ANNUAL REPORT 2021

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INTRODUCTION

Who we are

Druk Holding and Investments Limited is the investment arm of the Royal Government of Bhutan. We hold and manage the existing and the future investments for the benefit of our shareholders, the people of Bhutan.

Our portfolio spreads across sectors such as energy and resources; communication and transportation; financial services; real estate and construction; and trading. Currently we have shareholdings in 21 portfolio companies. We support the government in developing key infrastructure and institutional reforms crucial for engaging economic and social welfare activities to promote a resilient and diversified economy.

The long term investments in diverse sectors and strategic oversight of holding companies ensure socio-economic development. We actively invest, both nationally and internationally, in a diverse portfolio of assets to ensure long term profitability.

Our country witnessed a profound shift in economic development aspirations in recent years, with more pronounced visions in the last two years. His Majesty the King emphasized the need to work towards a developed, economically strong nation and to embrace accountability more than ever before. In this pursuit, DHI and Group take pride in recalibrating ourselves to succeed in the fast-paced world.

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, DHI 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

- Ensure Strong Corporate Governance
- Improve Performance
- Provide Managerial Support
- Promote Brand Bhutan

T2

Resources Optimization

- Ensure Optimal Capital Efficiency
- Provide Guarantees
- Divestment
- Raise Fund
- 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
- Incubation for New Business
- Policy Feedback
- Initate R&D

T5

Revenue to the Government

- Provide Increasing Dividends to MoF
- Povide Dividends in Advance

MISSION, VISION, DESTINATION AND FUNCTIONS OF DHI

MISSION

"Safeguard and enhance national wealth for all generations of Bhutanese through prudent investments."

VISION

"To be the leading wealth management and creation organization that helps transform Bhutan into a globally competitive economy guided by the principles of Gross National Happiness."

- Integrity
- Honesty
- Excellence
- Prudence
- Teamwork
- Responsibility

CORE VALUES

DHI Group finances the Government's entire recurrent expenditure for fiscal year 2029/30 and the value of the assets under Bhutan Future Fund is Nu. 30 billion in year 2030.

Destination

FUNCTIONS OF DHI

PERFORMANCE IMPROVEMENT
RESOURCE OPTIMIZATION
NEW INVESTMENT
PRIVATE SECTOR DEVELOPMENT
REVENUE TO THE GOVERNMENT

PORTFOLIO COMPANIES

MANUFACTURING

100%
Wood Craft Center Ltd.

89%
Dungsam Cement Corporation Ltd.

51%
Dungsam Polymers Ltd.

57.6%
Bhutan Board Products Ltd.

40.4%
Penden Cement Authority Ltd.

40%
Druk Metallurgy Ltd.

100%
Koufuku International Ltd.

28%
Azista Bhutan Healthcare Ltd.

28.42%
Bhutan Ferro Alloys Ltd.

ENERGY & RESOURCES

100%
Druk Green Power Corporation Ltd.

- Dagachhu Hydro Power Corporation Ltd.: 59%
- Tangsibji Hydro Energy Ltd.: 100%
- Kholongchhu Hydro Energy Ltd.: 50%
- Bhutan Hydropower Services Ltd.: 51%

100%
Bhutan Power Corporation Ltd.

100%
Natural Resources Development Corporation Ltd.

100%
State Mining Corporation Ltd.

FINANCIAL SERVICES

80%
Bank of Bhutan Ltd.

BBPL: 12.3%	DFAL: 4.1%
BDBL: 2.5%	STCBL: 7.1%
BCCL: 15.8%	CIB: 7%
BFAL: 3.4%	FITI: 20%
PCAL: 0.1%	RSEBL: 22.5%

18%
Royal Insurance Corporation of Bhutan Ltd.

12%
Bhutan National Bank Ltd.

COMMUNICATION & TRANSPORTATION

100%
Bhutan Telecom Ltd.

100%
Drukair Corporation Ltd.

REAL ESTATE & CONSTRUCTION

100%
Construction Development Corporation Ltd.

100%
Thimphu Tech-Park Ltd.

TRADING

56.6%
State Trading Corporation of Bhutan Ltd.

DHI portfolio companies depicting DHI shareholding and net worth/market capitalization of the companies as at 31st December 2021

Sector	Share Holding (in %)	DPC Category	Net worth/Market Capitalization (in million Nu.)
Energy & Resources			
Druk Green Power Corporation Ltd.	100	DOC	46,574.12
Bhutan Power Corporation Ltd.	100	DOC	15,190.17
Natural Resources Development Corporation Ltd.	100	DOC	645.68
State Mining Corporation Ltd.	100	DOC	1931.1
Communication & Transport			
Bhutan Telecom Ltd.	100	DOC	5,843
Drukair Corporation Ltd.	100	DOC	1,730
Finance			
Bank of Bhutan Ltd.	89	DCC	2,400.00
Bhutan National Bank Ltd.	12	DLC	1,665.45
Royal Insurance Corporation of Bhutan Ltd.	18	DLC	1,804.63
Real Estate and Construction			
Thimphu Tech Park Ltd.	100	DOC	401.41
Construction Development Corporation Ltd.	100	DOC	873.48
Trading			
State Trading Corporation of Bhutan Ltd.	56.6	DLC	559.74
Manufacturing			
Dungsam Cement Corporation Ltd.	89	DCC	7,120.00
Dungsam Polymers Ltd.	51	DCC	124.62
Penden Cement Authority Ltd.	40.4	DLC	1,782.40
Bhutan Ferro Alloys Ltd.	26	DLC	458.23
Bhutan Board Products Ltd.	57.6	DLC	334.17
Koufuku International Private Ltd.	100	DOC	50.61
Druk Metallurgy Ltd.	40	DLC	180.00
Asista Bhutan Healthcare Ltd.	28	DLC	37.10
Menjong Sorig Pharmaceuticals Corporation Ltd.	100	DOC	162.5

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
DCC- DHI Controlled Companies
DOC- DHI Owned Companies
DLC- DHI Linked Companies

JANUARY

KIL expands its milk supply chain to 12 grassroots community/dairy groups in three Eastern Districts

FEBRUARY

NRDCL Launches My Resource App.

SEPTEMBER

Drukair operates repatriation flights, transportation of PPE, medical equipment, medicines and other essential goods.

OCTOBER

Bhutan Telcom Launches 5G Services in the core Districts of the Country

OUR YEAR AT A GLANCE

Resilient, Committed and Together....

MARCH

SMCL officially acquires Dolomite Mine

APRIL

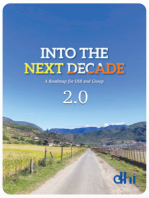
MSPCL becomes the latest entrant into DHI as one of its DOCs with signing of the share transfer agreement between the Ministry of Finance and DHI

JUNE

NRDCL signs agreement with Gyalsung Infra Project for crushing of stone aggregates for the Project.

NOVEMBER

DHI launches Roadmap 2.0 (Dedicated to the Trustees of Nation's Resources, the People of Bhutan)



DECEMBER

Drukair, Royal Bhutan Airlines, receives the Druk Thuksey Medal (Heart Son of the Thunder Dragon) from His Majesty on the 114th National Day.

OUR GOVERNANCE FRAMEWORK

DHI is a commercial investment arm of the Royal Government of Bhutan guided by the vision bestowed in the Royal Charter. Therefore, our governance framework emphasizes on creating long term values putting the institution at the core of its operation. It provides for accountability and a robust balance between empowerment and compliance.

Our Board and management ensure transparency and complete compliance with the Companies Act of Bhutan 2016, other rules and regulations and at all time abide by the provisions in the charter.

Under the guidance of the Board, we manage our portfolio as a prudent investor and asset owner with commercial discretion and flexibility to maximize values and returns to our shareholders. We invest beholding through generations with an aim to constantly reshape our portfolio, always gazing into the future with exposure and awareness of where the world is moving towards. Our choice of today is made with implications of tomorrow in mind.

As a trusted steward, we promote best corporate governance practices within the group companies. It includes the appointment of high caliber, well experienced and diverse boards to guide and complement management leadership.

The respective boards and management are entrusted with the day-to-day operational and business decisions of companies in the group. Thus, we hold the boards and management accountable for the activities in the respective companies. We expect companies to abide by sound corporate governance and codes of conduct and ethics, as desired and required.

To facilitate the board in efficient decision making, the Board Committee for Performance Management (BCPM) and the Nomination and Governance Committee (NGC) have been established. BCPM has the responsibility of reviewing the annual compact target setting and performance evaluation of DHI owned and controlled companies. NGC on the other is responsible for recommending the right CEO candidate to be appointed in the companies.

MEET OUR LEADERSHIP

OUR BOARD OF DIRECTORS

DASHO UGEN CHEWANG

Chairman, DHI
Appointed on 27th July 2018

MR. NIM DORJI

Secretary, Ministry of Finance
Appointed on 21st July 2016

DASHO PEMA CHEWANG

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

MR. THINLEY NAMGYEL

Secretary, GNHC Secretariat
Appointed on 17th November 2018

MR. KINGA TSHERING

CEO, 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

CEO, DHI
Appointed on 27th November 2015

Executive Management Team

DIRECTOR

DEPARTMENT OF INVESTMENT (DoI)

Deals with all matters relating to investment decisions within and outside the country and facilitate returns.

MR. CHENCHO TSHERING NAMGAY

DIRECTOR

DEPARTMENT OF FINANCE (DoF)

Maintains financing policy and systems, prepares financial reports, authorizes loan, disbursements, and other payments.

MS. TASHI LHAMO

DIRECTOR

DEPT. OF INNOVATION AND TECHNOLOGY (InnoTech)

Responsible to develop technology with values through applied R&D, implement projects and build capacity within the country to build an ecosystem for innovation in technology.

MR. UJJWAL DEEP DAHAL

DIRECTOR

CORPORATE PERFORMANCE DEPT. (CPD)

Undertakes planning, monitoring, performance evaluation and governance of the portfolio companies and conducts relevant studies to enhance the existing capacities within the group.

MR. DORJI NIMA

GENERAL COUNSEL

Provides administrative services and legal support, views & legislative policy feedback.

MR. SONAM LHUNDRUP

DIRECTOR'S REPORT

Dear Shareholder,

It is my pleasure to present the report on the business and operations of the Group, together with the audited DHI standalone and group financial statements for the year ended 31st December 2021.

MAJOR HIGHLIGHTS OF THE YEAR

As we witness today, Bhutan has managed to overcome many challenges that other nations are faced with. It is evident that in the face of adversity, solidarity and a common purpose have proved to be very effective. His Majesty The King's relentless efforts coupled with the support of the government and people have enabled Bhutan to make enormous strides in battling the global pandemic.

As we grappled with this pandemic since 2020, His Majesty's leadership and his unwavering efforts to contain the threat from the invisible enemy kept the country safe, and the people thoroughly conscientious. His Majesty's interventions rescued the poor, those who lost their jobs and the business entities through the loan interest waivers, monthly ration, and Kidu installments.

COVID-19 has been a global tragedy, taking a toll on millions of people around the world, hitting nearly every family, damaging the economy, and leaving a wide path of destruction. At home, DHI and Group, 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 on 2021 with the goal to take a radical transformation with a new mindset inspired by The Druk Gyalpo's overarching vision for a developed nation.

Our country witnessed a profound shift in economic development aspirations in recent years, with more pronounced visions in the last two years. His Majesty the King emphasized the need to work towards a developed, economically strong nation and to embrace accountability more than ever before. In this pursuit, DHI and Group take pride in recalibrating ourselves to succeed in the fast-paced world.

FINANCIAL HIGHLIGHTS

As we witnessed the most unprecedented times of our recent history, the economy at home has been badly hit by the pandemic in the past two years. Under the leadership of His Majesty, our country navigated the uncertainties and safeguarded our livelihood. The Group saw a remarkable recovery from FY2020's revenue decline of 12.5% (Nu. 4,956.42 million) to a growth of 16% (to Nu. 5,579.25 million) in FY2021. The profit after tax (PAT) also increased by 83% (or Nu. 3,041.56 million), to Nu. 6,686.40 million.

The key financial highlights of the Group and DHI's standalone accounts for FY2021 is summarized in table below.

Particulars	Group (in million Nu.)			DHI Standalone (in million Nu.)		
	2021	2020	Variance	2021	2020	Variance
Total assets	239,407.22	223,666.82	7.04%	69,312.51	66,150.84	4.78%
Net worth	98,901.54	95,890.43	3.14%	65,872.53	63,681.35	3.44%
Income	40,246.04	34,666.79	16.09%	8,357.02	7,443.52	12.27%
Expenditure	26,289.70	25,465.17	3.24%	152.18	701.07	-78.29%
PBT	13,956.34	9,201.61	51.67%	8,204.84	6,742.45	21.69%
Tax	7,269.94	5,556.77	30.83%	2,463.04	2,089.84	17.86%
PAT	6,686.40	3,644.84	83.45%	5,741.80	4,652.61	23.41%

GROUP ACCOUNTS

Total Assets and Net worth

In FY2021, the Group's total assets increased by 7.04% (Nu.15,740.40 million) to Nu. 239,407.22 million from Nu. 223,666.82 million in FY2020. The total net worth also increased by 3% (Nu.3,011.11 million), to Nu. 98, 901.54 million from Nu. 95,890.43 million in FY2020.

The total asset increased mainly on account of Nu. 9,592.70 million increase in the long-term financial assets through the purchase of RMA T-bills and RGoB bonds, and an increase in the size of banking loans and advances by Nu. 3,660.14 million during the year. Additionally, the investments also increased by 43.7%, or Nu. 3,215.12 million, with Nu. 2,153.36 million investments in overseas markets and an equity injection of Nu. 366.45 million in KHEL during FY2021.

Revenue

The Group's total revenue for the year is Nu. 40,246.04 million, an increase of 16.09 % from the previous year's Nu. 34,666.79 million. The increase is due to enhanced revenue from Energy and Resource segment, which grew 36.30% from the previous year's Nu. 9,701.13 million to Nu. 12,222.69 million. The trading segment also saw a significant growth of 87.70 % amounting to Nu. 1,473.57 million in FY2021. Unlike in the past year, Manufacturing segment saw an increase of revenue by 7.04% and the Transport & Communication segment by 0.4% that contributed Nu. 259.14 million and Nu. 229.66 million respectively to the Group's gross revenue.

Expenditure

The year's total expenditure increased by 3.24% to Nu. 26,289.69 million from Nu. 25,465.18 million in FY2020. While the Repair & Maintenance and other Cost reduced by 40.16% (Nu. 3,336.64 million from Nu. 5,576.04 million in FY2020) and the Finance Cost reduced by 4.37% (Nu.1,989.97 million from Nu 2,080.93 million in FY2020), the direct cost of sales increased by 70.12% (to Nu. 9,209.40 million from Nu. 5,413.54 million in FY 2020) representing the main reason for the increase in the total expenditure.

Profit after tax

Considering the significant increase in the revenue against a marginal growth in the expenditure, the consolidated profit after tax increased by 83% (Nu. 3,041.56 million) in FY2021 despite having a slight increase of expenditure by 3% (Nu. 824.52 million).

DHI STANDALONE ACCOUNTS

Total assets and net worth

DHI's total assets and net worth both increased marginally by 4.78%, and 3.44% respectively. Overall, the size of the Financial Position improved to Nu. 69,312.51 million from Nu. 66,150.82 million in FY2020.

This is mainly on account of Nu. 3,455.09 million increase in the Investments, which is triggered by the increase in Investments Abroad by Nu.2,153.37 million, purchase of Kidu Fund's shares in DCCL amounting to Nu. 674.22 million and allotment of shares equivalent to Nu.366.46 million grant received from Government of India for onward injection as equity in KHEL. Also, DHI capitalized the co-location building in Paro at Nu. 123.35 million and the capital work in progress on the Phuentsholing Township Project increased by Nu. 280 million during the year. Additionally, it may be informed that MoF transferred Menjong Sorig Pharmaceuticals Corporation Limited's (MSPCL) 1,824,277 shares amounting to Nu. 182.42 million to DHI during the year.

Revenue

The revenue increased by 12.27% to Nu. 8,357.02 million from Nu. 7,443.52 million in FY2020. The increase in operating income is mainly on account of an increase in dividend income by 11.96% from the companies. Dividends from BTL and DGPC increased by Nu. 778 million and Nu. 467 million respectively as compared to FY2020.

Expenditure

The total expenditure for the year decreased by 78.39% to Nu. 152.18 million from Nu. 701.07 million in FY2020 mainly on account of one-time CSR contribution towards COVID relief fund (Nu. 550 million paid in FY2020).

Profit After Tax

Considering the significant decline in expenditure by 78.39% the total profit on Operations after tax increased by 23.41% from Nu. 4,652.61 million in FY2020 to Nu. 5,741.80 million in FY2021 (an increase of Nu. 1,089.19 million).

OPERATIONAL HIGHLIGHTS

The most challenging part of the pandemic has been to keep the business and manufacturing plants operational. Nonetheless, with strict COVID-19 protocols implemented, every company assured minimal downtime with plants and business operations.

Energy and Resources Segment

The segment is the top revenue generator of the group. In FY2021, the segment generated 75.08% (Nu. 30,218.10 million) of the total revenue of Nu. 40,246.03 million, which is an increase of 17.3% (4,440.75 million) from Nu. 25,777.35 million in FY2020.

Despite the pandemic causing disruptions in its operations, State Mining Corporation Limited (SMCL) achieved remarkable successes in all its mines. The company's PAT surged by a remarkable 331.96% and crossed a billion Ngultrum milestone, as it reported a figure of Nu. 1,568.29 million, and registered a return on equity of 81.21%, an astounding feat for a highly equitized company.

While Druk Green Power Corporation Limited's (DGPC) overall income for the year decreased by 5.91% to Nu. 12,551.79 million in FY2021 from Nu. 13,340.91 million in FY2020, the achievement is still outstanding given that power plant availability was at 94% for the year. The decrease in revenue is also attributable to the decrease in generation by 318.878 MU, from 7,630.04 MU in FY2020 to 7,311.53 MU in FY2021, and the increase in domestic energy consumption from 2,051.35 MU in FY2020 to 2,514.40 MU in FY2021.

The financial performance of the Bhutan Power Corporation Limited (BPC) is far better this year as compared to that of the previous year. The company made a PAT of Nu.1,150.40 million, an increase of 102.28% from the previous year.

With the amalgamation of erstwhile Wood Craft Centre Limited (WCCL) with Natural Resource Development Corporation Limited (NRDCL) w.e.f 1st April 2021, the previous activities of NRDCL were expanded and the authorized share capital of NRDCL was increased to Nu. 800 million from Nu. 300 million.

Communication and Transport

Despite the movement restrictions caused by the frequent COVID lockdowns, Bhutan Telecom Limited (BTL) continued to prioritize enhancing network reliability and accessibility during the year. In addition to the capacity enhancement of the existing 4G Cell sites, the company deployed 192 new 4G (LTE) sites and 16 new 2G sites to ensure network reliability. BTL introduced 5G technology in its network towards the end of the year in the core towns of Thimphu, Paro, and Phuentsholing. Eventually, BTL recorded total revenue of Nu. 5,382.82 million and PAT of Nu. 1,980.15 million, marking a growth of 12.47% and 28.73% respectively from the previous year.

It has been two long years and aviation remains the pandemic's worst-hit industry worldwide. Hence, Drukair Corporation Limited's (DCL) total flights operated during the year dropped by 43% to 850 flights, from 1,487 flights operated in FY2020. Likewise, the total number of passengers carried also decreased by 65% to 23,858 from 67,482 passengers carried in FY2020, recording a poor load factor of 27.6% for the year.

Financial services

As a shareholder, we are proud of the Bank of Bhutan's (BOB) digital initiatives that eased banking services for its clients during the pandemic. Besides strengthening the existing mobile banking application, like the introduction of 'e-Loan' for retail clients, the Bank launched a digital wallet product – "goBoB" on 11th November for enhanced customer experience and service efficiency. The initiatives triggered a remarkable increase in the transaction value by about 200%. The bank has also been able to maintain its NPL at 3.34%, reflecting the quality of its assets.

