by independent valuation experts.

Business combinations have been accounted for, using the acquisition method. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transactions costs that the Group incurs in connection with a business combination such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Business combinations involving entities or businesses under common control have been accounted for using the pooling of interest's method.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Corporate assets for the purpose of impairment testing are allocated to the cash generating units on a reasonable and consistent basis.

ii. Business combination under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In case of business combinations involving entities under common control, the above policy does not apply. Business combinations involving entities under common control are accounted for using the pooling of interest method. The net assets of the transferor entity or business are accounted at their carrying amounts on the date of the acquisition subject to necessary adjustments required to harmonise accounting policies.

I. Goodwill

Goodwill on the acquisition of a subsidiary is the difference between the consideration paid and the fair value of the underlying assets and liabilities. Goodwill is shown at the fair value calculated at the time of acquisition. It is not subject to amortisation, but will be reviewed for impairment on a regular basis.

J. Investment Property

An Investment Property is a property held to earn rental or for capital appreciation or both, rather than use in the production or supply of goods and services, or for administrative purpose, or sale in the ordinary course of business. An investment property shall be initially measured at its cost and the transaction costs shall be included in the initial measurement. The investment properties are accounted for using the cost model (Depreciated Replacement Method). Gain or loss arising from the change in fair value of the investment property shall be recognised in profit or loss for the period in which it arises.



K. Research and Development costs

Research costs are recognised as an expense in the year in which they are incurred. Development costs are only capitalised if a potentially profitable product has been found and management has given approval to further develop the product.

If the company decides to proceed and market the product, development costs will be amortised over the expected profitable period of marketing the product, not exceeding 5 years. Other development costs are expensed immediately if the decision is made not to proceed to market the product.

L. Investments

The Group holds investments in Associate and joint venture Companies and in other entities.

i) Associates

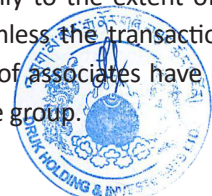
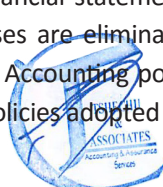
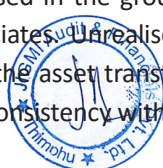
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights and the representative on the Board of Directors. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit (loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.



Dilution gains and losses arising in investments in associates are recognised in the income statement.

ii) Joint Ventures

Joint venture is an arrangement where two or more parties have joint control through contractual agreement to the net assets of the arrangement. The group uses equity method of accounting for its investment in joint venture.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group’s net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

An Associate Company is one in which the group does not have control, but is in the position of being able to influence the decisions of the Associate. In general, influence is indicated by a shareholding of between 20% and 50% and a representative on the Board of Directors. Joint venture is an arrangement where two or more parties have joint control bond contractual agreement.

The parent company shows any dividends received as income and the investment at cost. The consolidated financial statements account for the investment in Associate Companies using the equity method. The group share of profit or loss is included in the reported income for the year, with any dividends received being offset against the investment. The value of the investment comprises the original cost of the investment, plus the group share of Reserves.

Other investments include entities where the Group is not in the position of being able to control or have significant influence over the decisions of the entity. This is indicated by a shareholding of less than 20%. The investments are held for the dividends only and the investments are measured at fair value through other comprehensive income (FVTOCI).

M. Exploration for and Evaluation of mineral resources

The cost of exploration and evaluation are accumulated as Capital Work-In-Progress and not expensed. Once the operation commences, the cost are classified as tangibles or intangibles and depreciated based on the number of units produced.



N. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

O. Investments and other financial assets

i. Initial measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

ii. Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets of the Company are classified in the following categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in government securities, bonds, cash and cash equivalents and employee loans, etc.



Financial instruments measured at fair value through other comprehensive income (FVTOCI)

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. the asset's contractual cash flow represents SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). Currently, the Company does not have any asset classified under this category.

Financial instruments measured at fair value through profit and loss (FVTPL)

Fair value through profit and loss is the residual category. Any financial instrument that does not meet the criteria for categorization as at amortized cost or FVTOCI is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

iii. Impairment of financial assets

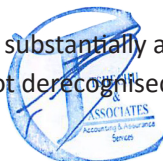
The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by BFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

iv. Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised only when:

- The rights to receive cash flows from the asset have been transferred, or
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.
- When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized.
- When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.



- When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

v. Income recognition

Interest income: Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend income: Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

P. Financial liability

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.



Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agree not to demand payment as a consequence of the breach before reporting date.

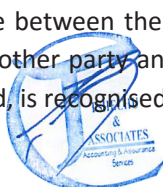
Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iii. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).



Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with **BAS 37: Provisions, Contingent Liabilities and Contingent Assets**, and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Q. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

R. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

S. Trade and other receivables

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

T. Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents include cash in hand, deposits held at call with banks and Royal Monetary Authority, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.





U. Trade and other payables

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

V. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other Comprehensive Income. In this case, the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of tax laws of the country enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the Balance Sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related income tax asset is realised or the income tax liability is settled.

Deferred income tax assets are reviewed at each reporting date and are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

W. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



X. Employee benefits

a) Retirement Benefits

Under defined contribution scheme: Employees belong to a defined contribution Benefit plan managed by a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Under Defined Benefit Scheme: The Company makes retirement payments based on the final salary and years of service. Gratuity is accrued on the basis of actuarial valuation. Changes in service and interest cost are charged to Profit or Loss under Statement of Comprehensive Income. All actuarial gains and losses arising from defined benefit plan are recognised in Other Comprehensive Income.

b) Other benefits

Accumulated leave liability is accrued on the basis of actuarial valuation for the leave balance over and above the annual leave encashment against each employee as at the end of the year. Changes in leave balance, interest and changes to actuarial valuation are charged to the Statement of Comprehensive Income

Other short-term employee benefits such as annual leave encashment and bonus are accrued at year-end.

Y. Lease Payments

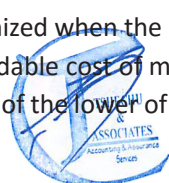
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the life of the lease term.

DHI Group currently has no financial leases.

Z. Provisions and Contingent Liabilities

Provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract



and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

aa) Revenue recognition

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.

a) **Sale of goods and services:** The group recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (i.e., an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognised as assets if the recovery of such cost is expected. Such assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Bilateral contracts between two entities in the same line of business for non-monetary exchange of goods and services to facilitate sales to its customers or potential customers are not accounted for as sales (revenue) as per BFRS 15. Any balance against such exchange contracts not settled during the same financial year are accounted for as payable/receivable and included under other current assets/liabilities in statement of financial position.

b) **Construction Contracts:** In case of construction contracts, group recognises revenue, if one of the following criteria as enunciated in **BFRS 15 - Revenue from Contract with Customers** is met:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the entity’s performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
- the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Earnings on construction contracts are determined using the percentage-of-completion method. Earnings are not recognised until the outcome can be reliably estimated. The company uses its professional judgment to assess both the physical completion and the forecast financial result of the contract. Provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.



Construction work-in-progress is stated at cost plus profit recognised to date, less progress billings and any provision for foreseeable losses. Cost includes all expenditure directly related to specific projects, plus a share of relevant overheads.

bb) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

cc) Dividend income

Dividend income is recognised when the right to receive payment is established. The company's operating revenue comprises dividend income, interest income, guarantee fees which are guided by the principles of recognition, measurement and disclosure requirements as per BFRS 9. Accordingly, the principles enunciated under **BFRS 15 - Revenue from Contracts with Customers** is not applicable to the company.

dd) Government grants

Grants from Royal Government of Bhutan and other organisations relating to costs incurred are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to property, plant and equipment are included in non-current liabilities as Deferred Government Grants. Depreciation on the assets is charged against the grant and not to the Operating Statement.

ee) Impairment of Non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.



Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized directly in other comprehensive income and presented within equity.

ff) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

gg) Comparative information

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.



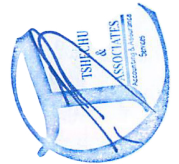
NOTE 3.1: SEGMENTAL REPORT AS OF 31 DECEMBER 2019

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	10,361.44	8,020.26	5,268.59	2,438.78	2,029.95	8,384.85	36,503.87	(6,985.14)	29,518.73
Revenue (PTC India)	7,932.75	-	-	-	-	-	7,932.75	-	7,932.75
Revenue from group transactions	5,354.59	121.50	350.39	124.08	144.61	221.32	6,316.49	(6,316.48)	-
Interest Received	129.70	41.86	29.08	110.51	-	106.93	418.08	(130.79)	287.30
Other Income	1,189.43	208.47	160.45	33.54	17.87	231.49	1,841.25	52.91	1,894.15
Total Income	24,967.91	8,392.09	5,808.51	2,706.91	2,192.43	8,944.59	53,012.44	13,379.50	39,632.93
Direct Cost of Sales	5,700.97	1,803.95	3,050.50	83.66	1,905.61	1,505.03	14,049.72	(4,718.46)	9,331.27
Personnel and Other Costs	3,913.83	2,741.69	1,814.51	708.75	166.95	477.76	9,823.49	(709.12)	9,114.38
Finance Cost	1,102.59	250.66	502.96	7.97	35.09	11.51	1,910.78	(132.22)	1,778.55
Depreciation and Amortization	4,093.32	1,371.32	404.62	77.67	19.16	66.72	6,032.81	43.45	6,076.26
Impairment losses	4.75	13.70	(4.49)	33.74	0.50	17.05	65.25	8.33	73.58
Income Tax	2,629.60	763.22	321.06	538.02	20.56	2,136.31	6,408.77	144.15	6,552.93
Total Expenses	17,445.06	6,944.54	6,089.16	1,449.81	2,147.87	4,214.38	38,290.82	5,363.87	32,926.97
Net Profit after tax	7,522.85	1,447.55	(280.65)	1,257.10	44.56	4,730.21	14,721.62	8,015.63	6,705.96
OCI	(173.19)	(18.22)	523.45	52.08	(3.76)	492.30	872.66	(0.50)	872.17
Current Assets	11,395.82	5,096.83	2,732.72	14,035.87	1,083.40	6,954.02	41,298.66	(8,135.73)	33,162.95
Non Current Assets	99,134.68	10,522.25	9,954.64	7,278.04	313.50	60,489.40	187,692.51	(64,187.00)	123,505.51
Assets - Bank	-	-	-	48,235.05	-	-	48,235.05	(1,696.19)	46,538.85
Total assets	110,530.50	15,619.08	12,687.36	69,548.96	1,396.90	67,443.42	277,226.22	(72,322.73)	203,207.30
Current Liabilities	7,387.37	3,228.70	2,419.29	853.58	411.89	2,175.86	16,476.69	(4,152.48)	12,324.20
Non Current Liabilities	34,405.60	4,124.49	5,077.25	64.96	503.85	1,750.00	45,926.15	(4,251.44)	41,674.71
Liabilities - Bank	-	-	-	60,720.03	-	-	60,720.03	(7,576.40)	53,143.64
Total Liabilities	41,792.97	7,353.19	7,496.54	61,638.57	915.74	3,925.86	123,122.87	(15,980.32)	107,142.55