Eventually, the PAT rose by 433.23% to Nu. 466.66 million from Nu. 87.52 million it reported for FY2020.

Manufacturing

The FY2021 did not offer much to the Group's manufacturing plants, as they had to operate out of containment facilities, besides bearing increased cost of raw materials and freight charges.

For Dungsam Cement Corporation Limited (DCCL), the matter worsened with the emergence of positive COVID cases from its containment area, which forced the company to abruptly stop cement export for more than a month. This caused an opportunity loss of about Nu. 192 million and the company slipped into financial loss of Nu. 267.73 million for the year. Consequently, Dungsam Polymers Limited (DPL) also suffered a net loss of Nu. 6.05 million for the year.

The Koufuku International Limited (KIL), however, could leverage the market opportunity and record actual revenue growth during the year. It reported a revenue increase of 121.45% to Nu.56.25 million from Nu. 25.21 million in FY2020, and finally turned itself around with a positive bottom line.

IT and Construction

Since the shift of its focus in 2019 in line with the DHI Roadmap 2030, TTPL continued its pursuit of becoming the Centre of Excellence for IT rapidly scaling up its manpower in the IT Services. TTPL achieved 55% growth in revenue in FY2021 and 95% growth in profit. The revenue for the current year was Nu. 246.3 million compared to Nu. 158.8 million in FY2020, and the PAT was Nu. 100.4 million as compared to Nu. 51.4 million in FY2020.

CDCL is another company adversely impacted by the pandemic. Despite the difficulties, CDCL persevered to maintain the continuity of its works. The company was also able to initiate new projects like the construction of the HRT Adit 2 and river diversion works for the Kholongchhu hydroelectric project, Pangrizam and Marungri bridge projects and Jigmeling water supply project.

Other operational highlights

To quickly recover from the punitive damage caused by pandemic on the businesses, the Group focused on digitalization and areas that would increase shareholder value. Some of the significant activities initiated during the year include the following:

- To improve service reliability, BoB conducted one Disaster Recovery drill during the year. This exercise was to ensure that the Disaster Recovery site will be able to function seamlessly in case of any disaster at the primary Data Center;
- A sand washing machine manufactured by Ms. CDE Asia, Kolkata was commissioned at Dzungdi on 15th May 2021 by SMCL. The plant is the first of its kind in Bhutan and was installed at the total cost of Nu. 22.43 million;
- Through the Remote Operated Vehicles (ROV) underwater inspection of the HRT, the surge shaft, desilting chamber, and intake tunnels carried out in March 2021, DGPC confirmed voids, cracks, and debris in a certain section of the HRT and surge shaft of the Tala hydropower plant. Plans to dewater the HRT, procurement of specialized equipment, construction materials and mobilization of critical resources for the rectification works in the 23 km long HRT were completed.

INVESTMENTS

Investments during the year increased by 43.7% on account of significant Investment Abroad of Nu. 2,153.36 million and equity injection of Nu. 366.45 million in KHEL in 2021.

DHI injected equity of Nu. 674 million in DCCL. Investment size increased also on account of the transfer of Menjong Sorig Pharmaceuticals Corporation Limited to DHI valued at Nu. 182 million by MoF. DHI also injected Nu. 14.71 million in ABHL in the same year.

PRIVATE SECTOR DEVELOPMENT

DHI has made remarkable progress in promoting socioeconomic development. The country's economic growth has been driven largely by investment associated with hydropower development, and in recent times the mining and manufacturing segment have become key economic factors. To accelerate private sector development and allow the private sector to play a more pivotal role in the economy, SMCL engaged 580 earth-moving equipment (EMEs) and trucks for mining works, and transportation of minerals. The company employed 664 community people. In the process, it gave back Nu. 891.2 million to the communities it operated in.

Similarly, in its continued effort as a corporate entity to give back to the community, DCCL contributed 360 bags of cement amounting to Nu. 106,200 to Eastern Covid-19 Taskforce, Samdrup Jongkhar, for the construction of various checkpoints and outposts.

To give back to the community, take part in philanthropic causes, and provide a positive social value of far-reaching impact, DHI contributed a total of Nu. 4.92 million towards activities initiated by CSOs, NGOs, and institutions, and Nu. 0.80 million in donations. A total of Nu. 3 million was disbursed to six individuals as part of its business acceleration program (DHI BizAP) for FY2021.

DIVIDEND AND TAXES

During the year, DHI remitted Nu. 3,021 million as advance dividend to MoF and Nu. 2,463.04 million as standalone taxes. However, as a Group, the total tax contribution to the government during the year amounted to Nu. 7,269.94 million, which works out the 'effective tax rate' at 52.09 % for the year.

Additionally, the Group also made a payment of Nu. 2,403.72 million on account of royalty energy and Nu. 338.20 million on account of royalty and mineral rents. In total, the group remitted Nu. 13,032.86 million as dividend, taxes, and royalty to the Royal Government of Bhutan in FY2021.

CORPORATE GOVERNANCE

DHI continues to evolve and adapt as always, to strengthen governance systems in the portfolio, and ecosystem. A promising FY2021 with many activities in the pipeline for FY2022 on governance and system improvement was hindered by the continued pandemic in 2021.

As a response to the challenges posed by the pandemic, DHI continued the annual programs of appointing Board of Directors and Chief Executive Officers in the companies and their onboarding programs, either through virtual, or emails but where necessary, physical meetings with safety protocols were conducted.

A testament to being a CG champion, DHI for the 7th year in a row maintained clean accounts, and no adverse audit observation was issued in its audited accounts for FY2021. Besides, it also complied fully with the Companies Act of Bhutan 2016 and other statutory requirements.

For the FY2021, the DHI Board consisted of seven directors including the Chairman and the CEO. Seven Board Meetings were held in 2021 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2016.

IN SOLIDARITY...

...His Majesty steers Bhutan out of danger as the world reels in COVID-19

The coronavirus pandemic, a global health emergency unlike any other, has thrust the world into a new environment. As countries face unprecedented challenges and uncharted paths, it is not without silver linings. The crisis is bringing together communities even when everyone is staying apart.

The group provided relief to the Government in the form of finance and services. BPC waived off the electricity charges against relief measures and other support services, reduced demand charges, and eased people's lives in the form of penalty waivers. Bhutan Telecom provided free internet services at the quarantine facilities.

DHI and Group decided to forgo bonus payments for employees and contributed about Nu. 245 million to the national resilience fund (NRF) this year. This would help the livelihood of thousands of people impacted by the pandemic.

As we continue to fight the invisible enemy led by His Majesty the King at the forefront, we pledge our commitment to always endure for excellence in the righteous vision of His Majesty the King.

STATUTORY AUDIT REPORT

Based on the appointment by the Royal Audit Authority (RAA), Jigme Audit and Financials Pvt. Ltd. and Tshechu & Associates conducted the audit of the Group and DHI Standalone accounts for FY2021. The audit was carried out in accordance with the auditing standards sprescribed by the Accounting and Auditing Standards Board of Bhutan (AASBB) and the relevant provisions of the Companies Act of Bhutan 2016.

The Auditors' Reports for both the Group and standalone accounts do not have any qualifications. 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.

CHALLENGES AND WAY FORWARD

As we forge ahead, the process of rebuilding the economy and strategizing our plans, all while still protecting our country from the pandemic, is our collective priority.

While the challenges posed by the pandemic continues, the following are a few specific issues the Group continues to deal with:

» Human Capital: while the Group pursues excellence in Human Capital, DHI has resorted to the hiring of Experts and Consultants for numerous projects. The lack of skill-set in the country for trending global business and related innovation has always been a challenge to the organization and its growth.

» Hydropower generates a major chunk of revenue for the Shareholder. However, Climate Change and its impact on the river system in the country is a growing concern for DHI. The effect of climate change on hydropower is mostly influenced by the change in river runoff. The change in precipitation and temperature are the most driving factors. An increase in the extreme climate events and enlarged erosion furthermore pressures the hydropower production. Climate change and the risks it imposes upon assets and markets is one of the biggest challenges confronting government today; and

» DHI has just started venturing into R&D with aim of creating knowledge and capacity through scientific research and development that will build innovation on that knowledge to create useful products and services and establish "Ventures". However, the pursuit is still in its nascent stage.

» There is an opportunity to leverage existing assets to get exponential returns with proper risk measures in place for a significant financial strategy and capital structure. Investments in foreign markets require expertise, and support from regulatory agencies as well as enabling policies. Limited experience and knowledge of both the foreign markets and foreign regulatory issues are challenges to tackle in the coming years.

ACKNOWLEDGEMENT

In his noble vision to prevent a global pandemic, and to ensure every single Bhutanese soul remains unaffected, our beloved His Majesty the King has tirelessly visited the COVID inflicted borders on foot leaving aside numerous royal engagements, making sacrifices to the Royal Family, working through endless nights and sacrificing sleep and even meals. His Majesty the King granted continuous monetary and financial Kidu to the families and individuals through Druk Gyalpo's relief programs and provided free vaccines to the people. Such noble initiatives and sacrifices portrayed the exemplary leadership of His Majesty the King to other leaders in the world that helped us secure the vaccines on priority.

The people of Bhutan are indeed fortunate to have been born in this most blessed country. It is even more fortunate to be the citizens under the glorious and benevolent reign of the Wangchuck Dynasty. In deep reverence, faith, and submission, we express our immense gratitude to His Majesty for his divine compassion and enlightened leadership.

The Prime Minister, ministers, and senior government officials have been serving with their best abilities to protect us from the deadly variants of the virus. Our civil servants, members of the armed forces, De-suups, and other volunteers have equally endured the brunt of the pandemic and served with utmost loyalty. Members of the monastic community have performed prayers and rituals to avert the dangers posed by the pandemic. For such a gallantry show of love for the country, we remain humbled and grateful.

I extend appreciation and gratitude to the employees of the Group led by their Chairmen, Board Directors, CEOs, and Senior Management for their committed efforts in keeping all the services up for the people of Bhutan in spite of the challenges posed by the pandemic.

As I sit through this AGM, perhaps the last one in my tenure as the Chairman of DHI, I would like to sincerely thank Dasho CEO for his diligence and the committed endurance in managing DHI and Group with utmost sincerity and dedication.

The DHI, and the Group's Board and Management once again pledge our commitment and rededicate lifetime service to the Tsa-Wa-Sum, and submit our prayers for the good health and longevity of Their Majesties.

Thank you!

[Dasho Ugen Chewang]

CHAIRMAN

Druk Holding and Investments Ltd.


CORPORATE GOVERNANCE
Board & Committee
Legal, Regulatory & Systems
Hierarchy & Internal Controls
Policies, Procedures, Transparency

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 the fulfilling requirements set in the Code, DHI has complied fully with the Companies Act of Bhutan 2016 and other statutory requirements for FY2021.

Board of Directors

The Board of Directors is entrusted with the ultimate responsibility to provide the 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 FY2021, all responsibilities were carried out as per the formal authority delegations.

Composition of the Board and attendance in 2021

Name of Director	Category	Profile	No. of BM attended during 2018	No. of Directorship on other DHI owned/ controlled companies	
				Chairman	Member
Dasho Ugen Chewang	Non-independent Executive	Chairman, DHI	7	2(Bhutan Power Corporation Ltd (BPC)) and Druk Metallurgy Limited(DML)	
Mr. Nim Dorji[1]	Non-independent Non-executive	Secretary, MoF	7	-	1(Druk Green Power Corporation Ltd (DGPC))
Dasho Pema Chewang	Independent Non-executive	Secretary, NLC	7	1(Druk Air Corporation Ltd.(DAC))	
Mr. Thinley Namgyel	Independent Non-executive	Secretary, GNHC	5	-	1(State Mining Corporation Ltd (SMCL))

[1] Mr Nim Dorji Completed his term as Finance Sectary in August 2021 and reappointed as a Board Director in his personal capacity in September 2021

[2]Mr. Dechen Dorji	Independent Non-executive	Sr. Director for Asia Wildlife Conservation, WWF	0	-	
[3]Mr. Kinga Tshering	Independent Non-executive	CEO, TVET Reforms, PMO	7		1(Druk Green Power Corporation Ltd (DGPC))
Dasho Karma Yezer Raydi	Non-independent Executive	CEO, DHI	7	2(State Mining Corporation Ltd (SMCL) and Dungsam Cement Corporation Ltd (DCCL))	Druk Metallurgy Limited(DML)
[4]Ms. Kesang Deki	Non-independent Non-executive	Secretary , MOF	3	-	-
[5]Mr. Karma Loday	Non-independent Non-executive	CEO, Yangphel Pvt Ltd	2	-	-

7 Board Meetings were held in 2021 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2016.

[2]Mr. Dechen Dorji completed his term on the DHI Board in November 2021
[3]Mr. Kinga Tshering completed his term on the DHI Board in November 2021
[4]Ms. Kesang Deki appointed on the DHI Board in August 2021
[5]Mr. karma Lotey appointed on the DHI Board in November 2021

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 2021 including the compact negotiation meetings and mid-term review of the compacts.

Nomination and Governance Committee (NGC) for the Selection of CEOs of DHI Owned Companies

The Nomination and Governance Committee is a special committee established for selection and appointment of CEOs in DHI owned and controlled companies, consisting of member representatives from the concerned company Board and DHI Board. A total of 12 NGCs were held for the selection and appointment of CEOs in Construction Development Limited (CDCL), Bhutan Power Corporation Limited (BPCL), Bank of Bhutan (BOB) and Thimphu Tech Park Limited (TTPL).

Board and CEO Evaluation

DHI annually conducts an online survey where feedback is collected from the Chairman and CEO on the performance of the individual board directors in the DHI Owned Companies. The key parameters covered include i) Dedication and preparedness; ii) Professional and ethical attributes; iii) Team work and iv) Contribution. The report is mainly used for two purposes, 1) To identify the skill-development needs of Directors and 2) to determine the appointment/reappointment of the current board directors

DHI also assesses the performance of the CEOs of DHI Owned Companies through an online survey annually. The Board of directors evaluate the CEO on his/her leadership competencies and attributes. The assessment constitutes 20% weightage of the overall CEO's performance evaluation and the remaining 80% is based on the achievement of annual compact targets.

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

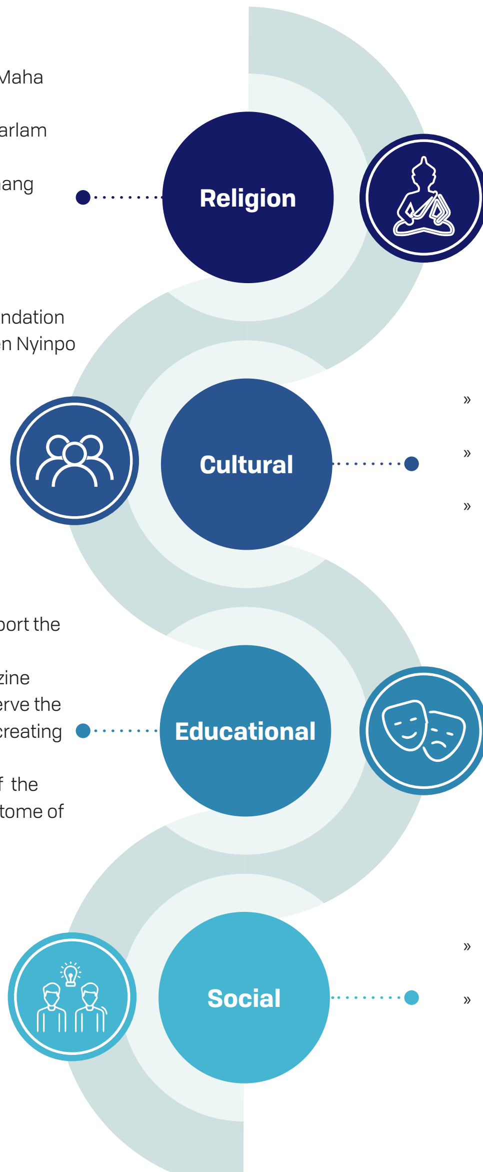
Risk Management Framework based on the enterprise risk management principles was issued by DHI in 2013 to provide overall guidance to ensure that risks related to the activities undertaken by the portfolio companies are managed effectively through a process of assessment, resource allocation, review 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 by the DHI Board.

2021 CHARITABLE CONTRIBUTION HIGHLIGHTS

In its continued effort as a corporate citizen to give back to the community, take part in philanthropic causes, and provide positive social value of far-reaching impact, DHI contributed a total of Nu. 4.92 M towards activities initiated by CSOs, NGOs, and institutions and Nu. 0.80 M in donations.

Some of the major activities are as below:



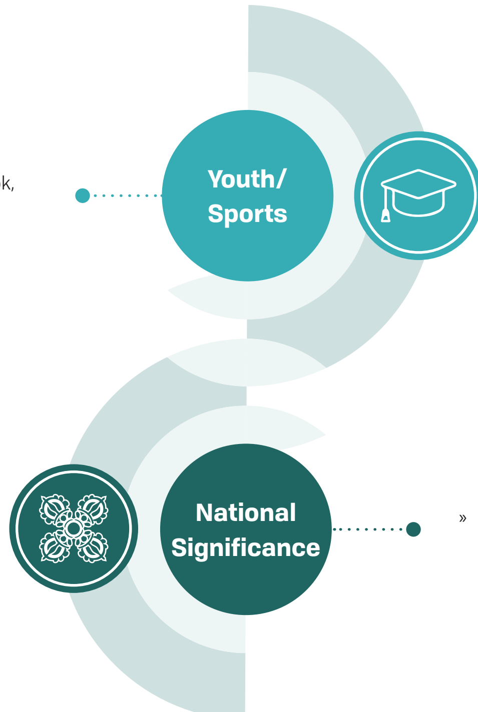
» Financial support to Nimalung Dratshang, Bumthang
» Financial support to Thangtong Maha Sidhhna Foundations
» Financial support to Zabsang Tharlam Lhundrupling Goenpa
» Financial support to Zung Dratshang
» Financial support to Sang Ngag Chohoekhor Dho Nga Tenpailing
» Financial support to MAsi Pokto Monastry
» Financial support to Dudjom Foundation
» Financial support to Kabji Chorten Nyinpo Foundation

» Financial support for release of music video
» Financial support for Royal Kanjur Project
» Financial support for Thrumshing la Chorten Construction

» Financial support to MOE to support the Girls STEM Camp
» Financial support to Army Magazine
» Financial support to DITT to observe the National Cybersecurity week to creating cyber security awareness.
» Fund support for the purchase of the book, "Sherubtse College: An Epitome of Higher Education in Bhutan".

» Fund support for the procurement of benches at S/J hospital
» Fund support to DITT to observe the National Cybersecurity week to creating cyber security awareness.

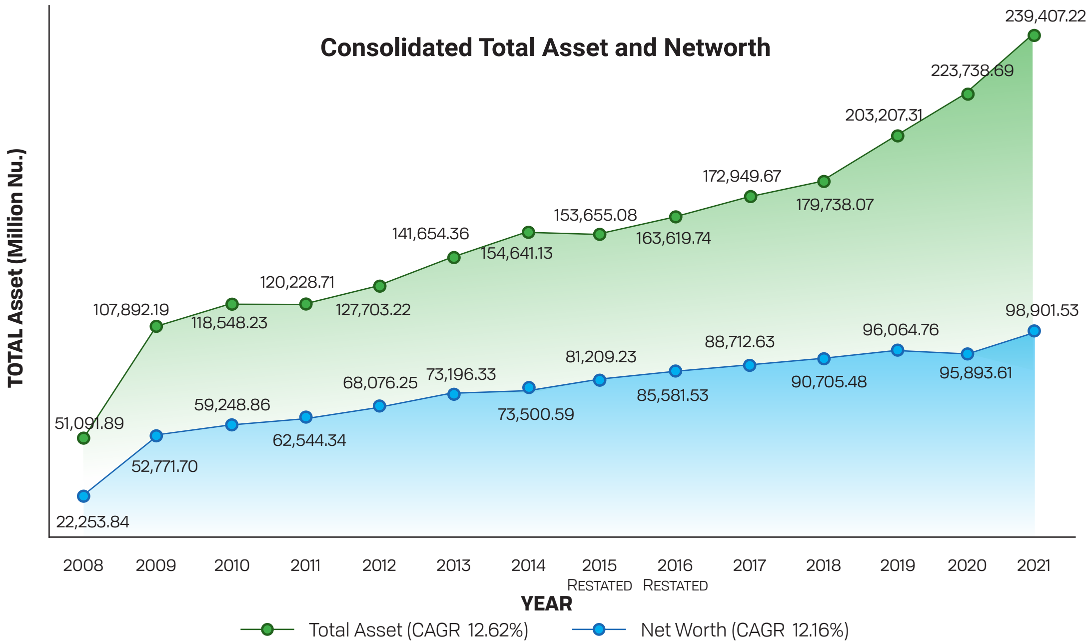
» Financial support to publish the book, "my money diary"



» Fund support Eastern Covid Task force

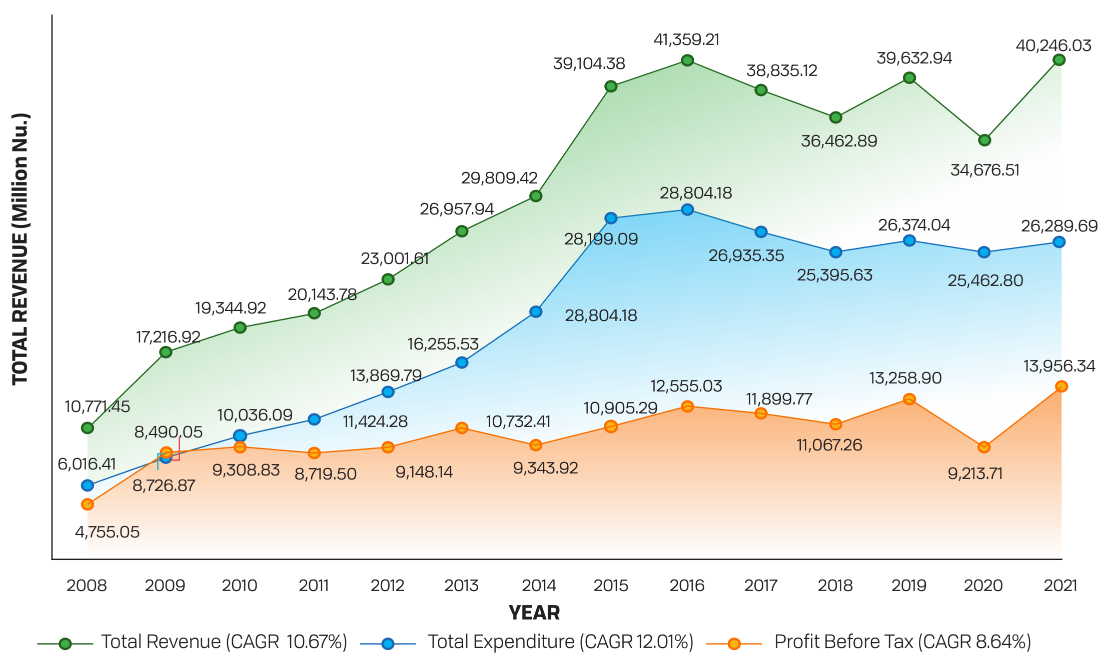
FINANCIAL REVIEW

GROUP ASSESTS AND NETWORTH



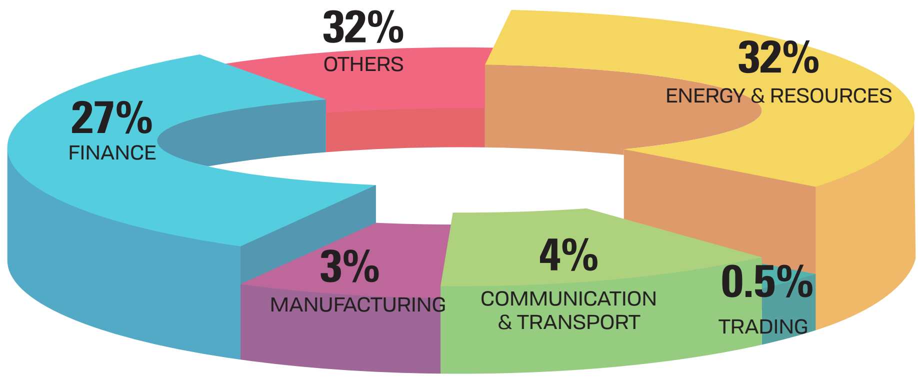
*With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.

GROUP REVENUE AND PROFIT BEFORE TAX (PBT)

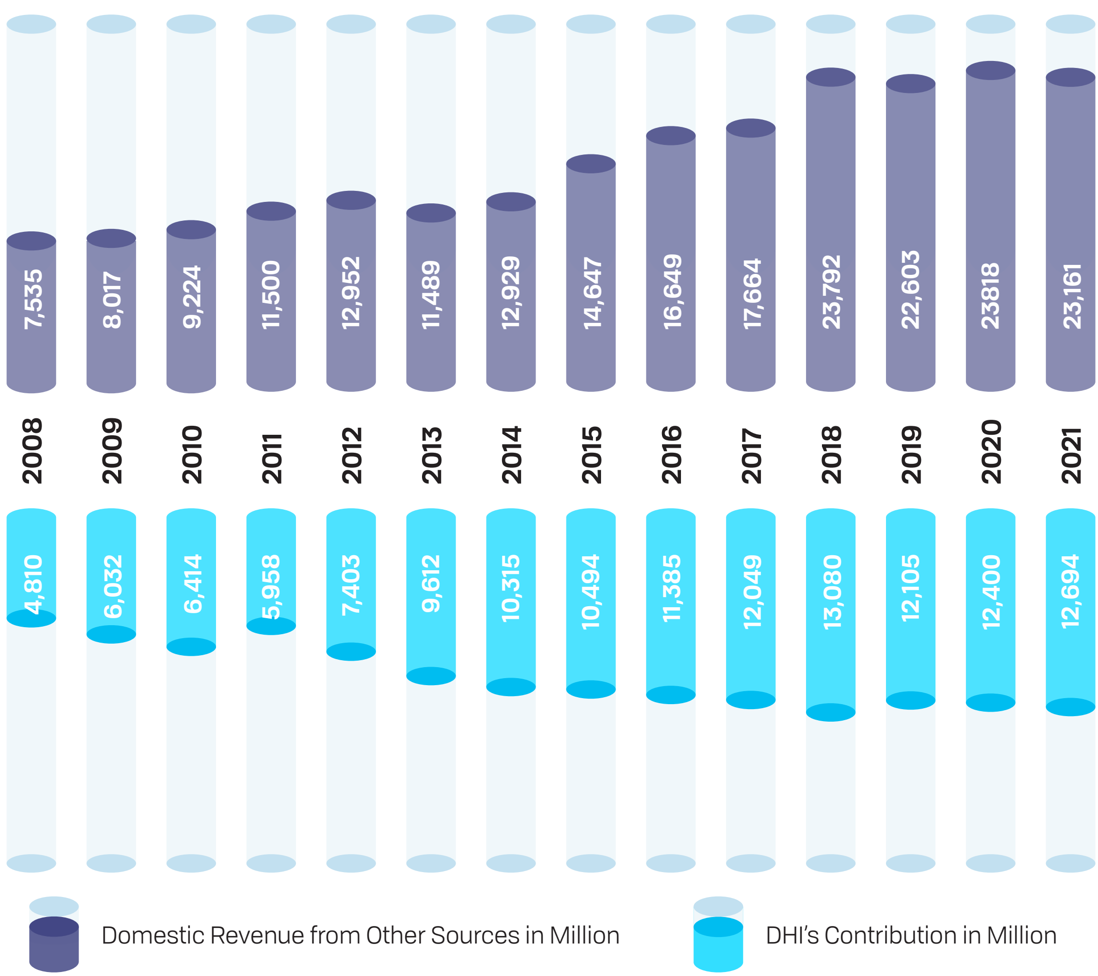


*With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.

Asset by Sector, 2020



Group Vs Others' contribution to National Revenue (39%)



KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS OF DHI SUBSIDIARIES 2021

DRUK GREEN POWER CORPORATION LIMITED

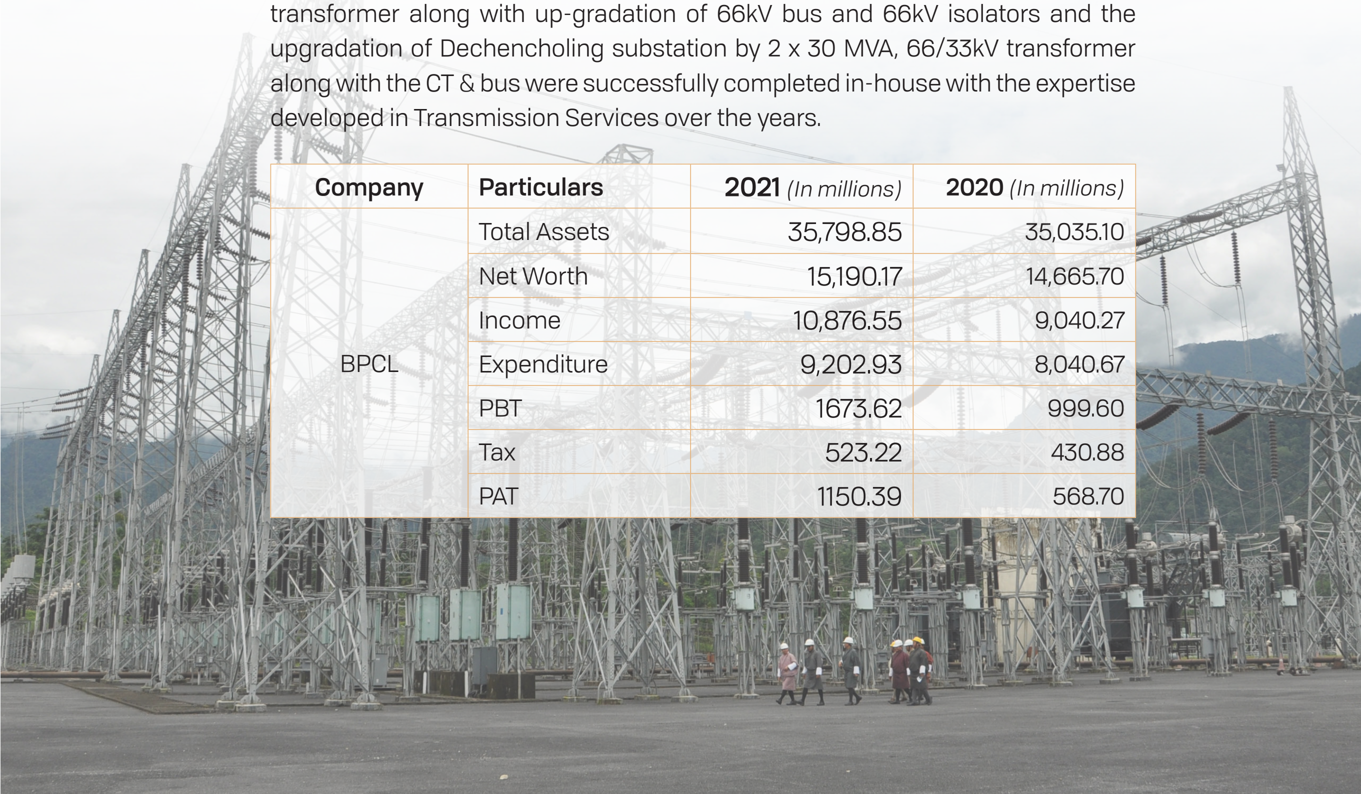
- The contract for Engineering, Design, Manufacture, Supply, Testing, and Commissioning of Nozzle Injector System was awarded to GE Power India. GE is collaborating with Bhutan Hydropower Services for some component of the works.
- An underwater inspection of the HRT, the surge shaft, desilting chamber, and intake tunnels was carried out in March 2021 through Hibbard Inshore of USA using Remote Operated Vehicles (ROV). The underwater inspection revealed voids, cracks and debris in certain sections of the HRT and surge shaft.
- Tala power plant was shut down for a period of three months for dewatering of the HRT, and for mobilization of resources to undertake the anticipated rectification works. The rectification works in the 23 km long HRT were initiated and completed prior to the expected time.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
DGPC	Total Assets	56,273.15	56,028.31
	Net Worth	46,574.12	46,722.31
	Income	12,551.79	13,340.91
	Expenditure	5,222.53	6,031.24
	PBT	7,329.25	7,309.66
	Tax	2,232.14	2,252.00
	PAT	5,097.11	5,057.74

BHUTAN POWER CORPORATION LIMITED

- The industrial load constitutes around 73 % of the total domestic load. The domestic load was met by purchasing 2,649.54 MU of energy from DGPC and 21.41 MU from BPC's embedded generation.
- A total of 2,474.83 MU of energy were sold as compared to 1,961.32 MU in the previous year, which is an increase of about 26%.
- The energy wheeled for export to India decreased to 8,074.29 MU from 9,156.72 MU in the previous year due to an increase in domestic consumption.
- The domestic T&D loss excluding wheeling in 2021 was 7.34% compared to 8.95 % in 2020. The losses are comparable to other utilities in the region.
- On the network expansion, as part of modernizing the transmission grid, BPC successfully completed the installation, testing, and commissioning of the SCADA system in Yurmoo, Tingstibi, and Lobesa substations, and the network topology and GIS mapping of 16 substations and transmission lines.
- The construction of 3x25MVA, 66/11 kV GIS Substation at Dochula along with LILO of 66kV Semtokha-Lobesa Transmission Line was completed within 12 months despite the restrictions and difficulties due to the Covid-19 pandemic.
- The up-gradation of Semtokha Substation by adding one 40/50MVA, 220/66kV transformer along with up-gradation of 66kV bus and 66kV isolators and the upgradation of Dechencholing substation by 2 x 30 MVA, 66/33kV transformer along with the CT & bus were successfully completed in-house with the expertise developed in Transmission Services over the years.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
BPCL	Total Assets	35,798.85	35,035.10
	Net Worth	15,190.17	14,665.70
	Income	10,876.55	9,040.27
	Expenditure	9,202.93	8,040.67
	PBT	1673.62	999.60
	Tax	523.22	430.88
	PAT	1150.39	568.70



BHUTAN TELECOM LIMITED

» In keeping with technological advancement in the field of ICT, BTL soft-launched 5G services on September 30, 2021. In the first phase, 5G services have been made available in selected locations in the core areas of Thimphu and Paro Dzongkhags;

» Bhutan Telecom launched the ERPNext system on December 31, 2021. This is the first replacement of SAP ERP with an open-source alternative in the country, and also the largest ERPNext software project in the country carried out by a Bhutanese team;

» Bhutan Telecom also launched e-KYC (Electronic Know Your Customer) on May 17, 2021. It is a digital initiative with the objective and a long-term goal to create user friendly registration process for our citizens to avail telecommunication services and to know our customers better to understand and serve their needs efficiently;

» In addition to the capacity enhancement of the existing 4G Cell sites, the company deployed 192 new 4G (LTE) sites and 16 new 2G sites to ensure network reliability;

» Bhutan Telecom received the GNH of Business Certification on 30th December, 2021, following a GNH Alignment Assessment conducted in 2019.

Company	Particulars	2021 *(In millions)*	2020 *(In millions)*
BTL	Total Assets	7,450.07	7,207.33
	Net Worth	5,825.50	5,483.26
	Income	5,382.81	4,786.75
	Expenditure	2,439.00	2,514.00
	PBT	2,942.82	2,271.73
	Tax	944.54	733.49
	PAT	1,998.28	1,538.25

NATURAL RESOURCES DEVELOPMENT CORPORATION limited

- With the amalgamation of erstwhile Wood Craft Centre Limited (WCCL) with NRDCL w.e.f 1st April 2021, the previous activities of NRDCL were expanded and the authorized share capital of NRDCL was increased to Nu. 800.00 million from 300.00 million.
- A formal agreement was signed between the management and Gyalsung Infra Project to manufacture and supply window frames and cornices worth Nu. 1.6m for construction of classroom buildings at Jiba, Khotokha.
- NRDCL supplied 34,115.66 Cft of varying sizes of sawn timber from different Regions for the construction of COVID-19 quarantine facilities in the South.

Company	**Particulars**	2021 *(In millions)*	2020 *(In millions)*
	Total Assets	884.52	999.32
	Net Worth	645.68	695.15
	Income	764.14	630.32
NRDCL	Expenditure	756.90	610.91
	PBT	7.24	19.41
	Tax	6.15	7.28
	PAT	1.08	12.13

DRUKAIR CORPORATION LIMITED

- Drukair was awarded the DRUK THUKSEY by His Majesty on the 114th National Day Celebration in the courtyard of Tashichhodzong;
- Shifted the Head Office to the brand new state-of-art DHI Co-location building at the year-end;
- Drukair operated a total of 850 flights, a decrease of about 43% from 1,487 flights operated in FY2020. The total number of passengers carried has decreased by 65% to 23,858 from 67,482 passengers carried in FY2020, consequently, achieving a load factor of 27.6% for FY2021;
- Drukair ferried 622 Metric Tons (MT) of cargo, 200 MT of mail and 204 MT of unaccompanied cargo (Inclusive of Excess Baggage) in 2021.

Company	Particulars	2021 *(In millions)*	2020 *(In millions)*
Drukair	Total Assets	9,160.82	9,629.98
	Net Worth	1,730.31	2,838.97
	Income	556.41	966.67
	Expenditure	1,915.11	2,250.03
	PBT	-1,490.36	-1,284.90
	Tax	-381.77	-336.40
	PAT	-1,108.59	-814.49

CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

Projects secured by CDCL during the year 2021 are:

» The construction of the HRT, Adit 2 and Chaplangchhu Diversion Works for the Kholongchhu hydroelectric project

» Pangrizampa Bridge Project

» Jigmeling Water Supply Project

» The Marungri Bridge Project.