NOTE 3.2: SEGMENTAL REPORT AS OF 31 DECEMBER 2018

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	8,442.37	7,075.05	5,419.04	2,064.83	2,439.24	8,958.92	34,399.44	(8,577.58)	25,821.86
Revenue (PTC India)	7,520.94	-	-	-	-	-	7,520.94	-	7,520.94
Revenue from group transactions	5,562.43	89.51	449.81	191.31	47.28	241.60	6,581.93	(6,581.93)	-
Interest Received	144.60	106.23	37.17	146.00	-	120.52	554.52	(173.70)	380.82
Other Income	1,865.87	248.69	51.23	94.38	64.40	227.09	2,551.66	187.61	2,739.27
Total Income	23,536.21	7,519.48	5,957.25	2,496.52	2,550.92	9,548.13	51,608.51	15,145.60	36,462.89
Direct Cost of Sales	6,521.00	1,877.43	2,995.15	0.00	2,208.23	295.32	13,897.13	(5,501.19)	8,395.94
Personnel and Other Costs	4,440.16	2,426.63	1,841.44	659.30	174.39	502.80	10,044.72	(1,083.15)	8,961.57
Finance Cost	1,141.81	211.66	583.29	8.63	29.33	14.43	1,989.16	(198.98)	1,790.18
Depreciation and Amortization	4,018.65	1,365.37	433.46	80.38	19.31	56.47	5,973.65	-	5,973.65
Impairment losses	3.49	8.71	4.48	250.37	6.98	0.28	274.30	-	274.30
Income Tax	2,463.75	545.44	844.26	436.52	44.88	2,601.02	6,935.86	-	6,935.86
Total Expenses	18,588.86	6,435.23	6,702.08	1,435.20	2,483.12	3,470.32	39,114.81	6,783.32	32,331.49
Net Profit after tax	4,947.35	1,084.24	(744.83)	1,061.32	67.80	6,077.81	12,493.68	8,362.28	4,131.40
OCI	3.41	(14.44)	(11.76)	39.26	0.37	337.95	354.80	-	354.80
Current Assets	13,192.85	2,263.64	2,663.73	10,141.84	982.10	9,219.59	38,463.76	(3,178.84)	35,284.92
Non Current Assets	88,882.21	9,537.03	10,058.24	8,860.42	316.66	55,019.67	172,674.24	(63,400.11)	109,274.13
Assets - Bank	-	-	-	36,809.71	-	-	36,809.71	(1,630.69)	35,179.02
Total assets	102,075.06	11,800.67	12,721.97	55,811.97	1,298.76	64,239.26	247,947.70	(68,209.63)	179,738.07
Current Liabilities	9,524.08	2,753.34	1,773.50	672.88	713.58	3,130.96	18,568.34	(4,752.34)	13,816.00
Non Current Liabilities	26,567.72	2,333.00	5,371.27	52.64	116.25	1,416.75	35,857.63	(4,028.25)	31,829.38
Liabilities - Bank	-	-	-	48,011.09	-	-	48,011.09	(4,623.88)	43,387.21
Total Liabilities	36,091.80	5,086.34	7,144.77	48,736.62	829.83	4,547.71	102,437.06	(13,404.47)	89,032.59



3.3: PERCENTAGE SHAREHOLDINGS WITHIN THE GROUP

The following companies are members of the DHI group of companies. Their assets and liabilities and their results of operations are included in the consolidated financial statements. The segment shown is listed in Note 3.1 and 3.2 Segmental reporting, where a description of the segment is shown. The percentage shareholding shown includes shares held by DHI and the appropriate percentage of shareholdings by other group companies.

Company	Segment	2019	2018
Druk Holding and Investments Ltd	Holding Company	100%	100%
Bank of Bhutan Ltd	Finance	80%	80%
Dungsum Cement Corporation Ltd	Manufacturing	80%	80%
Dungsum Polymers Ltd	Manufacturing	51%	51%
Bhutan Board Products Ltd	Manufacturing	57.60%	57.60%
Bhutan Board Exports Ltd	Manufacturing	57.60%	57.60%
State Trading Corporation of Bhutan Ltd	Trading	56.60%	56.60%
Construction Development Corporation Limited	Real Estate	100%	100%
Thimphu TechPark Ltd	Real Estate	100%	100%
State Mining Corporation Ltd	Non-trading	100%	100%
Bhutan Telecom Ltd	Communications and Transport	100%	100%
Druk Air Corporation Ltd	Communications and Transport	100%	100%
Druk Green Power Corporation Ltd	Energy and Resources	100%	100%
Bhutan Power Corporation Ltd	Energy and Resources	100%	100%
Natural Resources Development Corporation Ltd	Energy and Resources	100%	100%
Dagachu Hydropower Corporation Ltd	Energy and Resources	59%	59%
Tangsibji Hydro Energy Ltd	Energy and Resources	100%	100%
Wood Craft Centre Limited	Manufacturing	100%	100%
Penden Cement Authority Ltd	Manufacturing	40.40%	40.40%
Koufuku International Limited	Manufacturing	80%	80%

The following companies are Associates and Joint Ventures where the shareholding range from 15% to 51%. The consolidated financial statements for associates and joint ventures are accounted using equity method.

Associates Company	Segment	2019	2018
Bhutan Ferro Alloys Limited	Manufacturing	28.42%	28.42%
Royal Securities Exchange of Bhutan Limited	Securities	16.35%	16.35%
Joint Venture Company	Segment	2019	2018
Bhutan Hydro Services Limited	Energy and Resources	51.00%	51.00%
Kholongchu Hydro Energy Limited	Energy and Resources	50.00%	50.00%
Bhutan Automation & Engineering Limited	Manufacturing	51.00%	51.00%
Azista Bhutan HealthCare Limited	Manufacturing	28.00%	28.00%
Druk Metallurgy Limited	Manufacturing	40.00%	40.00%



NOTE 4.A: REVENUE FROM CUSTOMERS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Sales of:				
Goods	5,270.91	5,584.41	-	-
Services	9,441.34	7,484.04	-	-
Energy	16,499.70	15,161.17	-	-
Trading	3,730.59	3,003.31	-	-
Interest	2,508.94	2,109.87	-	-
	37,451.48	33,342.80	-	-

NOTE 4.B: DIVIDEND INCOME

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Dividend income from Subsidiaries -				
State Trading Corporation of Bhutan Ltd.	-	-	19.27	18.35
Bank of Bhutan Ltd.	-	-	378.83	275.77
Bhutan Telecom Ltd.	-	-	862.62	843.90
Druk Green Power Corporation Ltd.	-	-	4,500.00	4,905.35
Druk Air Corporation Ltd.	-	-	-	108.00
Natural Resource Development Corporation Limited	-	-	6.75	-
Bhutan Power Corporation Ltd.	-	-	882.56	2,044.74
Penden Cement Authority Ltd.	-	-	82.26	95.98
Thimphu Tech Park Limited	-	-	8.91	-
State Mining Corporation Limited	-	-	64.68	26.84
Wood Craft Centre Limited	-	-	7.33	-
	-	-	6,813.21	8,318.93
Dividend Income from Associates and Portfolios -				
Bhutan Ferro Alloys Ltd.	-	-	57.89	38.59
Bhutan National Bank Ltd.	40.82	66.74	40.82	66.75
Bhutan Carbides and Chemicals Ltd.	7.92	5.55	-	-
Druk Ferro Alloy Ltd.	5.91	7.10	-	-
Royal Insurance Corporation of Bhutan Ltd.	-	27.84	-	27.84
	54.65	107.23	6,911.92	8,452.11

NOTE 5: OTHER INCOME

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Grants and Subsidies	243.43	284.42	-	-
Brand Management Fee	-	-	177.05	173.38
Interest Received	287.30	380.82	96.06	121.93
Other Income	1,596.07	2,321.36	39.14	31.29
	2,126.80	2,986.60	312.25	326.59

NOTE 6: SHARE OF PROFIT/(LOSS) OF ASSOCIATES AND JOINT VENTURES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Profit of BAEL	3.45	-	-	-
Profits of BFAL	(32.29)	90.83	-	-
Profit of BHSL	(38.95)	(65.05)	-	-
Profit of DML	(20.93)	-	-	-
Profits of RSEBL	0.85	0.48	-	-
	(87.87)	26.26	-	-

NOTE 7: DIRECT COST OF SALES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Energy and wheeling charges	179.81	122.26	-	-
Aircraft fuel, oil and operating Costs	1,663.25	1,760.28	-	-
Cost of Goods Sold	5,409.92	4,959.07	-	-
Material used in infrastructure development	2,078.28	1,554.33	-	-
	9,331.26	8,395.94	-	-

NOTE 8: EMPLOYEE RELATED COST

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Payroll and Related Costs	4,006.14	3,558.14	58.27	56.22
Employee Related Costs	647.80	488.88	8.15	4.78
	4,653.94	4,047.02	66.42	61.00

NOTE 9: R & M AND OTHER COST

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Other Costs	2,524.04	3,231.87	50.76	39.52
Maintenance	1,848.53	1,682.68	3.67	3.18
	4,372.57	4,914.55	54.43	42.70