Some of the significant projects there were completed and handed over to the Clients in 2021 were as under:

» Construction of KHEL Colony water supply, Trashiyangtse

» Construction of DHI-Colocation building

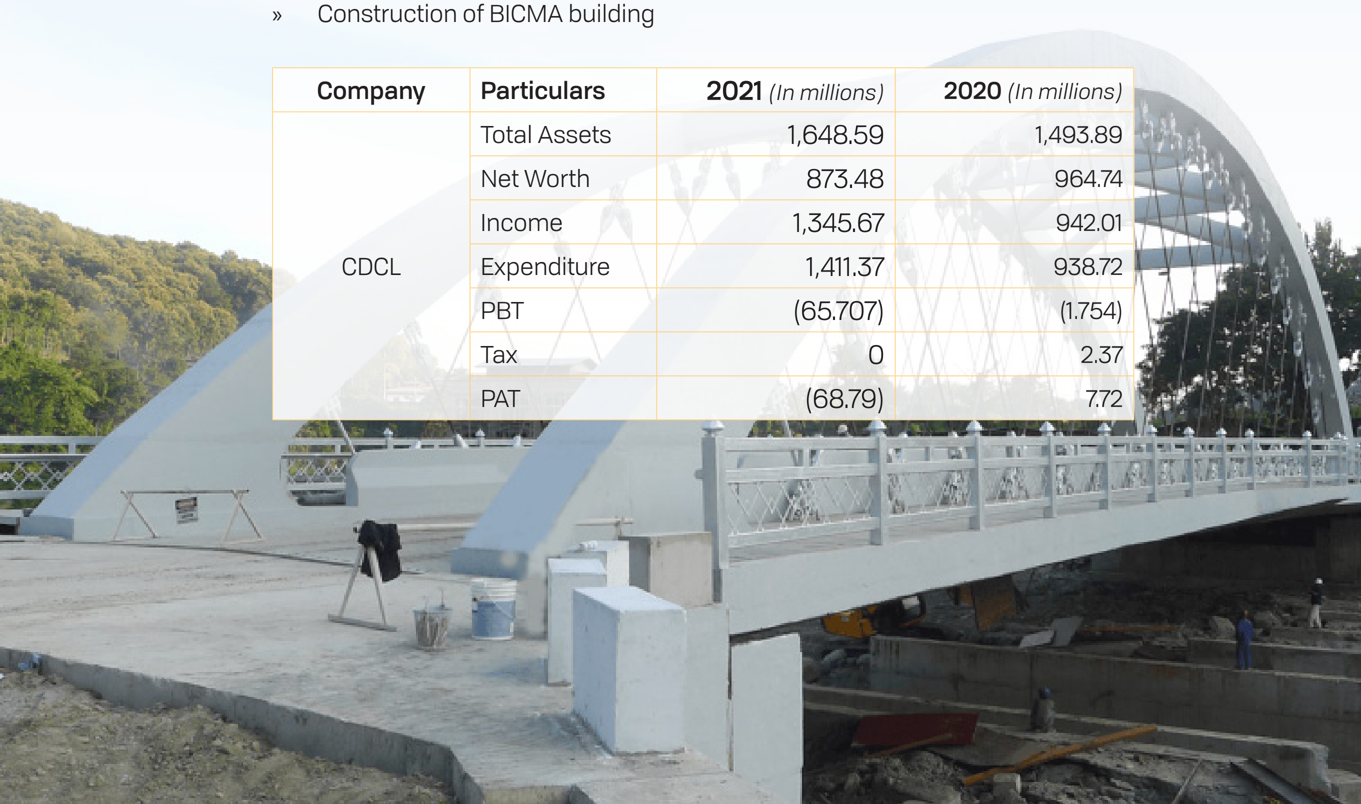
» Construction of water supply and sewerage system for Pangbisa Law School, Paro

» Construction of Film Studio building, Thimphu

» Construction of urban roads, Bumthang

» Construction of BICMA building

Company	**Particulars**	**2021** *(In millions)*	**2020** *(In millions)*
CDCL	Total Assets	1,648.59	1,493.89
	Net Worth	873.48	964.74
	Income	1,345.67	942.01
	Expenditure	1,411.37	938.72
	PBT	(65.707)	(1.754)
	Tax	0	2.37
	PAT	(68.79)	7.72



THIMPHU TECHPARK LIMITED

The ePIS project team has submitted the inception report, and completed the system requirement gatherings for the first phase.

Some of the projects completed by the team in 2021 are:

» ePayment integration between DHI owned companies and financial institutions for CDCL, SMCL, NRDCL, DHI & DGPC

» Data Centre Migration for BPC, DHI, DCCL, DPL, BPC & DCCL, ERP Implementation for BTL & BoBL

» Team Appraisal System & Management Information System for DGPC and eRecruitment System for DH

The contract for the operation of Bhutan Innovation & Technology Centre on behalf of the Department of IT & Telecom which ended on 30th June 2021 was initially extended by 6 months until 31 December 2021, and the renewal of the same by another five years is under consideration with the Department of IT & Telecom.

Company	**Particulars**	2021 *(In millions)*	2020 *(In millions)*
TTPL	Total Assets	754.03	653.80
	Net Worth	401.41	309.19
	Income	246.37	158.86
	Expenditure	144.48	107.11
	PBT	101.89	51.74
	Tax	(5.90)	3.72
	PAT	114.52	62.63

STATE MINING CORPORATION LIMITED

- Gypsum production for 2021 was 364,421.58 MT, at 62.53% of the Annual Compact target of 582,750 MT.
- The Sale of Gypsum was 433,464.76 MT which is 82.56% against the Annual Compact target of 525,000 MT. Sale in 2021 was higher by more than 100,000 MT when compared to 2020. There was no report of shortfall from the markets.
- The coal production was 100,139.82 MT against the target of 100,000 MT. The production increased by 8.22% compared to 2020. The total sale was 98,165.31 MT, against the target of 90,000 MT, an increase of 36.03% compared to 2020.
- Dolomite mine had come to the Company and production was already operational from October 2020.
- The Company produced 86,421.8 MT of boulders and 63,715.52 MT of aggregates, an increase of 15.07% and 15.05% compared to 2020, respectively. Sale was 76,074.08 MT of aggregates, an increase of 199.77% compared to 2020.

Company	Particulars	2021 *(In millions)*	2020 *(In millions)*
SMCL	Total Assets	2856.27	1,357.97
	Net Worth	1931.10	729.50
	Income	4,229.18	1,165.90
	Expenditure	1,957.97	634.20
	PBT	2271.20	531.69
	Tax	702.92	168.63
	PAT	1,568.28	363.06

BANK OF BHUTAN LIMITED

- The Bank extensively promoted digital payments through its mBoB application and QR systems to provide ease of payments to its clients thereby advocating cashless transactions in the country. This initiative triggered an increase of mBoB users from 210,534 in 2020 to 236,026 in 2021 and saw a remarkable increase in transaction value from Nu. 122 billion in 2020 to Nu. 310 billion in 2021, showing an increase of 192%.
- BoB established an Extension Branch at the Jigme Dorji Wangchuk National Referral Hospital, Thimphu on 19th October to increase its reach and enhance services to clients in the area. The Bank continued to provide accessible and inclusive banking across the country through its 526 BoBConnect Agents under the Agency Banking services. The Agency Banking facilitated a transaction of Nu. 9.8 billion in 2021 as compared to Nu. 4.25 billion in 2020.
- The Bank launched a new wallet product – "goBoB" on 11th November. The e-wallet product promotes cashless transaction and encourages customers to opt for digital banking without having to maintain an account with the Bank.
- The Bank introduced 'e-loan' for retail clients on 11th November to provide convenient services to the clients and gain efficiency in providing the service.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
BOBL	Total Assets	100,679.69	87,186.35
	Net Worth	8,208.73	7,158.43
	Income	1,654.26	1,711.07
	Expenditure	963.13	1,586.92
	PBT	691.12	124.15
	Tax	224.46	36.63
	PAT	466.66	87.52

DUNGSAM CEMENT CORPORATION LIMITED

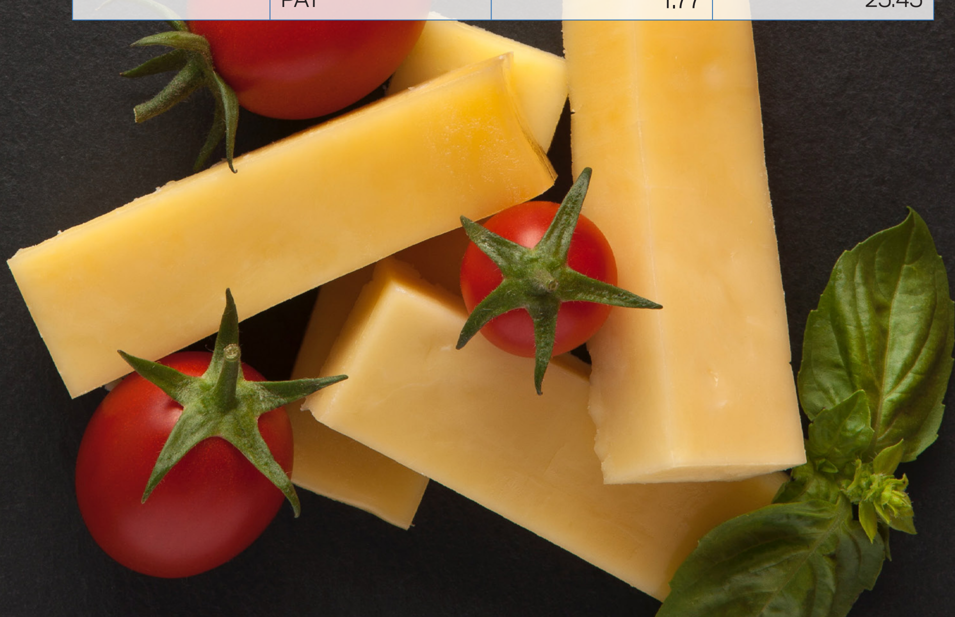
- DCCL produced a total of 451,588 MT of Clinker and 484,588 MT of cement and sold 488,787 MT of cement and 64,061 MT of clinker, recording an increase of about 3% and 41% respectively from 2020.
- The company constructed self-containment areas with full barricades, washrooms and installed CCTV cameras as recommended by the COVID-19 Taskforce.
- In order to fill in the vacuum created by Indian workers, the company immediately recruited a total of 34 Bhutanese loaders and packers in addition to 20 security guards who were employed after the termination of Heruka Security Services in June 2021. The security service has been improved after it has been operating under the sole purview of the company.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
DCCL	Total Assets	9,463.18	9,668.69
	Net Worth	2,197.85	2,549.85
	Income	2,864.01	2,693.95
	Expenditure	3,131.74	3,007.73
	PBT	(267.72)	-313.78
	Tax	(83.47)	290.03
	PAT	(351.207)	-603.81

KOUFUKU INTERNATIONAL LIMITED

- Value conversion per litre milk has increased from Nu.36.14 to Nu.79.36 respectively through value addition of milk. The revenue over the same period has grown from Nu. 12.82 million to 53.81 million respectively from the product sales alone
- KIL has expanded its market networks through its strategy to all regions, reaching out in 15 Dzongkhags through 27 formal and informal distributors, 30 schools and 6 Dratshangs.
- The company during the year 2021 received and processed a total of 6,78,051.30 liters of milk producing 46,594 kgs of Gouda cheese, 100,055.5 kgs of Processed Cheese (Druk Zambala), 10,429.54 kgs of butter, 2,13,808 cups of 100ml stirred Yogurt and 22,047 cups of 400ml Premium Yogurt.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
	Total Assets	83.71	81.62
	Net Worth	50.61	49.29
	Income	56.24	25.40
	Expenditure	53.52	49.74
	PBT	2.72	-24.33
	Tax	0.95	1.12
	PAT	1.77	-25.45



MENJONG SORIG PHARMACEUTICALS CORPORATION LIMITED

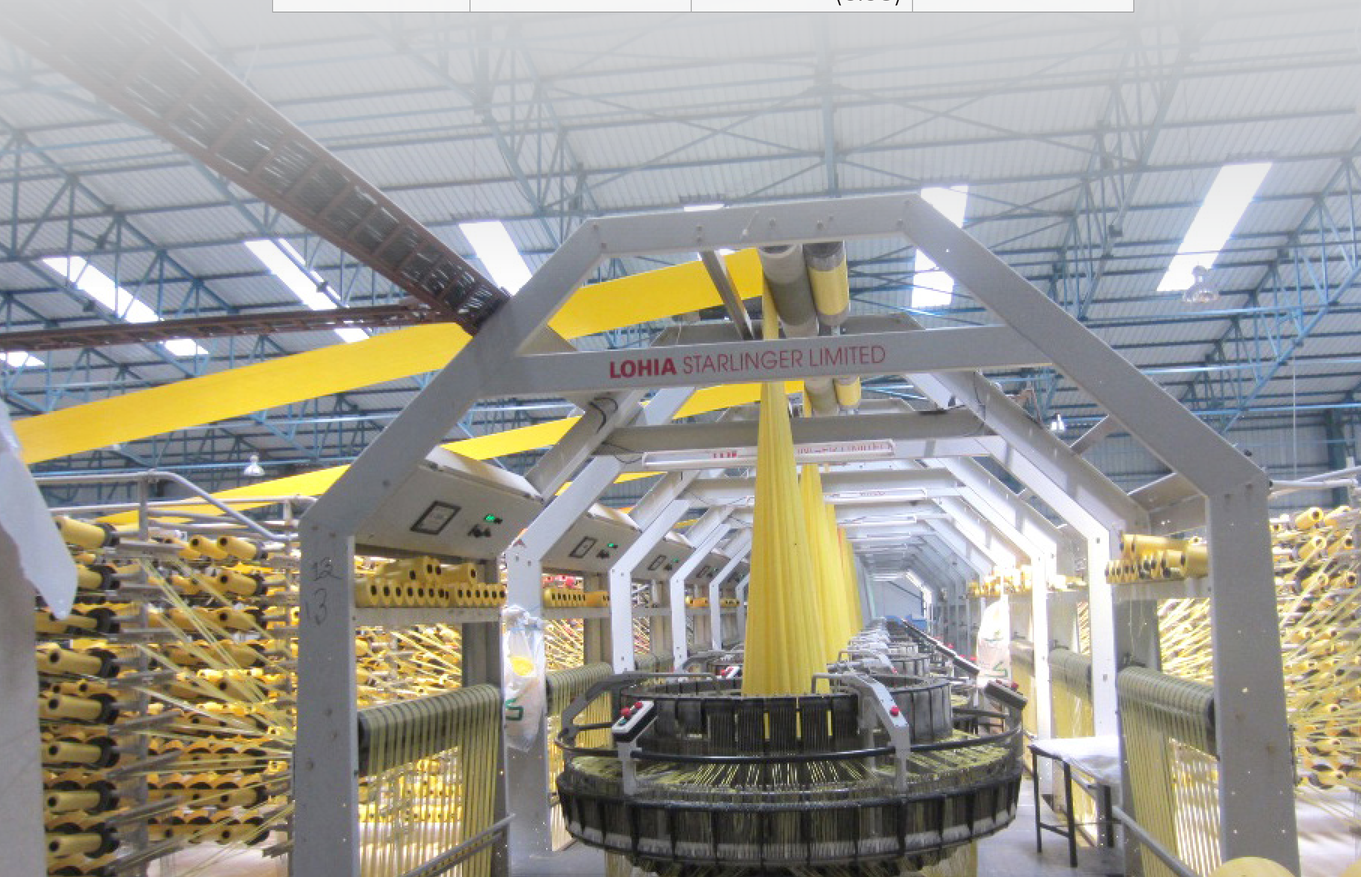
- The signing of the share transfer agreement between the Ministry of Finance (MoF) and DHI on 9th April 2021 was an important milestone as the MSPCL became the latest entrant into DHI as one of its DHI companies.
- MSPCL's Service Rules and Regulations (SRR) were harmonized with DHI's standard guideline for DOCs on the development of SRR.
- On bio-prospecting and R&D front the Company introduced Black Turmeric in the local market after successful trial production.
- The trial production of one cannabis-related product was also carried out. Its commercial name is Menzang Analgesic Balm. It's for external application only which is used to relieve pain and swelling.

Company	Particulars	2021 *(In millions)*	2020 *(In millions)*
KIL	Total Assets	177.07	167.32
	Net Worth	162.50	153.48
	Income	77.12	65.32
	Expenditure	70.14	76.90
	PBT	6.97	(11.57)
	Tax	(2.22)	(1.14)
	PAT	9.19	(10.42)

DUNGSAM POLYMERS LIMITED

- Produced 867.89 metric tons of PP bags, a decrease of 1% from 2020.
- Produced 1,176.81 metric tons of fabric, an increase of 2% from 2020.
- 71% of the bags were sold to DCCL and the rest to PCAL, RSA Ltd., Chundu Enterprise and some other small vendors/distributors across the country.

Company	Particulars	2021 *(In millions)*	2020 *(In millions)*
	Total Assets	156.89	161.87
	Net Worth	43.92	50.43
	Income	178.56	154.97
DPL	Expenditure	184.61	147.13
	PBT	(6.04)	7.84
	Tax	0.53	2.38
	PAT	(6.58)	5.46



STATE TRADING CORPORATION LIMITED

- During the year, the company experienced a positive growth of Nu. 1.47 billion (87% growth) in comparison to 2022 revenue. The Sales of vehicle and its related services has increased by 68% in comparison to 2020.
- The spare parts Unit of Eicher Division was awarded with the best lubricants sales performance award during the Volvo Eicher Commercial Vehicle Limited (VECVL) Annual Dealer Conference held virtually;
- Toyota Tsusho Corporation presented certificates to Toyota Division's technicians for their effort and contribution in accomplishing "Advance Warranty Policy". Further, certificate of appreciation and medals were awarded to two senior technicians of Toyota Division in recognition of their hard work and efforts for RHQ skills competitions 2021.

Company	Particulars	**2021** *(In millions)*	**2020** *(In millions)*
STCBL	Total Assets	1113.41	1,323.73
	Net Worth	522.36	444.53
	Income	3161.59	1,688.59
	Expenditure	3,049.28	1,697.22
	PBT	112.31	-8.63
	Tax	32.71	0.30
	PAT	79.60	-8.93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AUDITOR'S REPORT & FINANCIAL STATEMENTS

TSHECHU & ASSOCIATES
Accounting & Assurance Services

JAF FOR BETTER BUSINESS

Independent Auditor's Report on the Consolidated Financial Statements for year ended 31 December 2021

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 2021, 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 2021 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

In case of Penden Cement Authority Ltd (PACL), a Subsidiary, not audited by us, the other Component Auditor who had audited PCAL, has expressed qualified opinion, to the following:

"As per the accounting policy of the Company and the BAS-12, Income Taxes, the carrying amount of deferred income tax assets/liability are reviewed at each Statement of Financial Position date, and deferred income tax is provided on all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The Company has ascertained and recognized deferred tax assets/liabilities, based on the addition/deletions in temporary differences on yearly basis instead of as per the balance sheet method i.e. re-assessment of deferred income tax assets/liability as on the reporting date. The same has resulted in non-compliance of the 'Bhutanese Accounting Standards' and inconsistency with the accounting policy of the Company. Had the deferred tax assets/liabilities would have been recognized as per the balance sheet method i.e. considering the carrying amounts as at the Financial Position date, the Retained Earnings as at 01 January, 2020, 31 December, 2020 and 31 December, 2021 would have been Nu.496,841,511, Nu.276,065,964 and Nu.176,414,627 as against the reported figures of Nu.380,261,918, Nu.170,411,449 and Nu.75,960,453 respectively, the Total Comprehensive Loss for the year 2020 and 2021 would have been Nu.229,725,443 and Nu.76,009,409 as against the reported figures of Nu.218,800,365 and Nu.70,809,068 respectively and there would have been the Deferred Tax Liabilities of Nu.22,334,653 and Nu.38,286,543 as against the reported figures of Nu. 127,989,168 and Nu. 138,740,718 as 31 December 2020 and 31 December 2021 respectively".

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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.

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 to enable 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 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 aggregate, they could reasonably be expected to 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 override of internal control;

JAF FOR BETTER BUSINESS

TSHECHU & ASSOCIATES
Accounting & Assurance Services

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 achieve 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 applicable, 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 in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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For JIGMI Audit & Financials Pvt. Ltd. ***For Tshechu & Associates***

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner
Place: Thimphu
Date: ………., 2022

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Tshechu CPA
(Membership No. 9798359)
Partner
Place: Thimphu
Date: ………., 2022

TSHECHU & ASSOCIATES
01 JUL 2022
CERTIFIED PRACTISING ACCOUNTANT

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FOR BETTER BUSINESS

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Accounting & Assurance Services

Independent Auditor's Report on the Standalone Financial Statements for year ended 31 December 2021

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 2021, 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 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 2021, 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.

TSHECHU & ASSOCIATES * CERTIFIED PRACTISING ACCOUNTANT

JIGMI Audit & Financials Pvt. Ltd. * Thimphu

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TSHECHU & ASSOCIATES
Accounting & Assurance Services

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 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 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 override of internal control;

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

JAF FOR BETTER BUSINESS

TSHECHU & ASSOCIATES
Accounting & Assurance Services

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 outweigh the public interest benefits of such communication.

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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.	***For Tshechu & Associates***
Jigmi Rinzin FCCA	Tshechu CPA
(Membership No. 0283308)	*(Membership No. 9798359)*
Partner	**Partner**
Place: Thimphu	Place: Thimphu
Date: ………., 2022	Date: ………., 2022

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

TSHECHU & ASSOCIATES ★ 01 JUL 2022 ★ CERTIFIED PRACTISING ACCOUNTANT

Appendix - I

MINIMUM AUDIT EXAMINITION 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 Management had conducted physical verification of fixed assets during the year. Discrepancies noted were not material and the same have been properly dealt with in the books of accounts;

2. None of the fixed assets were revalued during the year under audit, since management has opted to apply cost model of accounting policy to entire class of property, plant and equipment;

3. As Company is a service-oriented organization, the Company does not have any inventory;

4. With reference to our comment in the clause 3, this clause is not applicable;

5. With reference to our comment in the clause 3, this clause is not applicable;

6. With reference to our comment in the clause 3, this clause is not applicable;

7. With reference to our comment in the clause 3, this clause is not applicable;

8. With reference to our comment in the clause 3, this clause is not applicable;

9. With reference to our comment in the clause 3, this clause is not applicable;

10. With reference to our comment in the clause 3, this clause is not applicable;

11. With reference to our comment in the clause 3, this clause is not applicable;

12. The Company has borrowed from the Asian Development Bank and the rate of interest and the other terms and conditions of the of borrowing is prima facie not prejudicial to the interest of the company;

13. 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;

14. 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;

15. 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;

16. With reference to our comment in the clause 3, this clause is not applicable;

17. 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;

18. (a)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;

    (b)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;

19. 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. 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;

20. With reference to our comment in the clause 3, this clause is not applicable;

21. With reference to our comment in the clause 3, this clause is not applicable;

22. With reference to our comment in the clause 3, this clause is not applicable;

23. With reference to our comment in the clause 3, this clause is not applicable;

24. 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;

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

(Amount in Nu.)

Particulars	Amount
Contractor tax deducted at source – deduction of December 2021 remitted subsequently in 2022.	241,524.45
Corporate Income Tax Payable – provision for the year ended December 2021 remitted subsequently in 2022.	2,463,043,714.72

SHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

GMI Audit & Financials Pvt. Ltd. Thimphu

PIT - Employee	14,690.00
HC-Employee	6,000.00
TDS-2%	241,524.45
TDS-3%	948,688.09
TDS-5%	63,460.79
Total	**2,464,559,602.50**

26. The Company has reasonable system of allocating man-hours utilized to the respective jobs;

27. With reference to our comment in the clause 3, this clause is not applicable;

28. The company does not have a Credit Policy. Adequate documents and records are maintained for loans and advances granted, agreements have been drawn up and timely entries have been made therein;

29. The Company does not make any sales through commission agents, and hence this clause is not applicable.

30. 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;

31. Management of liquid resources, particularly, cash/bank is adequate. *We further report that more than Nu.144 million are maintained in non-interest-bearing Accounts as of 31 December 2021;*

32. Activities carried out by the Company during the year are in our opinion lawful and *intra vires* the Articles of Incorporation of the Company;

33. Activities/investment decisions are made only upon prior approval of the Board and are made for new projects only after ascertaining the technical and economic feasibility of such new ventures;

34. The Company has established an effective budgetary control system;

35. The said clause is not applicable as per the nature of business;

36. 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 *Note 37: Managerial Remuneration*;

37. 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;

38. Officials of the Company have not transmitted any price sensitive information, which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion and cannot independently verify the same;

39. Inter-unit transactions/services and arrangements for services made with other agencies engaged in similar activities were dealt with adequate record-keeping;

40. Terms and conditions of leases or contract work agreements are reasonable.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to the size and nature of Computer installations.

2. The Company has adequate safeguard measures and back-up 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 2021 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 in Appendix - II.

3. **Adherence to Laws, Rules and Regulations**:

The 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.

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Place: Thimphu
Date: 2022

For Tshechu & Associates

Tshechu CPA
(Membership No. 9798359)
Partner

TSHECHU & ASSOCIATES
01 JUL 2022
CERTIFIED PRACTISING ACCOUNTANT

Place: Thimphu
Date: 2022

FINANCIAL STATEMENTS

1. Statement of Comprehensive Income for the year ended 31 December 2021

(All figures in millions unless otherwise stated)

	Note	GROUP		PARENT	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
INCOME					
Revenue from customers	4.a	36,779.24	32,689.63	-	-
Dividend Income	4.b	4.32	4.56	8,025.75	7,168.57
Other Income	5	3,462.48	1,972.59	331.27	274.95
Total Income		**40,246.04**	**34,666.78**	**8,357.02**	**7,443.52**
EXPENDITURE					
Direct Costs of Sales	7	9,209.40	5,413.55	-	-
Employee related Costs	8	4,942.33	4,968.84	88.76	88.54
R & M and other Costs	9	3,336.64	5,576.04	58.62	602.70
Finance Cost		1,989.97	2,080.93	1.29	6.72
Depreciation and amortisation	10 & 14	6,808.14	6,618.16	3.51	3.11
Impairment losses		3.21	764.00	-	-
Share of Losses of Associates & Joint venture	6	-	43.66	-	-
Total Expenditure		**26,289.70**	**25,465.17**	**152.18**	**701.07**
Profit on Operations before Tax		**13,956.34**	**9,201.61**	**8,204.84**	**6,742.45**
Income Tax Expenses	11	7,269.94	5,556.77	2,463.04	2,089.84
Profit on Operations after Tax		**6,686.40**	**3,644.84**	**5,741.80**	**4,652.61**
OTHER COMPREHENSIVE INCOME					
Actuarial gain/(loss) on post-employment benefits		187.19	(53.45)	(0.71)	(1.63)
Fair value gain/(loss) on Equity Investment measured through FVOCI		632.78	(221.77)	619.17	(239.43)
Tax on Other Comprehensive Income		(6.30)	(8.12)	(185.75)	72.32
OCI for the period, net of tax		**813.67**	**(283.34)**	**432.72**	**(168.74)**
TOTAL COMPREHENSIVE INCOME		**7,500.07**	**3,361.50**	**6,174.51**	**4,483.87**

Attributable to shareholders of DHI		**7,260.92**	**3,204.77**	**-**	**-**
Attributable to Non-controlling interest		239.16	156.72	-	-
Basic and Diluted Earnings per Share	**12**	**13.59**	**7.46**	**11.67**	**9.53**

This is the Statement of Comprehensive Income referred to in our report of even date

For Statutory Auditors

For Druk Holding & Investment Limited

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

Dasho Ugen Chewang
Chairman

Dasho Karma Y. Raydi
Chief Executive Officer

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

Kesang Deki
Board Director

Tashi Lhamo
Director, Finance

2. Statement of Financial Position for the period ended 31 December 2021

(All figures in millions unless otherwise stated)

	Note	GROUP			PARENT	
		31-Dec-21	31-Dec-20 (restated)	31-Dec-19 (restated)	31-Dec-21	31-Dec-20
Non-current Assets						
Property Plant and Equipment	10	95,161.38	96,842.16	95,786.27	443.26	314.85
Capital work in progress	10	16,834.32	15,667.29	13,651.31	1,011.89	762.67
Investment Property	13	348.39	370.64	378.87	-	-
Intangible Assets	14	1,149.31	1,206.57	1,252.89	2.21	0.19
Goodwill	15	11.95	11.95	11.95	-	-
Investments	16	10,645.82	7,430.70	6,547.77	61,867.12	58,412.04
Long Term Financial assets	17	12,799.08	3,206.38	5,457.04	-	-
Banking Loans and Advances		49,766.27	46,106.13	46,538.85	-	-
Long Term Employee Benefits		58.06	459.13	268.26	-	-
Other Non-Current Assets	18	1,555.30	800.94	147.37	53.19	51.59
Total Non-current Assets		**188,329.88**	**172,101.89**	**170,040.58**	**63,377.67**	**59,541.34**
Current Assets						
Inventory	19	4,135.59	3,921.89	3,809.86	-	-
Trade Receivables	20	3,877.13	3,949.70	3,111.09	0.13	0.04
Other Receivables and Advances	21	7,545.47	7,083.20	8,891.53	1,413.95	566.44
Advance to Ministry of Finance	22	3,021.00	4,532.00	3,350.00	3,021.00	4,532.00
Short Term Deposits	23	30,531.79	29,175.39	11,167.67	1,355.40	1,076.06
Cash and bank	24	1,966.36	2,902.75	2,836.55	144.36	434.94
Total Current Assets		**51,077.34**	**51,564.93**	**33,166.70**	**5,934.84**	**6,609.48**
TOTAL ASSETS		**239,407.22**	**223,666.82**	**203,207.28**	**69,312.51**	**66,150.82**
EQUITY						
Paid up Share capital	25	49,419.53	48,870.64	48,695.60	49,419.53	48,870.64
Retained Earnings		20,359.07	26,207.25	26,226.24	4,038.44	5,387.65
Reserves		24,762.01	16,237.22	16,236.81	12,414.56	9,423.06
Non-controlling Interests		4,360.94	4,575.32	4,906.10	-	-
Total Equity		**98,901.55**	**95,890.43**	**96,064.75**	**65,872.53**	**63,681.35**

Non-current Liabilities						
Long Term Borrowings	26	37,737.37	36,382.84	33,539.68	39.43	40.78
Customer Deposits in Banking Sector		80,054.06	71,065.52	53,143.64	-	-
Deferred Government Grants	27	3,521.36	3,470.35	3,742.17	517.26	456.82
Long Term Employee Benefits	31	2,293.24	2,007.01	1,843.28	9.44	9.24
Deferred Tax Liability	11	1,643.91	1,356.90	1,310.50	1,108.70	922.95
Other Non-Current Liabilities	28	870.57	942.68	1,239.06	15.00	13.77
Total Non-current Liabilities		**126,120.51**	**115,225.30**	**94,818.33**	**1,689.83**	**1,443.56**
Current Liabilities						
Current Portion of Borrowings	26	2,761.37	2,940.32	2,359.52	-	-
Working Capital Loans from Banks		61.54	114.00	79.68	-	-
Deferred Government Grants	27	75.17	54.32	55.04	-	-
Income Tax Payable		4,739.02	3,547.15	3,307.41	1,392.69	982.14
Trade and Other Payables	29	3,211.99	2,279.31	2,763.42	357.46	43.77
Other Current Liabilities	30	3,536.07	3,615.99	3,759.13	-	-
Total Current Liabilities		**14,385.16**	**12,551.09**	**12,324.20**	**1,750.15**	**1,025.91**
TOTAL EQUITY AND LIABILITIES		**239,407.22**	**223,666.82**	**203,207.28**	**69,312.51**	**66,150.82**

This is the Statement of Financial Position referred to in our report of even date

For Statutory Auditors

For Druk Holding & Investment Limited

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

Dasho Ugen Chewang
Chairman

Dasho Karma Y. Raydi
Chief Executive Officer

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

Kesang Deki
Board Director

Tashi Lhamo
Director, Finance

3. Statement of Cash flow for the year ended 31 December 2021

(All figures in millions unless otherwise stated)

	GROUP		PARENT	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
CASHFLOWS FROM OPERATING				
ACTIVITIES				
Profit before income tax	13,956.34	9,201.61	8,205.13	6,742.44
Adjustments for:				
Depreciation and amortization	6,808.14	6,618.16	3.51	3.11
Net loss / (gain) on sale of property, plant and equipment	-	-	-	16.05
Dividend Received	(50.59)	(4.56)	(8,025.74)	(7,168.57)
Interest expenses	1,989.97	2,080.93	(92.96)	(76.49)
Interest income	(247.73)	(323.00)	-	-
Operating profit before working capital changes	**22,456.13**	**17,573.14**	**89.94**	**(483.46)**
Decrease /(Increase) in Inventories	(213.70)	(112.02)	-	-
Decrease /(Increase) in Trade and other receivables	(389.69)	969.71	(349.60)	327.79
Increase / (Decrease) in non-current assets	(754.36)	(653.56)	(279.32)	(3.10)
Increase / (Decrease) in loans & advances	(1,356.40)	(18,007.72)	(2.30)	1,649.38
Increase / (Decrease) in Trade and other payables	932.68	(484.11)	313.69	24.12
Increase / (Decrease) in current and non-current liabilities	(152.04)	(439.53)	410.54	(2.55)
Increase /(Decrease) in provision	1,879.16	212.62	0.20	3.34
Net cash generated from operating activities before income tax	**22,401.78**	**(941.47)**	**183.15**	**1,515.52**
Tax Paid	(7,213.76)	(5,785.77)	(1,660.47)	(1,139.52)
Movements in Banking Loans and Deposits			-	
- Decrease/(Increase) in Customer Loans	(3,660.14)	432.72	-	-
- Increase/(Decrease) in Customer Deposits	8,988.54	17,921.88	-	-
Net cash generated from operating activities	**20,516.42**	**11,627.36**	**(1,477.32)**	**376.00**

CASHFLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and Intangible assets	(6,237.14))	(9,643.69)	(383.15)	(425.04)
Dividend Received	50.59	4.56	7,223.17	6,450.60
Loan to subsidiary companies	-	-	(498.01)	-
Loan repaid by subsidiary companies				
Investments in other investments	(12,175.04)	1,145.96	(2,835.92)	(1,575.14)
Interest received	247.73	323.00	92.96	76.49
EPF			0.72	(2.46)
Net cash generated from investing activities	**(18,113.86)**	**(8,170.17)**	**3,599.77**	**4,524.45**
CASHFLOWS FROM FINANCING ACTIVITIES				
Receipt/(repayments) of borrowings	1,123.14	3,458.27	(1.35)	(204.31)
Receipt/(repayments) of government grants	-	(272.54)	60.43	44.64
Issue of share Capital	548.88	175.04	548.88	175.04
Advance to MoF	(3.021.00)	(4,532.00)	(3,021.00)	(4,532.00)
Interest paid	(1,989.97)	(2,080.96)	-	-
Payment of dividend on ordinary shares	-	(138.80)	-	-
Net cash used in financing activities	**(3,338.95)**	**(3,390.99)**	**(2,413.04)**	**(4,516.63)**
Net increase in cash and cash equivalents	(936.39)	66.20	(290.58)	383.82
Opening Cash and Bank Balances	2,902.75	2,836.55	434.94	51.12
Closing Cash and Bank Balances	1,966.36	2,902.75	144.36	434.94

This is the Statement of Cash Flows referred to in our report of even date

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 Ugen Chewang
Chairman

Dasho Karma Y. Raydi
Chief Executive Officer

Kesang Deki
Board Director

Tashi Lhamo
Director, Finance

4. Consolidated Statement of Changes in Equity for the year ended 31 December 2021

(All figures in millions unless otherwise stated)

	Share Capital	Retained Earnings	Statutory & Restricted Reserves	Other Reserve	Total Shareholders' Equity	Non Controlling Interest	Total Equity
Opening Balance 1 January 2020	48,695.60	26,226.24	5,648.99	10,587.82	91,158.65	4,906.11	96,064.76
Operating Income for the year	-	3,795.79	-	-	3,795.79	(150.95)	3,644.84
OCI for the year	-	(265.42)	-	-	(265.42)	(17.92)	(283.34)
Dividends Paid	-	(3,350.00)	-	-	(3,350.00)	(138.8)	(3,488.8)
Share of losses and other adjustment	-	(198.96)	-	-	(198.96)	(23.11)	(222.07)
Shareholder's contributions	175.04	-	-	-	175.04	-	175.04
Closing Balance 31 December 2020	**48,870.64**	**26,207.65**	**5,648.99**	**10,587.82**	**91,315.10**	**4,575.33**	**95,890.43**
Opening Balance 1 January 2021	48,870.64	26,207.65	5,648.99	10,587.82	91,315.10	4,575.33	95,890.43
Operating Income for the year	-	6,486.27	-	-	6,486.27	200.13	6,686.40
OCI for the year	-	774.64	-	-	774.64	39.03	813.67
Dividends Paid	-	(4,532.00)	-	-	(4.532.00)	-	(4,532.00)
Share of losses and other adjustment	-	(52.30)	-	-	(52.30)	(453.55)	(505.85)
Shareholder's contributions	548.89	-	-	-	548.89	-	548.89
Closing Balance 31 December 2021	**49,419.53**	**28,884.26**	**5,648.99**	**10,587.82**	**94,540.60**	**4,360.94**	**98,901.54**

This is the Statement of Change in Equity referred to in our report of even date

For Statutory Auditors

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

JIGMI Audit & Financials Pvt. Ltd ★ Thimphu ★

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

TSHECHU & ASSOCIATES

For Druk Holding & Investment Limited

Dasho Ugen Chewang
Chairman

Dasho Karma Y. Raydi
Chief Executive Officer

Kesang Deki
Board Director

Tashi Lhamo
Director, Finance

DRUK HOLDING & INVESTMENTS LTD.

5. Standalone Statement of Changes in Equity for the year ended 31 December 2021

(All figures in millions unless otherwise stated)

	No. of Shares (issued and fully paid up)	Ordinary Shares Par value per	Total Value of Shares	Retained Earnings	BFF	General Reserve	OCI	Total
Balance as at 1 January 2020	**486.95**	**100.00**	**48,695.60**	**5,386.44**	**1,560.00**	**4,416.51**	**2,314.35**	**62,372.90**
Profit after income-tax	-	-	-	4,652.60		-	-	4,652.60
OCI (expense) for the year	-	-	-	-		-	(168.74)	(168.74)
Dividends paid	-	-	-	(3,350.00)		-	-	(3,350.00)
Shares allotted to MoF	1.75	100.00	175.04	-		-	-	175.04
Transferred to General Reserve & BFF	-	-	-	(1,930.94)	630.00	1,300.94	-	-
Transferred to EPF	-	-	-	(0.45)		-	-	(0.45)
Balance as at 31 December 2020	**488.70**	**100.00**	**48,870.64**	**4,757.65**	**2,190.00**	**5,717.45**	**2,145.61**	**63,681.35**
Opening Balance as at 1 January 2021	**488.70**	**100.00**	**48,870.64**	**4,757.65**	**2,190.00**	**5,717.45**	**2,145.61**	**63,681.35**
Profit after income-tax	-	-	-	5,741.78		-	-	5,741.78
OCI (expense) for the year	-	-	-	0.30		-	432.72	433.02
Dividends paid	-	-	-	(4,532.00)		-	-	(4,532.00)
Shares allotted to MoF	5.49	100.00	548.89	-		-	-	548.89
Transferred to General Reserve & BFF				(1,928.79)	719.00	1,209.79	-	-
Transferred to EPF	-	-	-	(0.50)		-	-	(0.50)
Balance as at 31 December 2021	**494.19**	**100.00**	**49,419.53**	**4,038.44**	**2,909.00**	**6,927.24**	**2,578.33**	**65,872.53**

This is the Statement of Change in Equity referred to in our report of even date

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

Dasho Ugen Chewang
Chairman

Kesang Deki
Board Director

For Druk Holding & Investment Limited

Dasho Karma Y. Raydi
Chief Executive Officer

Tashi Lhamo
Director, Finance

Standalone Statement of Changes in Equity for the period ended 31 December 2021 (Contd...)

Authorized Capital:

Authorized Share capital	As at 31 December	As at 31 December
	2021	2020
5,000,000,000 equity shares of Nu. 100/- each	500,000,000,000	500,000,000,000

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

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Chief Executive Officer

Kesang Deki
Board Director

Tashi Lhamo
Director, Finance

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

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 BOB Corporate Office, Norzin Lam, 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 29 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 2021.

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 thatconsistent 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	5 -30 years
Furniture and fixtures	7 - 10 years
Computers and office equipment	3 -7 years
Cables and power system	5 - 10 years
Vehicles	7 - 10 years
Capital tools and spare parts	5 - 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 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:

1. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
2. 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:

1. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
2. 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 , 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.