NOTE 10: PPE, DEPRECIATION/AMORTIZATION, AND CAPITAL WORK-IN-PROGRESS

a) Consolidated Property, Plant and Equipment for year ended 31 December 2019

2019	COST						DEPRECIATION				Net Book Value
	Opening	Addition	Adjustments	Disposals	Closing	Opening	Addition	Disposals	Adjustments	Closing	
Land and Buildings	65,055.47	996.85	(0.50)	(237.70)	65,814.12	19,260.13	1,911.56	-	510.59	21,682.28	44,131.84
Plant and Equipment	41,479.87	1,645.77	(18.48)	(257.27)	42,849.89	19,764.07	1,678.56	-	156.03	21,598.66	21,251.23
Furniture & Office Equipment	2,556.97	162.02	(0.86)	(67.92)	2,650.21	1,665.99	182.16	-	(56.51)	1,791.64	858.57
Vehicles	1,083.87	138.82	-	(44.45)	1,178.24	707.76	90.53	-	(60.13)	738.16	440.08
Aircraft and other aviation assets	7,089.69	2,275.68	-	(579.72)	8,785.65	3,453.79	408.52	-	(346.11)	3,516.20	5,269.45
Transmission & Distribution Lines	22,761.24	8,237.72	-	(70.65)	30,928.31	6,292.28	842.29	-	(41.36)	7,093.21	23,835.10
Totals	140,027.11	13,456.86	(19.84)	(1,257.71)	152,206.42	51,144.02	5,113.62	-	162.51	56,420.15	95,786.27

2018	COST						DEPRECIATION				Net Book Value
	Opening	Additions	Adjustments	Disposals	Closing	Opening	Additions	Disposals	Adjustments	Closing	
Land and Buildings	64,161.45	857.71	(14.20)	(186.95)	64,818.03	17,121.93	1,915.38	(21.56)	275.18	19,290.93	45,527.10
Plant and Equipment	40,367.73	1,285.85	(511.44)	(156.18)	40,985.96	17,876.65	1,641.83	(109.51)	40.10	19,449.07	21,536.89
Furniture & Office Equipment	2,265.03	390.57	(0.17)	(78.09)	2,577.34	1,518.40	207.43	(70.08)	13.97	1,669.72	907.62
Vehicles	1,044.76	117.85	-	(57.84)	1,104.76	666.79	93.57	(55.50)	11.72	716.59	388.17
Aircraft and other aviation assets	6,595.73	493.95	-	-	7,089.69	3,072.99	380.80	-	19.77	3,473.56	3,616.13
Transmission & Distribution Lines	20,153.02	2,685.46	-	(77.24)	22,761.24	5,615.43	724.65	(47.80)	(1.01)	6,291.27	16,469.98
Totals	134,587.72	5,831.40	(525.81)	(556.30)	139,337.02	45,872.19	4,963.66	(304.45)	359.73	50,891.13	88,445.88



b) Standalone Property, Plant and Equipment for year ended 31 December 2019

2019	COST				DEPRECIATION			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	
Freehold Land	87.34	210.64	0.00	297.98	0.00	0.00	0.00	297.98
Furniture and Fittings	4.22	0.03	(0.44)	3.81	2.80	0.27	(0.27)	1.01
Electrical Equipment	0.58	0.00	(0.04)	0.54	0.40	0.04	(0.02)	0.12
Data Processing Equipment	24.48	1.08	(0.12)	25.44	21.78	1.32	(0.12)	22.98
Office Equipment	2.84	0.04	(0.12)	2.76	1.99	0.23	(0.05)	2.17
Vehicles	19.09	0.00	0.00	19.09	6.73	1.15	0.00	7.88
Totals	138.55	211.79	(0.72)	349.62	33.70	3.01	(0.46)	313.36

2018	COST				DEPRECIATION			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	
Freehold Land	48.12	39.22	0.00	87.34	0.00	0.00	0.00	87.34
Furniture and Fittings	4.10	0.13	0.00	4.23	2.50	0.31	0.00	1.42
Electrical Equipment	0.58	0.00	0.00	0.58	0.35	0.05	0.00	0.18
Data Processing Equipment	23.92	0.80	(0.25)	24.47	19.48	2.44	(0.14)	2.69
Office Equipment	2.81	0.03	0.00	2.84	1.75	0.24	0.00	0.86
Vehicles	19.53	0.69	(1.12)	19.10	6.46	1.16	(0.90)	12.36
Totals	99.06	40.87	(1.37)	138.56	30.54	4.20	(1.04)	104.85





Capital Work-In-Progress for the year ended 31 Dec. 2019

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Electricity Generation	8,821.40	6,873.39	0.00	0.00
Power Generation	3,481.13	3,030.96	0.00	0.00
Manufacturing	0.00	1,119.84	0.00	0.00
Others	1,348.79	509.62	358.36	75.84
Total	13,651.32	11,533.81	358.36	75.84

DHI was granted a land of 1.08 acre at Kawajangsa, Thimphu from the State on 6 September, 2011 to construct its corporate office building. The said land is recorded in the books at nominal value of Nu. 100. During the year 2019 DHI got the ownership of 74 plots of land transferred from its subsidiaries for a total amount of Nu. 210,641,947 through book adjustments as per Boards approval for which an aggregate value of shares of Nu. 189,035,500 has been allotted to MoF. The relevant adjustment entries have been duly communicated to the Registrar of Companies (RoC) and MoF in 2020.

Physical verification of all assets was carried out in 2019 and where practical, assets were given a physical identification number and the final assets in working condition matched with the book records as on 31 December 2019.

NOTE 11: INCOME TAX EXPENSES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Income Tax Payable -				
Current Tax	6,043.56	6,287.55	2,130.19	2,601.43
Prior Period Tax	16.80	-	1.48	10.52
Total Income Tax Expenses Recognized	6,060.36	6,287.55	2,131.67	2,611.95
Deferred Tax Payable	492.56	648.32	0.71	0.64
Total Tax on Operating Income	6,552.93	6,935.86	2,132.38	2,612.59
Reconciliation of Tax on Operating Income -				
Profit Before Income-tax from Operations	13,258.90	11,067.27	7,096.95	8,665.53
Tax at 30%	3,977.67	3,320.18	2,129.08	2,599.66
Adjustments required for:				
- Non deductible expenditure & Non Assessed Income	71.86	155.15	1.82	2.41
- Tax losses	59.31	192.50		
- Other Adjustments (Timing)	487.07	76.82	(0.71)	(0.64)
- Tax on Dividends from subsidiaries	1,957.02	3,191.21		
Current Tax Expenses	6,552.93	6,935.86	2,130.19	2,601.43



Effective Tax Rate -	49.42%	62.67%	30.00%	30.00%
Reconciliation of Deferred Tax -				
Opening	(1,245.04)	(252.44)	(779.71)	(637.45)
Recognized during Year	492.56	648.32	(215.07)	(142.26)
Restatement of prior years	(558.02)	(1,640.92)	-	-
Closing	(1,310.50)	(1,245.04)	(994.78)	(779.71)
Deferred Tax Assets	1,154.27	545.19	14.85	(0.68)
Deferred Tax Liabilities	(2,464.77)	(1,790.24)	(1,009.63)	(779.03)
Total	(1,310.50)	(1,245.05)	(994.78)	(779.71)
Tax on Comprehensive Income				
Actuarial Gain/(Loss) on Post employment benefit	(180.92)	(127.99)	(4.19)	(1.14)
Fair value gain/(loss) on Equity Investment measured through FVOCI	1,284.73	482.95	716.90	473.22
Less: Tax	(231.64)	(0.16)	(213.81)	(141.62)
	872.17	354.80	498.90	330.46

NOTE 12: BASIC & DILUTED EARNINGS PER SHARE

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Profit after income-tax	6,705.98	4,131.40	4,964.56	6,052.94
Profit used to determine basic earnings per share	6,705.98	4,131.40	4,964.56	6,052.94
Number of shares at the beginning of the year	462.02	459.47	462.02	459.47
Number of Shares allotted to MoF during the year	24.94	2.55	24.94	2.55
Number of shares at the end of the year	486.96	462.02	486.96	462.02
Weighted average number of ordinary shares in issue	463.27	459.75	463.27	459.75
Basic and Diluted Earnings per Share	14.48	8.99	10.72	13.17

NOTE 13: INVESTMENT PROPERTY

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Investment Property	335.06	325.05	-	-
Increase in valuation for the period	43.82	10.01	-	-
	378.88	335.06	-	-



NOTE 14: INTANGIBLE ASSETS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
A) Software Cost				
Opening	2,767.22	2,282.27	16.31	16.29
Additions less disposals	265.86	484.95	(1.23)	0.02
Closing	3,033.08	2,767.22	15.08	16.31
Amortisation				
Opening	1,374.31	972.43	15.97	15.64
Additions less disposals	427.90	401.88	(0.99)	0.33
Closing	1,802.21	1,374.31	14.98	15.97
TOTAL	1,230.87	1,392.91	0.10	0.34
B) Pre-operative Expenses				
Opening	45.21	44.43	-	-
Additions	-	7.44	-	-
Amortisations	(23.18)	(6.66)	-	-
Closing	22.03	45.21	-	-
TOTAL (A+B)	1,252.90	1,438.12	0.10	0.34

NOTE 15: GOODWILL

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Goodwill	11.95	11.95	-	-
	11.95	11.95	-	-



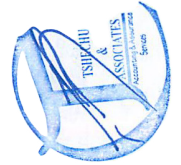
NOTE 16.1: INVESTMENTS (CONSOLIDATED)

	Percentage	31-Dec-19	31-Dec-18
A) Associates Companies			
Bhutan Ferro Alloys Limited	28.50%	437.95	506.08
Royal Securities Exchange of Bhutan Limited	18.00%	29.64	19.74
		467.59	525.82
B) Joint Ventures			
Azista Bhutan HealthCare Limited	28.00%	22.40	5.60
Bhutan Automation & Engineering Limited	51.00%	31.76	30.60
Bhutan Hydro Services Limited	51.00%	79.99	118.91
Druk Metallurgy Limited	40.00%	158.55	30.00
Kholongchu Hydro Energy Limited	50.00%	1,562.77	1,215.16
		1,855.47	1,400.27
C) Other Investments			
Bhutan Carbides and Chemicals Ltd		102.60	100.07
Bhutan Development Bank Ltd		54.95	61.09
Bhutan National Bank Ltd		1,738.93	1,265.42
Credit Information Bureau		3.56	3.17
Druk Ferro Alloy Ltd		86.35	66.99
Entrepreneur Promotion Fund		28.07	7.08
Financial Institution Training Institute		18.86	19.57
Investments Abroad		298.26	95.81
Royal Insurance Company of Bhutan Ltd		1,893.13	1,591.02
		4,224.71	3,210.23
Total Associates and Other Investments		6,547.77	5,136.32
Summarised Information of Associate Companies			
Long Term Assets		1,493.64	1,377.45
Current Assets		744.38	1,074.92
Long Term Liabilities		165.95	132.82
Current Liabilities		578.59	417.84
Equity		1,493.48	1,901.70
DHI Group Share of Equity		467.59	525.83
Net Profit after Tax		(107.69)	322.14
Other Comprehensive Income		(0.74)	0.46
DHI Group share of Profits after Tax		(31.44)	91.32
Summarised Information of Joint Venture			
Long Term Assets		3,355.03	3,355.03
Current Assets		112.77	112.77
Long Term Liabilities		659.46	659.46
Current Liabilities		144.87	144.87
Equity		2,663.47	2,663.47
DHI Group Share of Equity		1,855.48	1,334.07
Net Profit after Tax		(76.23)	(126.04)
Other Comprehensive Income		(0.15)	(1.51)
DHI Group share of Profits after Tax		38.95	(65.05)