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.

(a) **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.

ab) 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.

ac) 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.

ad) 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.

ae) 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.

af) 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.

ag) 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 2021

(All figures in millions unless otherwise stated)

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	13,222.60	5,845.73	3,935.38	965.63	3,153.77	9,366.93	36,490.04	(8,144.19)	28,345.85
Revenue (PTC India)	8,433.39	-	-	-	-	-	8,433.39	-	8,433.39
Revenue from group	5,841.72	54.25	162.70	391.50	94.60	271.13	6,815.90	(6,815.90)	-
Interest Received	196.67	17.44	49.02	226.57	-	113.50	603.20	(355.47)	247.73
Other Income	2,523.73	273.20	70.69	70.57	47.68	197.65	3,183.52	35.55	3,219.07
Total Income	**30,218.11**	**6,190.62**	**4,217.79**	**1,654.27**	**3,296.05**	**9,949.21**	**55,526.05**	**(15,280.01)**	**40,246.04**
Direct Cost of Sales	7,863.30	595.64	2,571.45	223.92	2,829.33	829.42	14,913.06	(5,703.66)	9,209.40
Personnel and Other Costs	4,574.50	1,940.59	1,339.20	637.83	173.24	750.06	9,415.42	(1,136.45)	8,278.97
Finance Cost	1,476.74	397.04	363.66	11.82	32.98	12.28	2,294.52	(304.55)	1,989.97
Depreciation and amortisation	4,371.74	1,804.32	398.66	120.06	20.68	92.68	6,808.14	-	6,808.14
Impairment losses	44.27	-	4.76	(52.38)	-	6.07	2.72	0.49	3.21
Income Tax	3,691.40	562.29	99.81	231.03	32.71	2,652.69	7,269.93	0.01	7,269.94
Total Expenses	**22,021.95**	**5,299.88**	**4,777.54**	**1,172.28**	**3,088.94**	**4,343.20**	**40,703.79**	**(7,144.16)**	**33,559.63**
Net Profit after tax	**8,196.16**	**890.74**	**(559.75)**	**481.99**	**207.11**	**5,606.01**	**14,822.26**	**(8,135.85)**	**6,686.41**
OCI	30.47	3.80	22.76	128.20	(1.76)	630.20	813.67	-	813.67
Current Assets	15,786.87	3,110.89	2,139.92	33,571.33	816.36	15,786.87	71,212.24	(20,134.90)	51,077.34
Non Current Assets	104,232.37	13,500.03	10,175.24	15,299.11	300.15	104,232.37	247,739.27	(125,403.66)	122,335.61
Assets – Bank	-	-	-	51,809.26	-	-	51,809.26	(2,042.99)	49,766.27
Total assets	**120,019.24**	**16,610.92**	**12,315.16**	**100,679.70**	**1,116.51**	**120,019.24**	**370,760.77**	**(147,581.55)**	**223,179.22**
Current Liabilities	9,185.36	2,722.64	2,234.36	1,289.64	334.95	9,185.36	24,952.31	(10,576.14)	14,385.17
Non Current Liabilities	37,139.34	6,313.87	6,188.80	129.04	168.58	37,139.34	87,078.97	(51,907.73)	35,171.24
Liabilities – Bank	-	-	-	91,492.44	-	-	91,492.44	(11,438.38)	80,054.06
Total Liabilities	**46,324.70**	**9,036.51**	**8,423.16**	**92,911.12**	**503.53**	**46,324.70**	**203,523.72**	**(73,922.25)**	**129,610.47**

Note 3.2: Segmental report as of 31 December 2020

(All figures in millions unless otherwise stated)

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	9,701.13	5,616.07	3,676.24	1,317.39	1,680.20	7,868.70	29,859.73	(7,236.64)	22,623.09
Revenue (PTC India)	10,066.54	-	-	-	-	-	10,066.54	-	10,066.54
Revenue from group transaction	5,032.67	62.61	221.39	140.84	73.02	239.82	5,770.35	(5,770.35)	-
Interest Received	163.40	43.51	21.33	212.70	-	98.29	539.23	(216.23)	323.00
Other Income	813.61	502.66	54.28	40.14	31.49	217.18	1,659.36	(5.21)	1,654.15
Total Income	**25,777.35**	**6,224.85**	**3,973.24**	**1,711.07**	**1,784.71**	**8,423.99**	**47,895.21**	**(13,228.43)**	**34,666.78**
Direct Cost of Sales	5,327.66	651.30	2,309.43	110.62	1,596.00	443.35	10,438.36	(5,024.81)	5,413.55
Personnel and Other Costs	5,574.12	2,348.93	1,512.38	708.06	151.28	1,155.93	11,450.70	(862.16)	10,588.54
Finance Cost	1,470.29	374.09	342.01	6.68	30.90	13.88	2,237.85	(156.92)	2,080.93
Depreciation and Amortization	4,312.04	1,720.65	404.73	82.45	15.17	83.11	6,618.15	-	6,618.15
Impairment losses	32.80	5.74	0.61	679.12	-	45.68	763.95	0.05	764.00
Income Tax	2,810.00	397.09	306.74	36.63	0.30	2,006.01	5,556.77	-	5,556.77
Total Expenses	**19,526.91**	**5,497.80**	**4,875.90**	**1,623.56**	**1,793.65**	**3,747.96**	**37,065.78**	**(6,043.84)**	**31,021.94**
Net Profit after tax	**6,250.44**	**727.05**	**(902.66)**	**87.51**	**(8.94)**	**4,676.03**	**10,829.43**	**(7,184.59)**	**3,644.84**
OCI	24.17	11.60	(4.37)	(56.98)	(0.70)	(257.05)	(283.33)	(0.01)	(283.34)
Current Assets	14,331.49	3,134.38	2,511.49	32,538.76	973.43	7,713.56	61,203.11	(9,638.18)	51,564.93
Non-Current Assets	100,268.58	13,707.72	10,001.00	5,319.22	311.27	61,461.01	191,068.80	(65,073.05)	125,995.75
Assets - Bank	-	-	-	49,328.37	-	-	49,328.37	(3,222.24)	46,106.13
Total assets	**114,600.07**	**16,842.10**	**12,512.49**	**87,186.35**	**1,284.70**	**69,174.57**	**301,600.28**	**(77,933.47)**	**223,666.81**
Current Liabilities	8,280.17	2,427.84	2,025.29	503.45	675.40	2,425.11	16,337.26	(3,786.17)	12,551.09
Non-Current Liabilities	35,463.37	6,093.03	6,182.73	85.28	166.93	1,784.74	49,776.08	(5,616.30)	44,159.78
Liabilities - Bank	-	-	-	79,439.18	-	-	79,439.18	(8,373.66)	71,065.52
Total Liabilities	**43,743.54**	**8,520.87**	**8,208.02**	**80,027.91**	**842.33**	**4,209.85**	**145,552.52**	**(17,776.13)**	**127,776.39**

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	2021	2020
Druk Holding and Investments Ltd	Holding Company	100%	100%
Bank of Bhutan Ltd	Finance	80%	80%
Bhutan Board Exports Ltd	Manufacturing	57.60%	57.60%
Bhutan Board Products Ltd	Manufacturing	57.60%	57.60%
Dungsum Cement Corporation Ltd	Manufacturing	89%	80%
Dungsum Polymers Ltd	Manufacturing	51%	51%
Koufuku International Limited	Manufacturing	100%	100%
Menjong Sorig Pharmaceuticals Corporation Limited	Manufacturing	100%	-
Penden Cement Authority Ltd	Manufacturing	40.40%	40.40%
Wood Craft Centre Limited	Manufacturing	-	100%
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%
Bhutan Telecom Ltd	Communications/Transport	100%	100%
Druk Air Corporation Ltd	Communications/Transport	100%	100%
Bhutan Hydro Services Limited	Energy and Resources	100%	-
Bhutan Power Corporation Ltd	Energy and Resources	100%	100%
Dagachu Hydropower Corporation Ltd	Energy and Resources	59%	59%
Druk Green Power Corporation Ltd	Energy and Resources	100%	100%
Natural Resources Development Corporation Ltd	Energy and Resources	100%	100%
Tangsibji Hydro Energy Ltd	Energy and Resources	100%	100%
State Mining Corporation Ltd	Energy and Resources	100%	100%

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	2021	2020
Bhutan Ferro Alloys Limited	Manufacturing	28.42%	28.42%
Royal Securities Exchange of Bhutan Limited	Securities	16.35%	16.35%

Joint Venture Company	Segment	2021	2020
Bhutan Hydro Services Limited	Energy and Resources	-	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

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Sales of:				
Goods	4,776.86	3,735.63	-	-
Services	6,950.76	6,160.57	-	-
Energy	17,754.65	18,429.82	-	-
Trading	6,257.83	2,968.77	-	-
Interest	1,039.14	1,394.84	-	-
	36,779.24	**32,689.63**	**-**	**-**

Note 4.b: Dividend Income

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Dividend income from Subsidiaries -				
Bank of Bhutan Ltd.	-	-	-	509.90
Bhutan Power Corporation Ltd.	-	-	460.59	412.14
Bhutan Telecom Ltd.	-	-	1,550.00	771.76
Druk Air Corporation Ltd.	-	-	-	3.00
Druk Green Power Corporation Ltd.	-	-	5,600.00	5,132.99
Natural Resource Development Corporation Ltd.	-	-	7.50	-
State Mining Corporation Limited	-	-	364.55	316.44
State Trading Corporation of Bhutan Ltd.	-	-	-	13.76
Thimphu Tech Park Limited	-	-	22.31	2.20

Wood Craft Centre Limited	-	-	1.50	3.00
	-	**-**	**8,006.45**	**7,165.19**
Dividend Income from Associates and Portfolio				
Bhutan Ferro Alloys Ltd.	-	-		
Bhutan National Bank Ltd.	-	3.38	19.30	-
Druk Ferro Alloy Ltd	4.32	1.18	-	3.38
	4.32	**4.56**	**8,025.75**	**7,168.57**

Note 5: Other Income

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Grants and Subsidies	389.69	433.78	-	-
Brand Management Fee	-	-	171.64	179.92
Interest Received	247.73	323.00	92.53	81.85
Other Income	2,825.06	1,215.81	66.04	13.18
	3,462.48	**1,972.59**	**331.27**	**274.95**

Note 6: Share of profit/(loss) of Associates and Joint Ventures

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Profit of ABHL	-	0.06	-	-
Profit of BAEL	-	21.95	-	-
Profits of BFAL	-	(21.03)	-	-
Profit of BHSL	-	(2.52)	-	-
Profit of DML	-	(42.47)	-	-
Profits of RSEBL	-	0.35	-	-
	-	**(43.66)**	**-**	**-**

Note 7: Direct Cost of Sales

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Energy and wheeling charges	433.95	398.75	-	-
Aircraft fuel, oil and operating Costs	287.38	535.84	-	-
Cost of Goods Sold	6,467.57	3,770.21	-	-
Material used in infrastructure de-velopment	2,020.50	708.75	-	-
	9,209.40	**5,413.55**	**-**	**-**

Note 8: Employee Related Cost

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Payroll and Related Costs	4,072.21	4,124.04	77.79	77.94
Employee Related Costs	870.12	844.80	10.97	10.60
	4,942.33	**4,968.84**	**88.76**	**88.54**

Note 9: R & M and Other Cost

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Other Costs	1,687.06	4,117.23	54.85	598.72
Maintenance	1,649.58	1,458.81	3.77	3.98
	3,336.64	**5,576.04**	**58.62**	**602.70**

Note 10: PPE, Depreciation/Amortization, and Capital Work-In-Progress

(All figures in millions unless otherwise stated)

a) Consolidated Property, Plant and Equipment for year ended 31 December 2021

2021	COST					DEPRECIATION					NET BOOK
	Opening	Addition	Adjustments	Disposal	Closing	Opening	Addition	Disposal	Adjustments	Closing	VALUE
Land and Buildings	66,456.27	1,386.12	(33.95)	(178.94)	67,629.50	(23,497.03)	(2,307.09)	18.32	6.85	25,778.95	41,850.55
Plant & Equipment	43,926.95	1,919.75	80.94	(1,098.90)	44,828.74	(23,451.12)	(2,239.39)	652.62	70.17	24,967.72	19,861.02
Furniture & Office Equipment	2,790.84	378.64	(50.70)	17.81	3,136.59	(1,855.86)	(165.46)	21.63	(78.00)	2,077.69	1058.9
Vehicles	1,269.88	128.55	(18.08)	(13.04)	1,367.31	(846.30)	(114.07)	8.31	14.36	937.7	429.61
Aircraft & Other aviation assets	12,555.87	31.75	-	-	12,587.62	(4,251.49)	(885.00)	-	-	5,136.49	7,451.13
Transmission & Distribution Lines	31,868.28	1859.06	-	(11.04)	33,716.30	(8,124.12)	(1,092.13)	8.21	1.94	9,206.10	24,510.20
Totals	**158,868.09**	**5,703.87**	**(21.79)**	**(1,284.11)**	**163,266.06**	**(62,025.92)**	**(6,803.14)**	**709.09**	**15.32**	**68,104.65**	**95,161.41**

2020	COST					DEPRECIATION					NET BOOK
	Opening	Addition	Adjustments	Disposal	Closing	Opening	Addition	Disposal	Adjustments	Closing	VALUE
Land and Buildings	65,537.05	1,042.16	(5.69)	(117.24)	66,456.27	(21,400.32)	(2,207.16)	97.08	13.37	23,497.03	42,959.24
Plant & Equipment	43,088.58	1,370.13	(33.28)	(498.47)	43,926.95	(21,830.98)	(2,027.48)	329.46	77.88	23,451.12	20,475.83
Furniture & Office Equipment	2,609.85	296.64	0.7	(116.35)	2,790.84	(1,751.27)	(213.17)	73.97	34.62	1,855.86	934.98
Vehicles	1,200.59	89.85	(8.37)	(12.18)	1,269.88	(764.16)	(102.13)	13.34	6.66	846.3	423.59
Aircraft & Other aviation assets	8,785.64	3,780.27	-	(10.04)	12,555.87	(3,516.20)	(743.69)	8.39	-	4,251.49	8,304.37
Transmission & Distribution Lines	30,928.31	950.21	-	(10.25)	31,868.28	(7,093.20)	(1,035.70)	3.02	1.76	8,124.12	23,744.16
Totals	**152,150.02**	**7,529.25**	**(46.64)**	**(764.53)**	**158,868.10**	**(56,356.13)**	**(6,329.34)**	**525.25**	**134.28**	**62,025.93**	**96,842.16**

b) Standalone Property, Plant and Equipment for year ended 31 December 2021

(All figures in millions unless otherwise stated)

2021	COST				DEPRECIATION					Net Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	Closing	
Freehold Land	298.00	-	-	298.00	-	-	-	-	298.00	**298.00**
Buildings	-	123.35	-	123.35	-	(0.01)	-	(0.01)	123.34	**123.34**
Furniture and Fittings	4.51	3.9	(0.29)	8.12	**(2.35)**	(0.37)	0.21	(2.52)	5.61	**5.61**
Electrical Equipment	0.35	0.61	(0.03)	0.93	**(0.29)**	(0.03)	0.02	(0.3)	0.63	**0.63**
Data Processing Equipment	24.67	3.63	(0.26)	28.05	**(20.82)**	(1.73)	0.23	(22.32)	5.72	**5.72**
Office Equipment	2.99	0.49	-	3.48	**(2.28)**	(0.15)	-	(2.43)	1.05	**1.05**
Vehicles	19.09	-	-	19.09	**(9.03)**	(1.15)	-	(10.18)	8.92	**8.92**
Totals	**349.62**	**131.97**	**(0.57)**	**481.02**	**(34.78)**	**(3.44)**	**0.46**	**(37.76)**	**443.26**	**443.26**

2020	COST				DEPRECIATION					Net Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	Closing	
Freehold Land	297.98	0.02	-	298.00	-	-	-	-	**298.00**	**298.00**
Furniture and Fittings	3.81	1.6	(0.89)	4.51	**(2.8)**	(0.26)	0.71	(2.35)	**2.16**	**2.16**
Electrical Equipment	0.54	0.01	(0.2)	0.35	**(0.42)**	(0.03)	0.16	(0.29)	**0.06**	**0.06**
Data Processing Equipment	25.43	2.81	(3.56)	24.67	**(22.98)**	(1.36)	3.51	(20.82)	**3.85**	**3.85**
Office Equipment	2.76	0.37	(0.14)	2.99	**(2.17)**	(0.24)	0.13	(2.28)	**0.71**	**0.71**
Vehicles	19.09	-	-	19.09	**(7.88)**	(1.15)	-	(9.03)	**10.07**	**10.07**
Totals	**349.62**	**4.81**	**(4.80)**	**349.62**	**(36.24)**	**(3.04)**	**4.51**	**(34.78)**	**314.85**	**314.85**

(All figures in millions unless otherwise stated)

C) Capital Work-In-Progress for the year ended 31 December 2021

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Electricity Generation	11,715.46	11,183.05	0.00	0.00
Power Generation	2,788.35	2,719.07	0.00	0.00
Others	2,330.51	1,763.93	1,011.89	762.67
Total	**16,834.32**	**15,667.29**	**1,011.89**	**762.67**

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 was recorded in the books at nominal value of Nu.100. DHI was in the process of constructing its corporate office building at Kawajangsa, Thimphu on the land and an amount of Nu. 8,002,959/- was spent up to 31 December 2012 for road alignment, shifting of electric poles, design, soil testing, land development and other related activities. During the year 2013, DHI had incurred Nu. 17,412,897/- for further development (supervision fee and others) and the total expenditure as on 31 December 2013 was Nu. 25,415,856/-. Then DHI received an instruction for suspension of construction of its corporate office from the Office of Gyalpoi Zimpon. Consequent to the approval by the Board of Directors for cessation of capitalization on the project DHI went into negotiation with DHI Infra to settle the Project Management Consultancy Fees that had already been paid for the entire supervision work. Subsequent to this Nu. 13,104,494/- has been reversed in the books of DHI in this regard. The balance of Nu. 12,311,362/-that remains in CWIP - DHI building has been written off in the year 2020 as per the approval of the Board.

Physical verification of all assets was carried out in 2021 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 2021.

Note 11: Income Tax Expenses

	Consolidated		Standalone	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Income Tax Payable -				
Current Tax	7,073.03	5,225.03	2,462.72	2,090.13
Total Income Tax Expenses Recognized	**7,073.03**	**5,225.03**	**2,462.72**	**2,090.13**
Deferred Tax Payable	196.91	331.74	0.33	(0.29)
Total Tax on Operating Income	**7,269.94**	**5,556.77**	**2,463.05**	**2,089.84**
Reconciliation of Tax on Operating Income	**13,956.35**	**9,201.60**	**8,204.84**	**6,742.45**
Profit Before Income-tax from Operations				
Tax at 30%	4,186.90	2,760.48	2,461.45	2,022.73

Adjustments required for:				
- Nondeductible & Non Assessed In-come/ exp	(79.69)	183.34	1.60	67.69
- Tax losses	567.49	87.23	-	-
- Other Adjustments (Timing)	(166.45)	(122.77)	-	(0.58)
- Tax on Dividends from subsidiaries	2,761.69	2,648.49	-	-
Current Tax Expenses	**7,269.94**	**5,556.77**	**2,463.05**	**2,089.84**
Effective Tax Rate -	52.00%	60.00%	30.00%	31.00%

(All figures in millions unless otherwise stated)

	Consolidated		**Standalone**	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Reconciliation of Deferred Tax -				
Opening	(1,356.90)	(1,310.50)	(922.95)	(994.78)
Recognized during Year	196.91	331.74	(185.75)	71.83
Restatement of prior years	(483.91)	(378.14)	-	-
Closing	**(1,643.90)**	**(1,356.90)**	**(1,108.70)**	**(922.95)**
Deferred Tax Assets	1,606.42	1,567.99	(191.91)	(21.26)
Deferred Tax Liabilities	(3,250.32)	(2,924.89)	(916.79)	(901.69)
Total	**(1,643.90)**	**(1,356.90)**	**(1,108.70)**	**(922.95)**
Tax on Comprehensive Income				
Actuarial Gain/(Loss) on Post employment benefit	187.19	(53.45)	(0.71)	(1.63)
Fair value gain/(loss) on Equity Invest-ment measured through FVOCI	632.78	(221.77)	619.17	(239.43)
Less: Tax	(6.30)	(8.12)	(185.75)	(72.32)
	813.67	**(283.34)**	**432.71**	**(168.74)**

Note 12: Basic & diluted Earnings Per Share

	Consolidated		**Standalone**	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Profit after income-tax	6,686.40	3,644.84	5,741.78	4,652.60
Profit used to determine basic earnings per share	**6,686.40**	**3,644.84**	**5,741.78**	**4,652.60**
Number of shares at the beginning of the year	488.71	486.96	488.71	486.96
Number of Shares allotted to MoF during the year	5.49	1.75	5.49	1.75

Number of shares at the end of the year	494.20	488.71	4894.20	488.71
Weighted average number of ordinary shares in issue	492.11	488.28	492.11	488.28
Basic and Diluted Earnings per Share	**13.59**	**7.46**	**11.67**	**9.53**

Note 13: Investment Property

	Consolidated			Standalone	
	31-Dec-21	**31-Dec-20**	**31-Dec-19**	**31-Dec-21**	**31-Dec-20**
Investment Property	370.64	378.88	330.05	-	-
Increase in Valuation for the period	(22.25)	(8.24)	48.82	-	-
	348.39	**370.64**	**378.87**	-	-

Note 14: Intangible Assets

(All figures in millions unless otherwise stated)

a) Consolidated Intangible Assets for year ended 31 December 2021

2021	COST				DEPRECIATION				Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	
Software	3,713.03	370.52	(61.87)	**4,021.67**	(2,520.69)	(413.89)	53.41	**(2,881.17)**	**1,140.50**
Pre-Operative	3.05	3.52	-	**6.57**	(3.05)	(0.00)	-	**(3.05)**	**3.52**
Exploration & Evaluation	35.97	-	-	**35.97**	(21.74)	(8.95)	-	**(30.69)**	**5.28**
Totals	3,752.04	374.04	(61.87)	4,064.21	(2,545.48)	(422.84)	53.41	(2,914.90)	1,149.31

2020	COST				DEPRECIATION				Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	
Software	3,396.48	379.49	(62.94)	3,713.03	(2,165.61)	(516.84)	161.84	**(2,520.69)**	1,192.34
Pre-Operative	3,05	-	-	3.05	(2.97)	(0.08)	-	**(3.05)**	0.00
Exploration & Evaluation	35.97	-	-	35.97	(14.02)	(7.72)	-	**(21.74)**	14.23
Totals	3,435.49	379.49	(62.94)	3,752.04	(2,182.60)	(524.64)	161.84	(2,545.48)	1,206.57

b) Standalone Intangible Assets for year ended 31 December 2021

2021	COST				DEPRECIATION				Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	
Software	15.24	2.09	(0.01)	17.32	(15.05)	(0.07)	0.01	(15.11)	2.21
Totals	15.24	2.09	(0.01)	17.32	(15.05)	(0.07)	0.01	(15.11)	2.21

2020	COST				DEPRECIATION				Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal	Closing	
Software	15.08	0.16	-	15.24	(14.98)	(0.07)	-	(15.05)	0.19
Totals	15.08	0.16	-	15.24	(14.98)	(0.07)	-	(15.05)	0.19

c) Note 15: Goodwill

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Goodwill	11.95	11.95	11.95	-	-
	11.95	**11.95**	**11.95**	-	-

Note 16.1: Investments (Consolidated)

	Percentage	31-Dec-21	31-Dec-20
a) Associates Companies			
Bhutan Ferro Alloys Limited	28.50%	624.33	389.26
Royal Securities Exchange of Bhutan Limited	18.00%	32.96	35.80
b) Joint Ventures			
Azista Bhutan HealthCare Limited	28.00%	22.46	22.46
Bhutan Automation & Engineering Limited	51.00%	44.85	42.02
Bhutan Hydro Services Limited	51.00%.	-	77.34
Druk Metallurgy Limited	40.00%	116.08	116.09
Kholongchu Hydro Energy Limited	50.00%	2,539.07	1,737.82
c) Other Investments			
Bhutan Carbides and Chemicals Ltd		71.44	76.09
Bhutan Development Bank Ltd		72.22	52.91
Bhutan National Bank Ltd		1,526.34	1,550.34
Credit Information Bureau		4.46	4.30
Druk Ferro Alloy Ltd		109.99	69.78
Entrepreneur Promotion Fund		23.33	25.61
Financial Institution Training Institute		17.77	18.07
Investments Abroad		3,644.28	1,490.91
Royal Insurance Company of Bhutan Ltd		1,796.24	1,721.90
Total Associates and Other Investments		**10,645.82**	**7,430.70**
Summarised Information of Associate Companies			
Long Term Assets		1,214.86	1,241.04
Current Assets		1,369.84	1,111.18
Long Term Liabilities		142.86	279.47
Current Liabilities		375.96	749.55
Equity		19,275.89	1,173.52
DHI Group Share of Equity		**463.39**	**425.06**

Net Profit after Tax		914.18	-71.01
Other Comprehensive Income		0.83	-0.88
DHI Group share of Profits after Tax		259.54	-20.68
Summarised Information of Joint Venture			
Long Term Assets		4,375.13	4,375.24
Current Assets		237.21	216.27
Long Term Liabilities		10.69	79.16
Current Liabilities		93.11	143.15
Equity		4,508.55	3,652.47
DHI Group Share of Equity		**2,287.66**	**1,995.72**
Net Profit after Tax		23.17	-5.34
Other Comprehensive Income		-0.17	0.41
DHI Group share of Profits after Tax		**11.73**	**-2.51**

Note 16.2 Investments (Standalone)

(All figures in millions unless otherwise stated)

	31-Dec-21				31-Dec-20			
	% of Holding	Face Value per Share	Number of Shares	December 31, 2021	% of Holding	Face Value per Share	Number of Shares	December 31, 2020
A) Investments in Subsidiaries -								
Quoted - Equity Shares fully paid up -								
Bhutan Board Products Ltd. (Refer Note b below)	58%	10	6,683,340	66.83	58%	10	6,683,340	66.83
State Trading Corporation of Bhutan Ltd. (Refer Note b below)	57%	10	9,176,050	10.20	57%	10	9,176,050	10.20
Dungsam Polymers Ltd.	51%	10	7,851,904	78.52	51%	10	7,851,904	78.52
Penden Cement Authority Ltd. (Refer Note c below)	40%	10	13,710,740	91.40	40%	10	13,710,740	91.40
Unquoted - Equity Shares fully paid up -								
Bank of Bhutan Ltd.	80%	100	24,000,000	240.00	80%	100	24,000,000	240.00
Bhutan Power Corporation Ltd.	100%	1,000	10,235,301	9,360.78	100%	1,000	10,235,301	9,360.78
Bhutan Telecom Ltd. (Refer Note k below)	100%	1,000	4,000,000	854.08	100%	1,000	4,000,000	854.08
Dungsam Cement Corporation Ltd. (Refer Note f below)	89%	100	66,237,679	6,623.77	80%	100	59,495,479	5,949.55
Druk Green Power Corporation Ltd. (Refer Note e Below)	100%	1,000	32,612,564	32,612.56	100%	1,000	32,246,108	32,246.11
Druk Air Corporation Ltd. (Refer Note g, j & k below)	100%	100	36,085,251	2,624.49	100%	100	36,085,251	2,608.53
Natural Resources Development Corporation Ltd.	100%	100	2,159,583	200.96	100%	100	1,500,000	135.00
Thimphu TechPark Ltd.	100%	100	2,230,909	210.21	100%	100	2,230,909	210.21
State Mining Corporation Ltd.	100%	100	2,939,900	293.99	100%	100	2,939,900	293.99
Wood Craft Center Ltd.	0%	-	-	-	100%	100	659,583	65.96
Menjong Sorig Pharmaceuticals Corporation Limited (Refer note k below)	100%	100	1,824,277	182.43	-	-	-	-
Construction Development Corporation Ltd. (Refer note j Below)	100%	1,000	1,116,862	1,116.86	100%	1,000	1,116,862	1,116.86
Koufuku International Ltd.	100%	100	400,000	54.16	100%	100	400,000	54.16
Total Investments in Subsidiaries				**54,621.24**				**53,382.18**

(All figures in millions unless otherwise stated)

	% of Holding	Face Value per Share	Number of Shares	December 31, 2021	% of Holding	Face Value per Share	Number of Shares	December 31, 2020
B) Investments in Associates & Joint Venture -								
Quoted - Equity Shares fully paid up -								
Bhutan Ferro Alloys Ltd. (Associate)	26%	10	3,859,460	38.59	26%	10	3,859,460	38.59
Unquoted - Equity Shares fully paid up -								
Azista Bhutan Healthcare Limited (JV) (Refer Note i below)	28%	10	3,710,000	37.10	28%	10	2,240,000	22.40
Druk Metallurgy Limited (JV)	40%	100	1,800,000	180.00	40%	100	1,800,000	180.00
Total Investments in Associates & Joint Ventures				**255.69**				**240.99**

C) Other Investments -

	% of Holding	Face Value per Share	Number of Shares	December 31, 2021	% of Holding	Face Value per Share	Number of Shares	December 31, 2020
Quoted - Equity Shares fully paid up -								
Bhutan National Bank Ltd. (Refer Note h below)	12%	10	48,983,952	1,526.34	12%	10	48,983,952	1,550.34
Royal Insurance Corporation of Bhutan Ltd. (Refer Note h below)	18%	10	25,780,417	1,796.24	18%	10	25,780,417	1,721.90
Investment Abroad				3,644.28				1,490.91
Total (i)				**6,966.86**				**4,763.15**
Investments in EPF Assets (Refer Note 15) -								
Bank balance				0.57				0.00
Term deposits				10.43				14.20
Accrued interest				0.00				0.00
Contribution to Loden-DHI Fund (Refer Note d below)				12.32				11.69
Total (ii)				**23.33**				**25.71**
Total Other Investments (i+ii)				**6,990.19**				**4,788.87**
Total Investments (A+B+C)				**61,867.12**				**58,412.04**

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 over-ride 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 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 Loden Foundation shall be solely responsible for the management of the fund as per the agreed conditions between DHI and Loden and will operate in line with the existing Loden Entrepreneurship Programme guidelines. As per the agreement DHI needs to contribute Nu. 20,000,000/- in three consecutive years starting from the year 2015. Following this, DHI contributed Nu. 20,000,000/- to Loden-DHI Fund till 31 December 2017. With Full adoption of BAS investment in EPF is fair valued. During the year 2020, DHI received 1st tranche of Nu. 7,000,000/- as repayment from Loden foundation and out of which 50% amounting to Nu. 3,500,000/- was repaid to BOBL.

e) During the year DGPC allotted total shares of Nu. 366,456,000/- to DHI on account of grant received from Government of India (for onward injection as equity in KHEL) and DHI allotted shares of equivalent amount to MoF.

f) During the year 2021, DHI purchased the DCCL shares of Kidu Fund amounting to Nu. 674,200,000 and the shareholdig has increased to 89%.

g) During the year 2021, DHI capitalised the interest on inter-corporate loan amounting to Nu. 15,961,800 of Drukair Corporation Ltd.

h) 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.

i) During the year 2021 DHI made an additional invest of Nu.14,700,000 to Azista Bhutan Healthcare Ltd.

j) During the year 2020 DHI made an additional investment of Nu. 150,000,000 in CDCL and Nu. 90,000,000 in NRDCL, Nu. 50,170,000 in Drukair and Nu. 39,160,000 in Koufuku International Ltd.

k) During the year 2020 Bhutan Telecom Limited and Drukair Corporation Limited issued bonus shares of 3,145,918 and 13,833,140 shares respectively.

(All figures in millions unless otherwise stated)

Note 17: Long Term Financial Assets

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Debt Securities					
-Unlisted	10,4625.61	2,445.37	4,147.99	-	-
Term Deposits with Bank & Financial Institutions	2,173.47	761.01	1,309.05	-	-
	12,799.08	**3,206.38**	**5,457.04**	**-**	**-**

Note 18: Other Non Current Assets

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Trade Receivables & Others	1,220.17	708.23	45.61	-	-
Advance Payments to Suppliers	307.20	54.62	61.77	-	-
Prepaid Expenses - Non current	27.93	38.09	39.99	-	-
DHI Bizap	-	-	-	53.19	51.59
	1,555.30	**800.94**	**147.37**	**53.19**	**51.59**

Note 19: Inventory

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Raw material	545.70	351.70	409.97	-	-
Work in progress	223.50	432.62	425.24	-	-
Finished goods	963.29	1,167.59	961.12	-	-
Other inventory	1,044.67	1,095.34	1,054.64	-	-
Stores, spares and loose tools	1,358.43	874.64	958.89	-	-
	4,135.59	**3,921.89**	**3,809.86**	**-**	**-**

Note 20: Trade Receivables

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Receivable in Ngultrum	3,098.69	3,121.81	2,899.22	0.13	0.04
Receivable in foreign currency	903.06	943.24	297.06	-	-
Less Provision for Impairment	(124.62)	(115.35)	(85.19)	-	-
	3,877.13	**3,949.70**	**3,111.09**	**0.13**	**0.04**

(All figures in millions unless otherwise stated)

Note 21: Other Receivables and Advances

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Non-Trade Receivables &	2,941.19	2,174.74	2,367.46		-
Loan to subsidiaries company	-	-	-	511.87	8.20
Term Deposits with financial	872.60	1,545.69	1,310.76	-	-
Other Financial Assets	1,982.19	2,616.07	2,247.46	780.20	320.24
Advance to Vendors	1,139.60	515.54	2,603.67	118.39	237.36
Advance to employees	54.41	49.99	53.85	3.48	0.53
Prepaid expenses - current	450.29	122.33	243.51	-	-
Tax paid in advance	159.19	58.84	64.82	0.12	0.12
	7,545.47	**7,083.20**	**8,891.53**	**1,413.95**	**566.44**

Note 22: Advance to Ministry of Finance

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Advance to Ministry of Finance	3,021.00	4,532.00	3,350.00	3,021.00	4,532.00
	3,021.00	**4,532.00**	**3,350.00**	**3,021.00**	**4,532.00**

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: Short term Deposits

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Short-term deposits	651.48	763.42	597.38	1,355.40	1,076.06
Cash Reserve and Balances with RMA	29,880.31	28,411.97	10,570.29	-	-
	30,531.79	**29,175.39**	**11,167.67**	**1,355.40**	**1,076.06**

Note 24: Cash and Cash Equivalent

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Cash in hand	1,101.80	1,351.92	1,022.14	-	-
Cash at bank	864.56	1,550.83	1,814.41	144.36	434.94
	1,966.36	**2,902.75**	**2,836.55**	**144.36**	**434.94**

(All figures in millions unless otherwise stated)

Note 25: Share Capital

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Authorised Capital 5,000,000,000 equity shares of Nu.100	500,000	500,000	500,000	500,000	500,000
Issued and Paid up capital Opening 450,875,898 equity shares	48,870.64	48,695.60	46,201.53	48,870.64	48,695.60
Issues during the year	548.89	175.04	2,494.07	548.89	175.04
Closing	**49,419.53**	**48,870.64**	**48,695.60**	**49,419.53**	**48,870.64**

Note 26: Long Term Borrowings

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Borrowings from:					
Banks & Financial Institution in Bhutan	5,432.43	6,547.18	4,745.30	0.83	2.55
Banks and Financial Institution in other countries	29,557.05	30,387.29	28,403.55	-	-
Foreign Governments	241.80	471.37	616.70	38.60	38.23
Bonds listed by the RSEB	5,267.46	1,917.32	2,133.65	-	-
Working capital Loans	61.54	114.00	79.68	-	-
	40,560.28	**39,437.16**	**35,978.88**	**39.43**	**40.78**
Less Portion repayable within 1 year	2,822.91	3,054.32	2,439.20	-	-
Net long term Borrowings	**37,737.37**	**36,382.84**	**33,539.68**	**39.43**	**40.78**

Note 27: Deferred Government Grants

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Opening Balance	3,524.67	3,797.21	2,069.19	456.82	412.18
Add: Receipts during the year	-	-	1,672.98	60.44	44.64
Less: Amortisation against expenditure	(3.31)	(326.86)		-	-
	3,521.36	**3,470.35**	**3,742.17**	-	-
Less Current portion	(75.17)	(54.32)	(55.04)	-	-
Closing Balance	**3,596.53**	**3,524.67**	**3,797.21**	**517.26**	**456.82**

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 28: Other Non current Liabilities

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Trade and other payables - noncurrent	3,56.52	325.79	490.44	15.00	13.77
Advances - noncurrent	7.00	9.55	7.40	-	-
Retention money payable - noncurrent	25.04	148.39	293.90	-	-
Deposits received - noncurrent	482.01	459.37	447.32	-	-
Closing Balance	**870.57**	**942.68**	**1,239.06**	**15.00**	**13.77**

Note 29: Trade and Other Payables

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Trade payables	2,504.02	1,553.62	1,726.88	333.69	25.98
TDS Payable	14.25	58.07	115.17	1.27	0.14
Employee and other payables	554.95	545.99	829.26	22.50	17.65
Accrued expenses	132.78	117.39	87.86	-	-
Unclaimed Dividend	5.99	4.24	4.25	-	-
Closing Balance	**3,211.99**	**2,279.31**	**2,763.42**	**357.46**	**43.77**

Note 30: Other Current Liabilities

	Consolidated			Standalone	
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-21	31-Dec-20
Advances and Deposits Received	902.47	659.19	591.68	-	-
Construction Contracts	-	474.87	468.92	-	-
Listed Bond repayable	-	216.34	216.34	-	-
Retention money payable	495.34	355.48	165.85	-	-
Other Liabilities	1,870.10	1,644.93	2,105.49	-	-
Provision	268.16	265.18	210.85	-	-
Closing Balance	**3,536.07**	**3,615.99**	**3,759.13**	**-**	**-**

Note 31: 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.