NOTE 16.2 INVESTMENTS (STANDALONE)

	31-Dec-19			31-Dec-18				
	% of Holding	Face Value per Share	Number of Shares	December 31, 2019	% of Holding	Face Value per Share	Number of Shares	December 31, 2018
A) Investments in Subsidiaries - Quoted - Equity Shares fully paid up -								
Bhutan Board Products Ltd. (Refer note b below)	58%	10	6.68	66.83	58%	10	6.68	66.83
State Trading Corporation of Bhutan Ltd. (Refer note b below)	55%	10	9.18	10.20	55%	10	9.18	10.20
Dungsam Polymers Ltd.	51%	10	7.85	78.52	51%	10	7.85	78.52
Penden Cement Authority Ltd. (Refer note c below)	40%	10	13.71	91.40	40%	10	13.71	91.40
Unquoted - Equity Shares fully paid up -								
Bank of Bhutan Ltd.	80%	100	24.00	240.00	80%	100	24.00	240.00
Bhutan Power Corporation Ltd. (Refer note f below)	100%	1,000	10.24	9,360.78	100%	1,000	10.23	7,350.60
Bhutan Telecom Ltd.	100%	1,000	0.85	854.08	100%	1,000	0.85	854.08
Dungsam Cement Corporation Ltd. (Refer note b below)	80%	100	59.50	5,949.55	80%	100	59.50	5,949.55
Druk Green Power Corporation Ltd. (Refer note h Below)	100%	1,000	32.07	32,071.06	100%	1,000	31.78	31,776.21
Druk Air Corporation Ltd. (Refer note j below)	100%	100	22.25	2,558.35	100%	100	22.25	2,225.21
Natural Resources Development Corporation Ltd.	100%	100	0.45	45.00	100%	100	0.45	45.00
Thimphu TechPark Ltd. (Refer note b and d below)	100%	100	2.23	210.21	100%	100	2.23	210.02
State Mining Corporation Ltd.	100%	100	2.94	293.99	100%	100	2.94	293.99
Wood Craft Center Ltd.	100%	100	0.66	65.96	100%	100	0.73	73.32
Construction Development Corporation Ltd. (Refer note i below)	100%	1,000	0.97	966.86	100%	1,000	0.98	981.02
Koufuku International Ltd. (Refer note e below)	80%	100	0.40	15.00	80%	100	0.40	15.00
Total Investments in Subsidiaries				52,877.79				50,260.95



	% of Holding	Face Value per Share	Number of Shares	December 31, 2019	% of Holding	Face Value per Share	Number of Shares	December 31, 2018
B) Investments in Associates & Joint Venture - Quoted - Equity Shares fully paid up -								
Bhutan Ferro Alloys Ltd. (Associate)	26%	10	3.86	38.59	26%	10	3.86	38.59
Unquoted - Equity Shares fully paid up -								
Azista Bhutan Healthcare Limited (JV) (Refer note l below)	28%	10	2.24	22.40	28%	10	0.56	5.60
Druk Metallurgy Limited (JV) (Refer note l below)	40%	100	1.80	180.00	40%	100	0.30	30.00
Total Investments in Associates & Joint Ventures				240.99				74.19

	% of Holding	Face Value per Share	Number of Shares	December 31, 2019	% of Holding	Face Value per Share	Number of Shares	December 31, 2018
C) Other Investments -								
Quoted - Equity Shares fully paid up -								
Bhutan National Bank Ltd. (Refer note k below)	12%	10	48.98	1,738.93	12%	10	40.82	1,265.42
Royal Insurance Corporation of Bhutan Ltd. (Refer note k below)	18%	10	25.78	1,893.13	18%	10	22.10	1,591.02
Investment Abroad (Refer note m below)				298.26				95.81
Total (i)				3,930.32				2,952.25
Investments in EPF Assets (Refer note 15) -								
Bank balance				0.26				2.46
Term deposits				9.50				7.00
Accrued interest				0.45				0.40
Contribution to Loden-DHI Fund (Refer note g below)				17.00				15.27
Total (ii)				27.21				25.13
Total Other Investments (i+ii)				3,957.53				2,977.38
Total Investments (A+B+C)				57,077.31				53,313.53





NOTE 16: INVESTMENTS (Continued)

- a. All investments that have been made other than for trading purpose are included in this schedule.
- b. The “% of Holding” represents the effective holding of DHI after considering the holding percentage of its subsidiaries. In Bhutan Board Products Ltd. DHI directly holds 48% and through Bank of Bhutan holds 10%. In State Trading Corporation of Bhutan Ltd. DHI directly holds 51% and through Bank of Bhutan holds 4%. For all other cases direct holding is equal to the chain holding.
- c. Penden Cement Authority Ltd. (PCAL) has been classified as subsidiary on the merit that DHI retains control over PCAL in spite of holding 40% of shares as there are large numbers of other shareholders holding small number of shares. At a company AGM, those smaller shareholders, with a total holding amounting to 41% of PCAL would have to attend and all vote against DHI to override any decision by DHI. The shareholder turn-out of this size does not occur. Hence, the test of “control” as per BFRS 10 is therefore met.
- d. During the year 2019, DHI has transferred fixed assets to Thimphu TechPark Ltd. (TTPL) amounting to Nu. 186,400.
- e. During the year 2017 restructuring of KIL was carried out and shareholding of Shin Nippon Biomedical Laboratories (SNBL) reduced from 70% to 14.99%, and DHI shareholding was increased to 80% from 30% and also a new shareholder (Sano Unyu Company Ltd, a company incorporated in Japan) was introduced with shareholding of 5.01% without any consideration being paid by both DHI and Sano Unyu Company Limited to SNBL.
- f. During the year 2014 DHI pledged 1,960,000 number of equity shares of Nu. 1,000 each of Bhutan Power Corporation Limited as collateral at par with the Dungsam Cement Corporation Limited Corporate Bond of Series - I and Series - II for amount of Nu. 1,260,000,000 and Nu. 700,000,000 respectively. Subsequently, in 2015 DHI further pledged 1,500,000 number of equity shares of Nu. 1,000 each of Bhutan Power Corporation Limited as collateral at par with the Dungsam Cement Corporation Limited Corporate Bond of Series - III for amount of Nu. 1,500,000,000.
- g. During the year DGPC allotted total shares of Nu. 294,856,000/- to DHI on account of grant received from Government of India (for onward injection as equity in KHEL) and BPC allotted shares of Nu. 2,010,180,000/- to DHI for transfer of MHP transmission line and DHI allotted shares of equivalent amount to MoF.
- h. During the year 2019 DHI got the ownership of plot of land transferred from its subsidiaries for a total amount of Nu. 210,641,947 through book adjustments as per Boards approval for which reduction of investment in CDCL by Nu.14,157,000 was done and in WCCL by Nu. 7,359,400. The relevant adjustment entries have been duly communicated to the Registrar of Companies (RoC) and MoF in 2019.



- i. During the year 2019 DHI capitalised the inter-corporate loan along with interest amounting to Nu. 333,140,800 of Drukair Corporation Ltd.
- j. BFRS-9 also requires fair valuation of investments in BNBL and RICBL. Thus the change in investments is due to change in share prices every closing period i.e. on 31 December every year.
- k. During the year DHI made an additional invest of Nu. 16,800,000 to Azista Bhutan Healthcare Ltd. and Nu.150,000,000 to Druk Metallurgy Ltd.
- l. During the year DHI made an additional investment to abroad amounting to Nu. 17,330,887.45 in MREP and Nu. 206,671,770.19 in Vickers Venture Capital Fund.

NOTE 17: LONG TERM FINANCIAL ASSETS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Debt Securities				
- Unlisted	4,147.99	802.58	-	-
Term Deposits with Bank & Financial Institutions	1,309.05	1,366.51	-	-
	5,457.04	2,169.09	-	-

NOTE 18: OTHER NON CURRENT ASSETS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Trade Receivables & Others	48.19	49.78	-	-
Advance Payments to Suppliers	62.95	58.25	-	-
Prepaid Expenses - Non current	39.99	20.48	-	-
DHI Bizap			50.12	-
	151.13	128.51	50.12	-

NOTE 19: INVENTORY

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Raw material	409.97	313.60	-	-
Work in progress	425.24	431.88	-	-
Finished goods	961.12	854.92	-	-
Other inventory	1,054.64	924.91	-	-
Stores, spares and loose tools	958.89	974.95	-	-
	3,809.86	3,500.26	-	-



**NOTE 20: TRADE RECEIVABLES**

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Receivable in Ngultrum	2,899.22	1,855.87	0.45	2.07
Receivable in foreign currency	297.06	372.14	-	-
Less Provision for Impairment	(85.19)	(61.19)	-	-
	3,111.09	2,166.82	0.45	2.07

NOTE 21: OTHER RECEIVABLES AND ADVANCES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Non Trade Receivables and Advances	2,367.46	1,805.44	-	-
Loan to subsidiary company (including interest accrued)	-	-	467.29	354.97
Term deposits with financial institutions	1,310.76	1,554.54	-	-
Other Financial Assets	2,247.46	8,007.59	4.35	638.00
Advance payments to vendors	2,603.67	3,316.81	422.17	365.51
Advance payments to employees	53.85	36.37	-	-
Prepaid expenses - current	243.51	258.02	-	-
Income Tax Paid in Advance	64.82	110.72	-	-
	8,891.53	15,089.49	893.81	1,358.48

NOTE 22 ADVANCE TO MINISTRY OF FINANCE

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Advance to Ministry of Finance	3,350.00	4,021.00	3,350.00	4,021.00
	3,350.00	4,021.00	3,350.00	4,021.00

In the course of any financial year, DHI (the Company) is in the practice of providing advance to its parent Ministry of Finance (MoF) in relation to dividend, which is usually declared for the financial performance of the Company for a particular financial year in the following year on its approval in the Annual General Meeting.

NOTE 23: CASH AND CASH EQUIVALENT

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Cash in hand	1,022.14	3,616.24	-	-
Cash at bank	1,810.66	4,962.17	51.13	1,950.24
Short-term deposits	597.38	1,926.34	2,725.46	-
Cash Reserve and Balances with RMA	10,570.29	2.60	-	-
	14,000.47	10,507.35	2,776.59	1,950.24



NOTE 24: SHARE CAPITAL

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Authorised Capital				
5,000,000,000 equity shares of Nu.100	500,000	500,000.	500,000	500,000
Issued and Paid up capital				
Opening 450,875,898 equity shares	46,201.53	45,946.20	46,201.53	45,946.20
Issues during the year	2,494.07	255.33	2,494.07	255.33
Closing	48,695.60	46,201.53	48,695.60	46,201.53

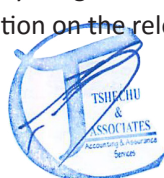
NOTE 25: LONG TERM BORROWINGS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Borrowings from:				
Banks and Financial Institutions in Bhutan	4,745.30	2,723.57	207.22	-
Banks and Financial Institutions in other countries	28,403.55	21,456.25	-	-
Foreign Governments	616.70	762.02	37.86	36.74
Bonds listed by the RSEB	2,133.65	3,289.85	-	-
Working Capital Loans from Banks	79.68	83.59	-	-
	35,978.88	28,315.28	245.08	36.74
Less Portion repayable within 1 year	2,439.20	1,724.53	207.22	-
Net Long Term Borrowings	33,539.68	26,590.76	37.86	36.74

NOTE 26: DEFERRED GOVERNMENT GRANTS

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Opening Balance	2,069.19	1,700.18	146.73	-
Add: Receipts during the year	1,672.98	716.62	265.45	146.73
Less: Amortisation against expenditure	-	(284.37)	-	-
	3,742.17	2,132.43	-	-
Less Current portion	(55.04)	63.24	-	-
Closing Balance	3,797.21	2,069.19	412.18	146.73

In line with the DHI Group accounting policy, all grants received for the purchase of capital assets are treated as a deferred liability. The depreciation on the relevant asset is debited to the Deferred Liability over the useful life of the assets.



**NOTE 27: OTHER NON CURRENT LIABILITIES**

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Trade and other payables - noncurrent	490.44	208.93	15.78	14.49
Advances - noncurrent	7.40	-	-	-
Retention money payable - noncurrent	293.90	-	-	-
Deposits received - noncurrent	447.32	392.98	-	-
Net Long Term Borrowings	1,239.06	601.91	15.78	14.49

NOTE 28: TRADE AND OTHER PAYABLES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Trade Payables	1,726.88	2,380.97	3.20	4.49
TDS Payable	115.17	104.92	-	-
Employee and other payables	829.26	666.09	16.44	13.43
Accrued expenses	87.86	98.64	-	-
Unclaimed Dividend	4.25	5.97	-	-
Net Long Term Borrowings	2,763.42	3,256.59	19.64	17.92

NOTE 29: OTHER CURRENT LIABILITIES

	Consolidated		Standalone	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Advances and Deposits Received	591.68	348.56	2.85	5.06
Construction Contracts	468.92	2,667.62	-	-
Listed Bond repayable	216.34	216.35	-	-
Retention money payable	165.85	42.64	-	-
Other Liabilities	2,105.49	1,750.38	-	-
Provision	210.85	169.46	-	-
Net Long Term Borrowings	3,759.13	5,195.01	2.85	5.06



NOTE 30: EMPLOYEE BENEFITS - STANDALONE

Gratuity

A. Defined Contribution Plan- Provident fund

Qualifying employees are members of a defined contribution plan operated by the National Pension and Provident Fund. The Company matches employee contributions to the fund. The only obligation on the Company is to make the contribution monthly.

Total cost of contributions for the year ended 31 December 2019 was Nu. 2,408,480 (2018 Nu. 1,864,142).

B. Defined Benefit Scheme - Post-employment Benefit: Gratuity

Qualifying employees are members of a defined benefit plan sponsored by the Company. Employees are entitled to a lump sum payment of Total Fixed Monthly Remuneration (TFMR) for each year of service.

A separate fund is maintained to cover the future liability for payments.

The obligation for the plan is subject to risks in respect of investment, interest rates, employee attrition and Salary rates.

Investment risk: The discount rate for this valuation is based on the weighted average yield obtained by the assets of the scheme due to absence of high quality corporate and government issued bond. All funds are held in this type of investment as approved by the Royal Monetary Authority of Bhutan (RMA).

Interest risk: Interest rates available will change over time. The reduction in interest rates will increase the actuarial value of the obligation.

Employee attrition: The obligation is based on Management's estimate of the expected number of staff who will resign before reaching the standard retirement age. If the number of staff resigning is greater or less than the expected rate, the outstanding obligation will be affected.

Salary risk: Since the benefit is dependent on the employee's final salary, there is a risk that salary increases will be greater than those included in the actuarial valuation. Salary increases cover regular increases for length of service as well as periodic increases of salary scales for inflation.

The actuarial valuation of the obligation of the defined benefit plan has been carried out by Druk Infinity Consulting, Thimphu.





i) Statement of Profit or Loss	2019	2018
Current service cost	1.63	1.13
Past service cost - plan amendments	0.17	-
Net interest on net defined benefit liability / (asset)	(0.03)	(0.09)
Cost recognised in Statement of Profit or Loss	1.77	1.04

ii) Other Comprehensive Income (OCI)	2019	2018
Actuarial (gain)/loss due to liability experience	1.00	2.80
Actuarial (gain)/loss due to liability assumption changes	-	(1.71)
Return on plan assets (greater)/less than discount rate	0.26	0.05
Actuarial (gains)/ losses recognized in OCI	1.26	1.14
Cumulative Actuarial (Gain) Loss Recognized via OCI at Current Period End	1.26	1.14

iii) Defined Benefit Cost	2019	2018
Service Cost	1.76	1.13
Net interest on net defined benefit liability/(asset)	-	(0.09)
Actuarial (gain)/losses recognised in OCI	1.26	1.14
Defined benefit Cost	3.02	2.18

iv) Statement of Financial Position	2019	2018
Defined benefit obligation (DBO)	(10.94)	(8.57)
Fair value of plan assets (FVA)	8.89	7.97
Funded status [surplus/(deficit)]	(2.05)	(0.60)
Net defined benefit asset (DBA)	(2.05)	(0.60)

v) Reconciliation of Net Financial Position	2019	2018
Net defined asset/ (liability) at the end of prior period	(0.60)	(0.05)
Service Cost	(1.76)	(1.13)
Net interest on net defined benefit liability / (asset)	-	0.09
Amount recognised in OCI	(1.26)	(1.14)
Employer contributions	1.57	1.63
Benefits paid by Employer		
Net defined benefit asset/(liability) at the end of current period	(2.05)	(0.60)



vi) Movements in the Present Value of Defined Benefit Obligation	2019	2018
Opening Defined Benefit Obligation	8.57	7.63
Current service cost	1.63	1.13
Past service cost	0.17	-
Interest cost	0.64	0.51
Actuarial loss on experience adjusted	(1.07)	2.80
Benefits paid from plan assets	1.00	(1.78)
Actuarial (gain)/loss due to change in demographic assumptions	-	-
Actuarial (gain)/loss due to change in financial assumptions	-	(1.71)
Benefits paid by the employer	-	-
Closing Defined Benefit Obligation	10.94	8.58

vii) Movements in the Fair Value of Plan Assets	2019	2018
Opening Fair Value of Plan Assets	7.97	7.58
Income on assets at the discount rate	0.68	0.59
Actual interest less than discount rate	(0.26)	(0.05)
Contribution by DHI	1.57	1.63
Benefits paid from plan assets	(1.07)	(1.78)
Closing Fair Value of Plan Assets	8.89	7.97

viii) Expected Benefit Payments as at 31 December 2019

31 December 2020	5.26
31 December 2021	3.76
31 December 2022	3.35
31 December 2023	2.06
31 December 2024	0.94
31 December 2025 to 31 December 2029	6.00
31 December 2030 to 31 December 2039	9.90

ix) Expected Benefit Payments as at 31 December 2018

31 December 2019 (Retirement Benefit Obligations - Current)	0.98
31 December 2020	1.17
31 December 2021	2.14
31 December 2022	1.49
31 December 2023	1.24
31 December 2024 to 31 December 2028	7.64

x) Expected Employer Contribution for the period ending 31 December 2019

	5.26
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xi) Weighted Average Duration of Defined Benefit Obligation	2019	2018
	7.43 Years	6 Years



	2019	2018
xii) Accrued Benefit Obligation at 31 December	5.92	5.92

xiii) Plan Asset Information (Asset Allocation in Percentage)	2019	2018
Insurance Policy with RICBL	93.79%	95.52%
Gratuity Fund with BIL	6.06%	4.32%
Balance in Current Account	0.15%	0.16%
Total	100.00%	100.00%

xiv) Sensitivity Analysis

I) Discount Rate -	2019	2018
Discount Rate as at 31 December	7.80%	7.80%
Effect on DBO due to 1% (0.5% in 2019) increase in Discount Rate	(0.56)	(0.56)
Effect on DBO due to 1% (0.5% in 2019) decrease in Discount Rate	0.56	0.56

II) Salary Escalation Rate -	2019	2018
Salary Escalation Rate as at 31 December	7%	7%
Effect on DBO due to 1% increase in Salary Escalation Rate	0.50	0.50
Effect on DBO due to 1% decrease in Salary Escalation Rate	(0.50)	(0.50)

c) Defined Benefit Scheme - Other Long-term Employee Benefit : Annual Leave Accumulation

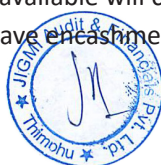
As per the revision in the Service Rule of the company during 2015 effective from 1 January 2015 annual leave exceeding the minimum allowable days not availed at the end of a calendar year shall be carried forward and credited to the annual leave account. Employees shall be allowed to accrue up to a maximum of thirty six (36) days of annual leave which can be encashed during separation at the rate of proportionate Total Fixed Monthly Remuneration (TFMR at the time of separation) per day times the total leave accumulated.

The accumulated leave liability is subject to risks in respect of investment, interest rates, employee attrition and Salary rates.

Leave Liability

Investment risk: The discount rate for this valuation is based on the weighted average yield obtained by the assets of the scheme due to absence of high quality corporate and government issued bond. All funds are held in this type of investment as approved by the Royal Monetary Authority of Bhutan (RMA).

Interest risk: Interest rates available will change over time. The reduction in interest rates will increase the actuarial value of the leave encashment liability.



Salary risk: Since the benefit is dependent on the employee's final salary, there is a risk that salary increases will be greater than those included in the actuarial valuation. Salary increases cover regular increases for length of service as well as periodic increases of salary scales for inflation.

The actuarial valuation of the obligation of the leave encashment liability has been carried out by Druk Infinity Consulting, Thimphu.

i) Statement of Profit or Loss	2019	2018
Current service cost	2.08	0.44
Net interest on net defined benefit liability / (asset)	(0.12)	(0.08)
remeasurement (gains) / losses	(0.03)	(0.30)
Cost recognised in Statement of Profit or Loss	1.93	0.06

Other Comprehensive Income (OCI)	2019	2018
Actuarial (gain)/loss due to liability experience	(0.05)	0.11
Actuarial (gain)/loss due to liability assumption changes	-	(0.37)
Actuarial (gain)/loss arising during period	(0.03)	(0.27)
Return on plan assets (greater)/less than discount rate	0.02	(0.03)
Cumulative Actuarial (Gain) Loss Recognized via OCI at Current Period End	-	-

ii) Statement of Financial Position	2019	2018
Defined benefit obligation (DBO)	3.74	(1.66)
Fair value of plan assets (FVA)	3.61	2.86
Funded status [surplus/(deficit)]	(0.13)	1.20
Net defined benefit asset (DBA)	(0.13)	1.20

Reconciliation of Net Balance Sheet Position	2019	2018
Net defined benefit asset/(liability) at the end of prior period	1.20	0.76
Service cost	(2.08)	(0.44)
Net increase on net defined benefit liability/(asset)	0.12	0.08
Actuarial (losses)/(gains)	0.03	0.30
Employer contribution	0.60	0.50
Net defined benefit asset (DBA)	(0.13)	1.20



iii) Movements in the Present Value of Defined Benefit Obligation	2019	2018
Opening Defined Benefit Obligation	1.66	1.64
Current service cost	2.08	0.44
Interest cost	0.13	0.11
Actuarial (Gains)/loss due to plan experience	(0.05)	0.11
Benefits paid from plan assets	-	-
Actuarial (gain)/loss due to change in demographic assumptions	(0.07)	(0.27)
Actuarial (gain)/loss due to change in financial assumptions	-	(0.37)
Closing Defined Benefit Obligation	3.75	1.66

iv) Movements in the Fair Value of Plan Assets	2019	2018
Opening Fair Value of Plan Assets	2.86	2.41
Income on assets at the discount rate	0.25	0.19
Actual interest less than discount rate	(0.02)	0.03
Contribution by DHI	0.60	0.50
Benefits paid from plan assets	(0.07)	(0.27)
Closing Fair Value of Plan Assets	3.62	2.86

v) Expected Benefit Payments as at 31 December 2019

31 December 2020	1.33
31 December 2021	1.09
31 December 2022	0.47
31 December 2023	0.27
31 December 2024	0.14
31 December 2025 to 31 December 2029	0.75
31 December 2030 to 31 December 2039	0.71

vi) Expected Benefit Payments as at 31 December 2018

31 December 2019 (Retirement Benefit Obligations - Current)	0.24
31 December 2020	0.26
31 December 2021	0.41
31 December 2022	0.39
31 December 2023	0.23
31 December 2024 to 31 December 2028	1.22

vi) Expected employer contributions for the period ending 31 December 2019	1.33
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	2019	2018
vii) Weighted Average Duration of Defined Benefit Obligation	6 Years	6 Years



	2019	2018
viii) Accrued Benefit Obligation at 31 December	1.15	1.15
ix) Plan Asset Information (Asset Allocation in Percentage)	2019	2018
Investment with RICBL	100%	100.00%
Total	100.00%	100.00%
x) Sensitivity Analysis		
I) Discount Rate -	2019	2018
Discount Rate as at 31 December	7.80%	7.80%
Effect on DBO due to 0.5% increase in Discount Rate	(0.10)	(0.10)
Effect on DBO due to 0.5% decrease in Discount Rate	0.10	0.10
II) Salary Escalation Rate -	2019	2018
Salary Escalation Rate as at 31 December	7.00%	7.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	0.09	0.09
Effect on DBO due to 1% decrease in Salary Escalation Rate	(0.09)	(0.09)

Carriage Charges

a) Discount rate risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

b) Salary growth risk

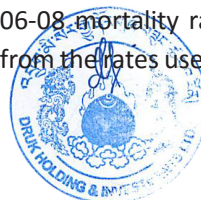
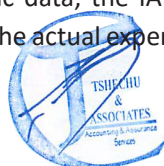
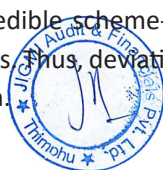
As the carriage charge benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

c) Employee turnover risk

Employee turnover experience of DHI will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

d) Demographic risk

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.





e) Regulatory risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning carriage charge benefit such as increase in carriage charge ceiling, introduction of carriage charge floor and change in vesting period or benefit accrual rate would eventually alter the liability.

f) Liquidity risk

Finally, there is a risk that DHI may not be able to honour the carriage charge payments in the short-run due to liquidity constraints.

i) Statement of Profit & Loss	2019	2018
Current service cost	0.08	
Past service cost		
Loss/(Gain) on settlement		
Interest on DBO		
Interest on plan asset		
Expenses recognised in profit or loss	0.08	

ii) Statement of Other comprehensive income	2019	2018
Actuarial (gain) or loss due to experience adjustments	0.34	
Actuarial (gain) or loss due to changes in financial assumptions		
Actuarial (gain) or loss due to changes in demographic assumptions		
Return on plan assets (greater) or less than discount rate		
Expense recognised as other comprehensive income	0.34	

iii) Defined Benefit cost	2019	2018
Expense recognised in profit or loss	0.08	
Expense recognised in other comprehensive income	0.27	
Defined benefit cost	0.35	

iv) Statement of Financial position	2019	2018
Present value of define benefit obligation	0.35	
Fair value of plan assets		
Funded status - surplus/(deficit)	-0.35	
Effect of asset ceiling		
Net defined benefit asset/(liability)	(0.35)	



v) Movement in the present value of Defined Benefit Obligation	2019	2018
DBO at the beginning of period		
Add: Current service cost	0.08	
Add: Past service cost		
Add: Interest cost		
Less: Benefits paid by the plan		
Less: Benefits paid by the employer	(0.07)	
Actuarial (gain) or losses due to experience adjustment	0.34	
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	0.35	

vi) Expected Benefit payments in the future

December 31, 2020	0.25
December 31, 2021	0.13
December 31, 2022	0.13
December 31, 2023	0.11
December 31, 2024	0.04
December 2024 to December 2028	0.19
December 2029 to December 2038	0.22

vii) Expected term of liability (in years)

5.01 years

Separation allowance

i) Statement of Profit & Loss	2019	2018
Current service cost	0.35	
Past service cost		
Loss/(Gain) on settlement		
Interest on DBO		
Interest on plan asset		
Expenses recognised in profit or loss	0.35	0

ii) Statement of Other Comprehensive Income

	2019	2018
Actuarial (gain) or loss due to experience adjustments	1.33	
Actuarial (gain) or loss due to changes in financial assumptions		
Actuarial (gain) or loss due to changes in demographic assumptions		
Return on plan assets (greater) or less than discount rate		
Expense recognised as other comprehensive income	1.33	





iii) Statement of Defined Benefit Obligation	2019	2018
Expense recognised in profit or loss	0.35	
Expense recognised in other comprehensive income	1.33	
Defined benefit cost	1.68	

iv) Statement of Financial Position	2019	2018
Present value of define benefit obligation	1.68	
Fair value of plan assets		
Funded status - surplus/(deficit)	(1.68)	
Effect of asset ceiling		
Net defined benefit asset/(liability)	(1.68)	

v) Movement in the present value of Defined Benefit Obligation Plan	2019	2018
DBO at the beginning of period		
Add: Current service cost	0.35	
Add: Past service cost		
Add: Interest cost		
Less: Benefits paid by the plan		
Less: Benefits paid by the employer		
Actuarial (gain) or losses due to experience adjustment	1.33	
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	1.68	

vi) Expected benefit payments in future years

December 31, 2020	1.04
December 31, 2021	0.7
December 31, 2022	0.67
December 31, 2023	0.37
December 31, 2024	0.13
December 2025 to December 2029	0.66
December 2030 to December 2039	0.78

vii) Estimated term of liability (in years)	5.53 years
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Transfer Grant

i) Statement of Profit & Loss	2019	2018
Current service cost	0.35	
Past service cost		
Loss/(Gain) on settlement		
Interest on DBO		
Interest on plan asset		
Expenses recognised in profit or loss	0.35	



ii) Statement of Other Comprehensive Income		2019	2018
Actuarial (gain) or loss due to experience adjustments		1.33	
Actuarial (gain) or loss due to changes in financial assumptions			
Actuarial (gain) or loss due to changes in demographic assumptions			
Return on plan assets (greater) or less than discount rate			
Expense recognised as other comprehensive income		1.33	
iii) Statement of Defined Benefit Obligation Plan		2019	2018
Expense recognised in profit or loss		0.35	
Expense recognised in other comprehensive income		1.33	
Defined benefit cost		1.68	
iv) Statement of Financial Position		2019	2018
Present value of define benefit obligation		1.68	
Fair value of plan assets			
Funded status - surplus/(deficit)		(1.68)	
Effect of asset ceiling			
Net defined benefit asset/(liability)		(1.68)	
v) Movement in the present value of Defined Benefit Obligation		2019	2018
DBO at the beginning of period		-	
Add: Current service cost		0.35	
Add: Past service cost		-	
Add: Interest cost		-	
Less: Benefits paid by the plan		-	
Less: Benefits paid by the employer		-	
Actuarial (gain) or losses due to experience adjustment		1.33	
Actuarial (gain) or losses due to change in financial assumptions		-	
Actuarial (gain) or losses due to change in demographic assumptions		-	
DBO at the end of period		1.68	
vi) Expected benefit payments in future years			
December 31, 2020			1.04
December 31, 2021			0.7
December 31, 2022			0.67
December 31, 2023			0.37
December 31, 2024			0.13
December 2025 to December 2029			0.66
December 2030 to December 2039			0.78

vii) Estimated term of liability (in years)

5.53 years



NOTE 31: FAIR VALUE MEASUREMENTS (STANDALONE)

Financial instruments by category

	As at December 31, 2019			As at December 31, 2018		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Investment in equity shares of entities other than subsidiary, associate and JV		3,930.32		2,952.25		-
Investment in EPF assets			27.21	-		25.13
Security deposits paid to third parties			0.09	-		0.09
Trade Receivables and other receivables			4.35	-		638.00
Loan to subsidiary company including Interest			467.29	-		354.97
Cash and Cash Equivalents			2,776.58	-		1,950.24
Total financial assets	-	3,930.32	3,275.52	-	2,952.25	2,968.43
Financial liabilities						
Borrowing			37.86	-	-	36.74
Liability towards EPF			13.07	-	-	11.78
Trade payables			0.00	-	-	2.48
Employee payables			16.44	-	-	13.43
Deposits received			0.17	-	-	-
Other liabilities			3.03	-	-	2.01
Advance from Subsidiaries			2.55	-	-	5.05
Total financial liabilities	-	-	73.13	-	-	66.44

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows as under.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments, which are traded in the stock exchanges, is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.



Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the year, there has been no movement between fair value levels from previous year.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- (i) the use of quoted market prices for listed equity shares
- (ii) the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Financial assets and liabilities measured at fair value - recurring fair value measurements

	Notes	As at December 31, 2019			As at December 31, 2018		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Investments at FVOCI							
Investment in equity shares of:							
Bhutan National Bank Ltd.		1,738.93	-	-	1,265.42	-	-
Royal Insurance Corporation of Bhutan Ltd.		1,893.13	-	-	1,591.02	-	-
Investment Abroad		57.48	240.78	-	75.25	20.56	-
Total financial assets		3,689.54	240.78		2,931.69	20.56	



(iii) Fair value of financial assets and financial liabilities measured at amortized cost

	As at December 31, 2019		As at December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Investment in EPF assets	27.21	27.21	25.13	25.13
Security deposits paid to third parties	0.08	0.08	0.09	0.09
Trade Receivables and other receivables	4.35	4.35	638.00	638.00
Loan to subsidiary company including Interest	467.29	467.29	354.97	354.97
Cash and Cash Equivalents	2,776.58	2,776.58	1,950.24	1,950.24
Total financial assets	3,275.51	3,275.51	2,968.43	2,968.43
Financial Liabilities				
Borrowing	37.86	37.86	36.74	36.74
Liability towards EPF	13.07	13.07	11.78	11.78
Trade payables	0.00	0.00	2.48	2.48
Employee payables	16.44	16.44	13.43	13.43
Deposits received	0.17	0.17	-	-
Other liabilities	3.03	3.03	2.01	2.01
Advance from Subsidiaries	2.55	2.55	5.05	5.05
Total financial liabilities	73.13	73.13	71.49	71.49

NOTE 32: CAPITAL MANAGEMENT

32.1 Group Capital Management

The Group manages its capital so as to ensure funds are available to meet future commitments as well as commitments to outside parties. The Group has a requirement to meet dividend and tax expectations as contained in the Annual Compacts between Group Companies, the parent company and the RGOB.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are only made for major capital projects. Such borrowings are repaid when the project is completed and is generating operating cash flows.

32.2 Standalone Capital Management

The Company’s objectives when managing capital are to-

- safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.



The primary mandate for which DHI has been constituted is to hold and manage the existing and future investments of the Royal Government of Bhutan (RGoB) for the long term benefit of its shareholders, the people of Bhutan. 100% of the Company's share capital is owned by the Ministry of Finance (MoF) of the RGoB. Company manages the share capital issued and subscribed along with the reserves appearing in the financial statement of the company.

NOTE 33: STANDALONE FINANCIAL RISK MANAGEMENT

The company's activities expose it to market risk, liquidity risk and credit risk.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

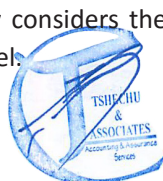
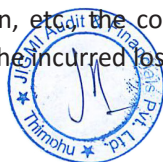
Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, financial assets measured at amortised cost.	Constant monitoring	Diversification of bank deposits, management support to the subsidiaries
Liquidity risk	Trade payables and other financial liabilities	Cash flow forecasts	Access to short term borrowings
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in Ngultrum(Nu.)	Constant monitoring	Company currently has foreign currency exposure only in the form of Investment made abroad which is long term in nature and hence current foreign currency fluctuation is insignificant
Market risk – interest rate	Long-term borrowings at variable rates	NA	Company does not have any borrowing on variable rate outstanding on the reporting date
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification

(A) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions and trade and other receivables.

i) Credit risk management

In case of inter-corporate loans and other receivables, the company on an ongoing basis throughout each reporting period, assesses whether there has been a significant increase in credit risk. In case there is a significant increase in the credit risk of the other party due to factors such as poor financial performance, position, etc. the company considers the probability of default and provides for loss allowance based on the incurred loss model.





Investment in banks and financial institutions are only in high rated banks and institutions. The Company is exposed to credit risk in relation to financial guarantees given for loan taken by subsidiaries and associates. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. The Company regularly monitors the financial performance, position, etc., of the Companies on whose behalf the guarantees have been given to evaluate its exposure for payments on default by those Company.

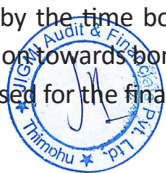
During the year 2012, DHI setup Entrepreneurship Promotion Fund (EPF) to provide partial capital support to upcoming entrepreneurs in the private sector with the primary objective of promoting entrepreneurship in Bhutan. The fund was setup with DHI providing the seed capital of Nu. 15,000,000 and with Nu.10,000,000 investment from the Bank of Bhutan Limited. Investments are made from the Entrepreneurship Promotion Fund (EPF) into projects that are approved by the Management. During the year 2015, DHI management entered into an agreement with The Loden Foundation and created Loden-DHI Fund to provide alternative access to the entrepreneurs in obtaining finance to start a new business or for expansion / growth of the existing business leading to employment generation and economic development of the nation. The management has evaluated the recoverability of the investment made in The Loden Foundation and considered it for impairment. Out of the contribution to Loden-DHI Fund as on 31 December 2015 and 31 December 2016 and 31 December 2017 amounting to Nu. 7,000,000, Nu. 7,000,000 and Nu. 6,000,000 and total provision for impairment loss of Nu. 217,000 and Nu. 217,000 and Nu. 186,000 has been recognised respectively.

(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The company is not expose to significant liquidity risk as no significant borrowings or financial liabilities are outstanding on the reporting date. Further, as a step to maintain sufficient liquidity to pay dividend and other payables, company usually receives dividend from its subsidiary in advance. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Company has also given guarantee for the corporate bond issued by one of its subsidiary Dungsom Cement Corporation Limited (DCCL). The subsidiary company started commercial operation in 2014. The bond are due for maturity in 2022 onwards. As per the management estimate, although the subsidiary company has incurred losses in all the years since inception, however, the quantum of loan has decreased year by year and also the earnings are improving. Further, management believes that subsidiary will start generating profit in coming years and by the time bond will be due to redeemed, subsidiary will have sufficient liquidity to meets its obligation towards bond redemption. Accordingly, as per the management estimate, no liability has been recognised for the financial guarantee contracts issued by the company.



i) Financing arrangements

The company does not have any undrawn borrowing facilities at the end of the reporting period.

ii) Maturities of financial liabilities

The tables below analyses the company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities:

Non-Derivate	Less than 1 year	More than 1 year	Total
Borrowings from Ministry of Finance		37.86	37.86
Liability towards EPF		13.07	13.07
Employee payables	16.44		16.44
Deposits received	0.17		0.17
Advance from Subsidiaries	2.55		2.55
Other liabilities	3.03		3.03
Total non-derivative liabilities	22.19	50.93	73.12
December 31, 2018			
Borrowings from Asian Development Bank		36.74	36.74
Liability towards EPF		11.78	11.78
Trade payables	2.48		2.48
Employee payables	13.43		13.43
Deposits received			-
- Advance from Subsidiaries	5.05		5.05
Other liabilities	2.01		2.01
Total non-derivative liabilities	22.97	48.52	71.49



(C) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company at its own does not have international operations, but have investment abroad and bank balance to which foreign exchange risk may arise.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company does not have any borrowing on variable rate outstanding. Further the loan given and investment made by the Company is at fixed rate interest. Accordingly, company is not exposed to interest rate risk.

(iii) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The company’s exposure to equity securities price risk arises from investments held by the company in equity securities and classified in the balance sheet as at fair value through other comprehensive income. All the investment in equity investment measured at fair value through other comprehensive income are publicly traded and listed on Stock Exchange of respective country. The table below summarises the impact of increases/decreases of the prices of respective securities on company’s equity and total other comprehensive income for the period. The analysis is based on the assumption that the market price of the respective securities had increased by 5% or decreased by 5% with all other variables held constant:

Impact on total Other Comprehensive	2019	2018
Increase by 5%	184.48	146.58
Decrease by 5%	(184.48)	(146.58)



NOTE 34: CONTINGENT LIABILITIES

During 2014, DHI provided its corporate guarantee to Dungsam Cement Corporation Ltd. for DCCL Bond Series I (Nu. 1,260,000,000/-), DCCL Bond Series II (Nu. 700,000,000/-). Again during the year 2015, DHI's corporate guarantee has been extended to Dungsam Cement Corporation Ltd. for DCCL Bond Series III for Nu. 1,500,000,000/-. For Bond series II & III, outstanding balances as on 31 December 2019 is equal to the amount of guarantee originally provided for whereas for Bond Series I, the same was refinanced and the outstanding balance as on 31 December 2019 is Nu. 220,311,000/-

During the year 2019, additional Corporate Guarantees were provided to Bhutan Power Corporation Limited amounting to Nu. 500,000,000, Nu. 40,000,000 to State Trading Corporation of Bhutan Limited, Nu. 50,000,000 to Natural Resources Development Corporation Limited, Nu. 100,000,000 to Construction Corporation Limited and Nu. 217,500,000 to Drukair Corporation Limited.

A summary of the corporate guarantee provided to companies as on 31 December 2019 and the outstanding balances thereof are as follows:

Entity	BG	Loan O/s
DCCL	4,580.14	4,580.14
NRDCL	100.00	81.00
BPC	2,500.00	2,445.03
TTPL	30.80	32.02
SMCL	80.00	68.04
STCBL	40.00	20.43
CDCL	100.00	40.25
KIL	10.00	0.55
DACL	217.50	217.50
ABHL	61.60	61.60
Total	7,720.04	7,546.56



NOTE 35: COMMITMENTS

Commitments for capital expenditure by various members of the Group total Nu 16,302.92 million (2018: Nu.11,985.80 million).

NOTE 36: MANAGERIAL REMUNERATION

A. Remuneration paid to the Chairman of the company -	31-Dec-19	31-Dec-18
Salary and allowances	2.52	1.67
Other benefits	0.66	2.34
Provident fund contribution by employer	0.19	0.10
Sitting fees	0.20	0.13
	3.57	4.24

B. Remuneration paid to the Chief Executive Officer of the company -	31-Dec-19	31-Dec-18
Salary and allowances	2.41	1.83
Other benefits*	1.03	0.88
Provident fund contribution	0.12	0.12
Gratuity contribution	-	-
Sitting fees	0.19	0.20
	3.75	3.03

C. Sitting fees paid to the other Board of Directors of the company -	31-Dec-19	31-Dec-18
Nim Dorji	0.23	0.23
Pema Chewang	0.20	0.23
Dechen Dorji	0.17	0.02
Kinga Tshering	0.22	0.02
Thinley Namgyel	0.24	0.02
Karma Tsetop Rinchen	-	0.11
Tenzin Dhendup	-	0.31
Ugyen Rinzin	-	0.12
	1.06	1.06

*Includes salary and other benefits including separation benefits paid to former Chairman (FY2018) amounts to Nu. 3.06 million.



NOTE 37: AUDITOR'S REMUNERATION

	31-Dec-19	31-Dec-18
Statutory audit fee for standalone financial statements	0.17	0.17
Statutory audit fee for consolidated financial statements	0.46	0.46
Other audit expenses (relating to previous year)*	0.28	0.43
	0.91	1.06

NOTE 38: RELATED PARTY DISCLOSURES

	2019	2018
Parent (State) -	% of Holding	% of Holding
Ministry of Finance (MoF), Royal Government of Bhutan	100%	100%
Subsidiaries -	2019	2018
Bank of Bhutan Ltd. (BOBL)	80%	80%
Bhutan Board Products Ltd. (BBPL)	58%	58%
Bhutan Power Corporation Ltd. (BPCL)	100%	100%
Bhutan Telecom Ltd. (BTL)	100%	100%
Construction Development Corporation Ltd. (CDCL)	100%	100%
Druk Green Power Corporation Ltd. (DGPCL)	100%	100%
Drukair Corporation Ltd. (DCL)	100%	100%
Dungsam Cement Corporation Ltd. (DCCL)	80%	80%
Dungsam Polymers Ltd. (DPL)	51%	51%
Koufuku International Ltd. (KIL)	80%	80%
Natural Resources Development Corporation Ltd. (NRDCL)	100%	100%
Penden Cement Authority Ltd. (PCAL)	40%	40%
State Mining Corporation Ltd. (SMCL)	100%	100%
State Trading Corporation of Bhutan Ltd. (STCBL)	55%	55%
Associates -	2019	2018
Bhutan Ferro Alloys Ltd. (BFAL)	26%	26%
Joint Venture	2019	2018
Azista Bhutan Healthcare Limited (w.e.f 30.04.2018)	28%	28%
Druk Metallurgy Limited (w.e.f. 30.08.2018)	40%	40%



Other Portfolios -	2019	2018
Bhutan National Bank Ltd. (BNBL)	12%	12%
Royal Insurance Corporation of Bhutan Ltd. (RICBL)	18%	18%

State Owned Enterprises -
Bhutan Development Bank Ltd. (BDBL)
Wood Craft Center Ltd. (WCCL)
Construction Development Corporation Ltd. (CDCL)
Bhutan Postal Corporation Ltd. (BPCL)
Kuensel Corporation Ltd. (KCL)
Bhutan Broadcasting Services Corporation Ltd. (BBSCL)
Food Corporation of Bhutan (FCB)
Bhutan Chamber and Commerce Industry (BCCI)

Key Management Personnel -
Present -
Dasho Ugyen Chewang, Chairman (w.e.f 01.08.2018)
Dasho Karma Y. Raydi, Chief Executive Officer and Director
Mr. Nim Dorji (Director)
Mr. Pema Chewang (Director)
Mr. Dechen Dorji (Director)
Mr. Kinga Tshering (Director)
Mr. Thinley Namgyel (Director)

b) (i) Transactions with Parent -	2019	2018
Dividend paid	4,021.00	4,038.23
Allotment of shares (fully paid of Nu. 100/- each)	2,494.07	255.32
Expenses adjusted by the company on behalf of MoF	1.20	1.49

b) (ii) Balance as at the end of the year with Parent -	2019	2018
Advance to MoF	3,350.00	4,021.00

c) (i) Transactions with Subsidiaries -	2019	2018
Equity contribution in cash	333.14	1,453.61
Dungsam Cement Corporation Ltd.	-	1,275.60
State Mining Corporation Ltd.	-	50.00
Construction development Corporation Ltd.	-	-
Dungsam Polymers Ltd.	-	35.70
Thimphu Techpark Ltd.	-	92.31
Drukair Corporation Ltd.	333.14	-



Augmentation in shares of DGPC by transfer (Grant received from Gol)	294.86	230.52
Dividend income	6,813.21	8,318.93
Brand management fee	317.75	173.38
Druk Green Power Corporation Ltd.	92.68	98.37
Bhutan Power Corporation Ltd.	24.33	30.22
Bhutan Telecom Ltd.	23.68	19.19
Others	177.06	25.59
Corporate guarantee fee	36.32	30.54
Bhutan Power Corporation Ltd.	17.45	12.12
Dungsam Cement Corporation Ltd.	16.84	17.54
Others	2.03	0.87
Interest income on bank deposits- Bank of Bhutan Ltd.	81.11	61.71
Interest Income on inter company loans provided	1.74	57.67
Dungsam Cement Corporation Ltd.	-	43.89
Drukair Corporation Ltd.	-	7.79
Others	1.74	5.99
Interest expenses- Bank of Bhutan Ltd.	1.47	2.47
Electricity expenses- Bhutan Power Corporation Ltd.	0.25	0.25
Telephone and internet expenses - Bhutan Telecom Ltd.	1.32	1.38
Purchase of air tickets and others - Drukair Corporation Ltd.	3.05	2.40
Repairs and maintenance charges- State Trading Corporation Ltd.	0.44	0.85
Transfer of ownership of lands	210.64	39.22
Purchase of assets - State Trading Corporation Ltd	0.85	0.42
Hall hiring charges- Natural Resources Development Corporation Ltd.	0.02	0.04
Bank charges- Bank of Bhutan Ltd	0.04	0.05
Inter-company loan	440.41	1,766.50
Dungsam Cement Corporation Ltd.	-	1,100.00
Drukair Corporation Ltd	-	321.00
Druk Green Power Corporation Ltd.	-	200.00
Bhutan Telecom Ltd.	400.00	-
Others	40.41	145.50
Advances received on behalf	2.35	4.85
Advance provided for project- Construction Development Corporation Ltd.	335.45	365.51

c) (ii) Balance as at the end of the year with Subsidiaries -

	2019	2018
Current account balances- Bank of Bhutan Ltd.	53.90	1,788.94
Fixed deposits- Bank of Bhutan Ltd.	2,654.50	7.00





	2019	2018
c) (iii) Outstanding Balances with Subsidiaries -		
Accrued interest on bank deposits- Bank of Bhutan Ltd.	80.90	0.40
Other interest receivable	-	-
Electricity expenses payable- Bhutan Power Corporation Ltd.	-	0.04
Telephone and internet expenses payable- Bhutan Telecom Ltd.	0.10	0.11
Inter-company loan receivable (principal and interest)	443.13	354.97
Drukair Corporation Ltd.	-	328.79
Bhutan Telecom Ltd.	401.21	-
Others	41.92	26.18
Payable for purchase of Assets- State Trading Corporation of Bhutan Ltd.	-	0.24
Advances taken for CSR	2.35	4.85
c) (iv) Outstanding Balances with Subsidiaries -	2019	2018
Corporate guarantee fee receivable	24.31	19.09
Bhutan Power Corporation Ltd.	17.45	12.12
Dungsam Cement Corporation Ltd.	5.39	6.09
Others	1.47	0.87
d) (i) Transactions with Associates -	2019	2018
Dividend income- Bhtan Ferro Alloys Ltd.	57.89	38.59
d) (ii) Outstanding Balances with Associates -	2019	2018
Advances given on behalf (net)	0.20	0.20
e) (i) Transactions with Joint Ventures	2019	2018
Equity contribution in cash	166.80	35.60
Azista Bhutan Healthcare Limited	16.80	5.60
Druk Metallurgy Limited	150.00	30.00
f) Transactions with Other Portfolios -	2019	2018
Bonus shares received (8,163,992 shares of Nu. 35.50 each)	289.82	-
Dividend income	40.82	94.58
Interest income on bank deposits	-	0.24
Bank charges	0.00	0.00
Insurance of vehicles	0.16	0.18
Medical insurance	0.42	0.45
Actuarial valuation fee	-	-
g) Compensation to Key Management Personnel -	2019	2018
Short-term benefits	9.03	5.24
Post-employment benefits	0.31	0.18



h) Remuneration, separation benefits etc. paid to the former Chairman -	2019	2018
Remuneration and other benefits	0.25	1.98
Separation benefits	-	1.08

i) Transactions with SoEs -	2019	2018
Media and publication expenses - Kuensel	0.61	0.75
Media and publication expenses - BBS	0.14	-
Postage charges - Bhutan Post	0.11	0.10

NOTE 39: EVENTS AFTER BALANCE SHEET DATE

On 12th June, 2020, the board of directors approved the dividend of Nu. 3,350 million for the financial year ended December 31, 2019 representing 7.25% on paid up capital.

Note 40: BAS 19 - Long term Employee benefits, BFRS 9 - Financial Instruments & BFRS 15 - Revenue from contract with customers.

BAS 19 - Long term Employee benefits, BFRS 9 - Financial Instruments and BFRS 15 - Revenue from contract with customers is applicable for the group's compliance from 1.1.2017. In respect with the mentioned standards there is no consistency in adoption by the group companies. It is noted that certain companies have followed the said standards (where applicable) whereas certain other companies have not followed. The group is not able to ascertain the impact of this non-compliance in the consolidated financial statements and accordingly full disclosure as per the standards is not provided/disclosed in these financials statements.





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