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	**2021**	**2020**
Current service cost	2.64	2.32
Past service cost - plan amendments	-	-
Net interest on net defined benefit liability /(asset)	(0.21)	(0.10)
Cost recognised in Statement of Profit or Loss	**2.43**	**2.22**

ii) Other Comprehensive Income (OCI)	2021	2020
Actuarial (gain)/loss due to liability experience	1.16	1.21
Return on plan assets (greater)/less than discount rate	-	-
Actuarial (gains)/ losses recognized in OCI	0.22	0.18
Cumulative Actuarial (Gain) Loss Recognized via OCI	**1.38**	**1.38**

iii) Defined Benefit Cost	2021	2020
Service Cost	2.43	2.22
Net interest on net defined benefit liability/(asset)	-	-
Actuarial (gain)/losses recognised in OCI	1.38	1.38
Defined benefit Cost	**3.81**	**3.60**

iv) Statement of Financial Position	2021	2020
Defined benefit obligation (DBO)	**(16.69)**	**(15.31)**
Fair value of plan assets (FVA)	**15.53**	**12.98**
Funded status [surplus/(deficit)]	(1.16)	(2.33)
Net defined benefit asset (DBA)	**(1.16)**	**(2.33)**

v) Reconciliation of Net Financial Position	2021	2020
Net defined asset/ (liability) at the end of prior period	**(2.33)**	**(2.05)**
Service Cost	(2.43)	(2.22)
Amount recognised in OCI	(1.38)	(1.38)
Employer contributions	4.98	3.33
Net defined benefit asset/(liability) at the s end of current period	**(1.16)**	**(2.33)**

vi) Movements in the Present Value of Defined Benefit Obligation	2021	2020
Opening Defined Benefit Obligation	15.31	10.94
Current service cost	2.64	2.32
Past service cost	-	-
Interest cost	0.95	0.87
Actuarial loss on experience adjusted	(3.38)	(0.04)
Benefits paid from plan assets	1.17	1.21
Closing Defined Benefit Obligation	**16.69**	**15.31**

vii) Movements in the Fair Value of Plan Assets	**2021**	**2020**
Opening Fair Value of Plan Assets	12.98	8.89
Income on assets at the discount rate	1.17	0.97
Actual interest less than discount rate	(0.21)	(0.18)
Contribution by DHI	4.98	3.33
Benefits paid from plan assets	(3.38)	(0.04)
Closing Fair Value of Plan Assets	**15.53**	**12.98**

viii) Expected Benefit Payments as at 31 December 2021	
31 December 2022	6.50
31 December 2023	4.90
31 December 2024	8.39
31 December 2025	4.25
31 December 2026	1.50
31 December 2027 to 31 December 2031	8.12
31 December 2032 to 31 December 2041	21.66

ix) Expected Benefit Payments as at 31 December 2020	
31 December 2021	7.32
31 December 2022	3.76
31 December 2023	3.35
31 December 2024	2.06
31 December 2024	0.94
31 December 2026 to 31 December 2030	6.00

x) Expected Employer Contribution for the period ending 31 December 2021	**6.50**

	2021	**2020**
xi) Weighted Average Duration of Defined Benefit Obligation	10.11 Years	6.95 Years

xii) Plan Asset Information (Asset Allocation in%)	**2021**	**2020**
Insurance Policy with RICBL	79%	66%
Gratuity Fund with BIL	21%	34%
Balance in Current Account	0.0%	0.0%
Total	**100.00%**	**100.00%**

xiv) Sensitivity Analysis

Assumption/Parameter	Scenario	Defined Benefit Obligation(DBO)	Net effect of DBO	Percent change
Discount rate	0.50%	16.48	(0.21)	-1.16%
	Base rate	16.69	-	0.00%
	-0.50%	16.91	0.22	1.22%
-				-
Salary Growth Rate	0.50%	16.96	0.27	1.56%
	Base rate	16.69	-	0.00%
	-0.50%	16.42	(0.27)	-1.51%
-				-
Mortality Rate	0.50%	16.68	(0.01)	-0.05
	Base rate	16.69	-	0.00%
	-0.50%	16.69	0.01	0.05
-				-
Employer turnover rate	0.50%	16.59	(0.10)	-0.61%
	Base rate	16.69	-	0.00%
	-0.50%	16.79	0.10	63%

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	**2021**	**2020**
Current service cost	1.20	1.58
Net interest on net defined benefit liability /(asset)	0.11	0.01
Remeasurement (gains) /losses	(0.00)	(0.28)
Cost recognised in Statement of Profit or Loss	**1.31**	**1.31**

Other Comprehensive Income (OCI)	**2021**	**2020**
Actuarial (gain)/loss due to liability experience	(0.05)	(0.29)
Actuarial (gain)/loss arising during period	(0.00)	(0.28)
Return on plan assets (greater)/less than discount rate	0.05	0.01
Cumulative Actuarial (Gain) Loss Recognized via OCI	-	-

ii) Statement of Financial Position	**2021**	**2020**
Defined benefit obligation (DBO)	6.52	5.32
Fair value of plan assets (FVA)	3.77	3.88
Funded status [surplus/(deficit)]	(2.74)	(1.44)
Net defined benefit asset (DBA)	(2.74)	(1.44)

Reconciliation of Net Balance Sheet Position	**2021**	**2020**
Net defined benefit asset/(liability) at the end of prior		
Period	(1.44)	(0.13)
Service cost	(1.20)	(1.58)
Net increase on net defined benefit liability/(asset)	(0.11)	(0.01)
Actuarial (losses)/(gains	0.00	0.28
Employer contribution	-	-
Net defined benefit asset (DBA)	(2.74)	(1.44)

iii) Movements in the Present Value of Defined Benefit Obligation	2021	2020
Opening Defined Benefit Obligation	5.32	3.74
Current service cost	1.20	1.58
Interest cost	0.40	0.30
Actuarial (Gains)/loss due to plan experience	(0.05)	(0.29)
Actuarial (gain)/loss due to change in demographic assumptions	(0.35)	(0.01)
Actuarial (gain)/loss due to change in financial assumptions	-	-
Closing Defined Benefit Obligation	**6.52**	**5.32**

iv) Movements in the Fair Value of Plan Assets	2021	2020
Opening Fair Value of Plan Assets	3.88	3.61
Income on assets at the discount rate	0.28	0.29
Actual interest less than discount rate	(0.05)	(0.01)
Contribution by DHI	-	-
Benefits paid from plan assets	(0.35)	(0.01)
Closing Fair Value of Plan Assets	**3.77**	**3.88**

v) Expected Benefit Payments as at 31 December 2021	
31 December 2022	2.22
31 December 2023	1.39
31 December 2024	1.76
31 December 2025	0.69
31 December 2026	0.20
31 December 2027 to 31 December 2031	0.75
31 December 2032 to 31 December 2041	1.22

vi) Expected Benefit Payments as at 31 December 2020	
31 December 2021	1.33
31 December 2022	1.09
31 December 2023	0.47
31 December 2024	0.27
31 December 2025	0.14
31 December 2026 to 31 December 2030	0.75

vi) Expected employer contributions for the period ending 31 December 2021	2.29

	2021	2020
vii) Weighted Average Duration of DBO	5.52 Years	4.89 Years

ix) Plan Asset Information (Asset Allocation in Percentage)	2021	2020
Investment with RICBL	100%	100%
Total	100%	100%

ix) Sensitivity Analysis

Assumption/Parameter	Scenario	Defined Benefit Obligation(DBO)	Net effect of DBO	Percent change
Discount rate	0.50%	6.43	(0.09)	0.0%
	Base rate	6.52	-	0.0%
	-0.50%	6.61	0.09	1.0%
		-	-	
Salary Growth Rate	0.50%	6.63	0.11	2.0%
	Base rate	6.52	-	0.0%
	-0.50%	6.41	(0.11)	0.0%
		-	-	
Mortality Rate	x90%	6.52	0.00	0.0%
	Base rate	6.52	-	0.0%
	x110%	6.52	0.00	0.0%
		-	-	
Employer turnover rate	-1.00%	6.50	(0.01)	0.0%
	Base rate	6.52	-	0.0%
	1.00%	6.53	0.01	0.0%

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	**2021**	**2020**
Current service cost	0.14	0.15
Interest on DBO	0.03	0.03
Expenses recognised in profit or loss	0.17	0.17

ii) Statement of Other comprehensive income	**2021**	**2020**
Actuarial (gain) or loss due to experience adjustments	(0.11)	(0.04)
Expense recognised as other comprehensive income	(0.11)	(0.04)

iii) Defined Benefit cost	**2021**	**2020**
Expense recognised in profit or loss	0.17	0.17
Expense recognised in other comprehensive income	(0.11)	(0.04)
Defined benefit cost	0.07	0.13

iv) Statement of Financial position	**2021**	**2020**
Present value of define benefit obligation	0.50	0.46
Funded status - surplus/(deficit)	(0.50)	(0.46)
Net defined benefit asset/(liability)	(0.50)	(0.46)

v) Movement in the present value of DBO	**2021**	**2020**
DBO at the beginning of period	0.46	0.35
Add: Current service cost	0.14	0.15
Add: Interest cost	0.03	0.03
Less: Benefits paid by the employer	(0.03)	(0.02)
Actuarial (gain) or losses due to experience adjustment	(0.11)	(0.04)
DBO at the end of period	0.50	0.46

vi) Expected Benefit payments in the future	
December 31, 2022	0.28
December 31, 2023	0.27
December 31, 2024	0.23
December 31, 2025	0.05
December 31, 2026	0.06
December 2027 to December 2031	0.25
December 2032 to December 2041	0.27

vii) Expected term of liability (in years)	**6.69 years**

Separation allowance

i) Statement of Profit & Loss	**2021**	**2020**
Current service cost	0.57	0.57
Interest on DBO	0.18	0.13
Expenses recognised in profit or loss	0.74	0.71

ii) Statement of Other Comprehensive Income	**2021**	**2020**
Actuarial (gain) or loss due to experience adjustments	(0.28)	(0.01)
Expense recognised as other comprehensive income	(0.28)	(0.01)

iii) Statement of Defined Benefit Obligation	**2021**	**2020**
Expense recognised in profit or loss	0.74	0.71
Expense recognised in other comprehensive income	(0.28)	(0.01)
Defined benefit cost	**0.46**	**0.70**

iv) Statement of Financial Position	**2021**	**2020**
Present value of define benefit obligation	2.52	2.37

iv) Statement of Financial Position	2021	2020
Funded status - surplus/(deficit)	(2.52)	(2.37)
Net defined benefit asset/(liability)	(2.52)	(2.37)

v) Movement in the present value of DBO Plan	2021	2020
DBO at the beginning of period	2.37	1.68
Add: Current service cost	0.57	0.57
Add: Interest cost	0.18	0.13
Less: Benefits paid by the employer	(0.31)	(0.01)
Actuarial (gain) or losses due to experience adjustment	(0.28)	(0.01)
DBO at the end of period	2.52	2.37

vi) Expected benefit payments in future years	
December 31, 2022	1.33
December 31, 2023	0.99
December 31, 2024	1.42
December 31, 2025	0.58
December 31, 2026	0.30
December 2027 to December 2031	1.26
December 2032 to December 2041	1.99

vii) Estimated term of liability (in years)	7.42 years

Transfer Grant

i) Statement of Profit & Loss	2021	2020
Current service cost	0.57	0.57
Interest on DBO	0.18	0.13
Expenses recognised in profit or loss	**0.74**	**0.71**

ii) Statement of Other Comprehensive Income	2021	2020
Actuarial (gain) or loss due to experience adjustments	(0.28)	(0.01)
Expense recognised as other comprehensive income	(0.28)	(0.01)

iii) Statement of Defined Benefit Obligation Plan	2021	2020
Expense recognised in profit or loss	0.74	0.71
Expense recognised in other comprehensive income	(0.28)	(0.01)
Defined benefit cost	0.46	0.70

iv) Statement of Financial Position	**2021**	**2020**
Present value of define benefit obligation	2.52	2.37
Funded status - surplus/(deficit)	(2.52)	(2.37)
Net defined benefit asset/(liability)	(2.52)	(2.37)

v) Movement in the present value of DBO	**2021**	**2020**
DBO at the beginning of period	2.37	1.68
Add: Current service cost	0.57	0.57
Add: Interest cost	0.18	0.13
Less: Benefits paid by the employer	(0.31)	(0.01)
Actuarial (gain) or losses due to experience adjustment	(0.28)	(0.01)
DBO at the end of period	2.52	2.37

vi) Expected benefit payments in future years	
December 31, 2022	1.38
December 31, 2023	1.19
December 31, 2024	1.00
December 31, 2025	0.16
December 31, 2026	0.33
December 2027 to December 2031	0.65
December 2032 to December 2041	0.86

vii) Estimated term of liability (in years)	**7.42 years**

Note 32: Fair value measurements (Standalone)

Financial instruments by category

	As at December 31, 2021			As at December 31, 2020		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Investment in equity shares of entities other than subsidiary, associate and JV		6,966.86			4,763.15	
Investment in EPF assets			23.33			25.71
Security deposits paid to third parties			0.09			0.09
Trade Receivables and other receivables			2,484.43			321.35
Loan to subsidiary company including Interest			-			-
Cash and Cash Equivalents			144.36			434.94
Total financial assets		**6,966.86**	**2,652.21**		**4,763.15**	**782.09**
Financial liabilities						
Borrowing			38.60			38.23
Liability towards EPF			-			11.07
Trade payables			333.74			0.92
Employee payables			22.50			17.45
Deposits received			0.17			0.16
Other liabilities			1.27			24.76
Advance from Subsidiaries			2.55			2.55
Total financial liabilities			**398.83**			**95.14**

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, 2021			As at December 31,		
	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.	1,526.34			1,550.34		
Royal Insurance Corporation of Bhutan Ltd	1,796.24			1,721.90		
Investment Abroad		3,644.28		70.06	1,420.85	
Total financial assets	**3,322.58**	**3,644.28**		**3,342.30**	**1,420.85**	

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

	As at December 31, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Investment in EPF assets	27.03	27.03	25.71	25.71
Security deposits paid to third parties	0.06	0.06	0.04	0.04
Trade Receivables and other receivables	2,484.43	2,484.43	321.35	321.35
Loan to subsidiary company including Interest	-	-	-	-
Cash and Cash Equivalents	144.36	144.36	1,511.02	1,511.02
Total financial assets	**2,655.88**	**2,655.88**	**1,858.11**	**1,858.11**
Financial Liabilities				
Borrowing	38.60	38.60	38.23	38.23
Liability towards EPF	-	-	11.07	11.07
Trade payables	333.74	333.74	0.92	0.92
Employee payables	22.50	22.50	17.45	17.45
Deposits received	0.17	0.17	0.16	0.16
Other liabilities	1.27	1.27	24.76	24.76
Advance from Subsidiaries	2.55	2.55	2.55	2.55
Total financial liabilities	**398.83**	**398.83**	**95.14**	**95.14**

The carrying amounts of above-mentioned financials assets and financial are considered to be the same as their fair values, due to their short-term nature.

The current portion of inter corporate loan has not been considered in the above table considering the carrying amount to be the same as their fair values, due to their short-term nature.

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Note 33: Capital Management

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.

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 to 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 34: 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, 31 December 2016 and 31 December 2017 amounting to Nu. 7,000,000, Nu. 7,000,000 and Nu. 6,000,000 respectively. The total provision for impairment loss of Nu. 217,000, Nu. 217,000 and Nu. 186,000 respectively has been recognised.

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 Dungsum Cement Corporation Limited (DCCL). The subsidiary company started commercial operation in 2014. The bond is 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-Derivative	less than 1 year	more than 1 year	Total
Borrowings from Ministry of Finance		38.60	38.60
Liability towards EPF		11.07	11.07
Trade payables	14.99		14.99
Employee payables	17.45		17.45
Deposits received	0.21		0.21
Advance from Subsidiaries	2.55		2.55
Other liabilities	24.78		24.78
Total non-derivative liabilities	**59.97**	**49.67**	**109.64**
December 31, 2020			
Borrowings from Ministry of Finance		38.23	38.23
Liability towards EPF		11.07	11.07
Trade payables	0.92		0.92
Employee payables	17.45		17.45
Deposits received	0.16		0.16
- Advance from Subsidiaries	2.55		2.55
Other liabilities	24.76		24.76
Total non-derivative liabilities	**45.84**	**49.30**	**95.14**

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	2021	2020
Increase by 5%	167.12	184.48
Decrease by 5%	(167.12)	(184.48)

Note 35: 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. 220,140,000/-

In the year 2019, Corporate Guarantees were provided to Bhutan Power Corporation Limited amounting to Nu. 500,000,000, Nu. 50,000,000 to Natural Resources Development Corporation Limited, Nu. 2,160,000,000 to Dungsam Cement Corporation Limited and Nu. 61,600,000 to Azista Bhutan Healthcare Limited and Nu. 100,000,000 to Construction Development Corporation Limited.

During the year 2020, Corporate Guarantees were provided to Drukair Corporation Limited amounting to Nu. 1,500,000,000/-, Nu. 12,000,000/- to Koufuku International Limited, Nu. 1,010,000,000/- to Dungsam Cement Corporation Limited and Nu. 60,000,000 to Natural Resources Development Corporation Limited.

A summary of the corporate guarantee provided to companies in 2021 is as follows:

Company	Corporate Guarantee 2021
KIL	2.00
TTPL	78.03
CDCL	423.95
ABHL	19.60
DCCL	1,500.00
BPC	500.00
DACL	1,500.00
NRDCL	60.00
Total for the year	**4,083.58**

The total guarantee outstanding balance as on 31 December 2021:

Entity	BG	Loan O/s
DCCL	5,740.14	5,256.75
NRDCL	160.00	100.38
BPC	2,500.00	981.46
TTPL	109.10	108.82
SMCL	80.00	51.82
STCBL	40.00	42.36
CDCL	523.95	506.34
KIL	24.00	23.26
DACL	1,717.50	1,484.74
ABHL	81.20	55.97
Total	**10,975.89**	**8,611.91**

Note 36 Commitments

Commitments for capital expenditure by various members of the Group total Nu. 640.72 million (2019: Nu. 16,302.92 million).

Note 37: Managerial Remuneration

A. Remuneration paid to the Chairman of the company -	31-Dec-21	31-Dec-20
Salary and allowances	3.45	3.22
Other benefits	1.41	1.43
Provident fund contribution by employer	0.31	0.29
Sitting fees	0.20	0.16
	5.37	**5.10**

B. Remuneration paid to the Chief Executive Officer of the company -	31-Dec-21	31-Dec-20
Salary and allowances	3.14	3.04
Other benefits	1.13	1.32
Provident fund contribution	0.28	0.27
Sitting fees	0.20	0.23
	4.75	**4.86**

C. Sitting fees paid to other Board of Directors of the Company-	**31-Dec-21**	**31-Dec-20**
Nim Dorji	0.33	0.19
Dasho Pema Chewang	0.32	0.08
Dechen Dorji	-	0.05
Kinga Tshering	0.28	0.24
Thinley Namgyel	0.26	0.22
Kesang Deki	0.04	-
Karma Lotey	0.03	-
	1.26	**0.78**

Note 38: Auditor's Remuneration

	31-Dec-21	**31-Dec-20**
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)*	0.05	0.12
	0.68	**0.75**

Note 39 Related Party Disclosures Parent (State) -

Parent (State) -	**2021**	**2020**
	% of Holding	**% of Holding**
Ministry of Finance (MoF), Royal Government of Bhutan	100%	100%

Subsidiaries -	**2021**	**2020**
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)	89%	80%
Dungsam Polymers Ltd. (DPL)	51%	51%
Koufuku International Ltd. (KIL)	100%	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%
Thimphu TechPark Ltd. (TTPL)	100%	100%
Wood Craft Center Ltd. (WCCL)	-	100%

Associates -	**2021**	**2020**
Bhutan Ferro Alloys Ltd. (BFAL)	26%	26%

Joint Venture	**2021**	**2020**
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 -	**2021**	**2020**
Bhutan National Bank Ltd. (BNBL)	12%	12%
Royal Insurance Corporation of Bhutan Ltd. (RICBL)	18%	18%

State Owned Enterprises -

Bhutan Development Bank Ltd. (BDBL)
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 -

Dasho Ugyen Chewang, Chairman (w.e.f 01.08.2018)
Dasho Karma Y. Raydi, Chief Executive Officer and Director
Mr. Nim Dorji (Director)
Dasho Pema Chewang (Director)
Mr. Thinley Namgyel (Director)
Ms. Kesang Deki (Director)
Mr. Karma Lotey (Director)

b) (i) Transactions with Parent -	**2021**	**2020**
Dividend paid	4,352.00	3,350.00
Allotment of shares (fully paid of Nu. 100/- each)	548.88	175.04
Expenses adjusted by the company on behalf of MoF	0.95	1.12

b) (Ii) Balance as at the end of the year with Parent -	**2021**	**2020**
Advance to MoF	3,021.00	4,532.00

C) (i) Transactions with Subsidiaries -	**2021**	**2020**
Equity contribution in cash	**-**	**329.33**
Construction Development Corporation Ltd.	-	150.00
Drukair Corporation Ltd.	-	50.17
Koufuku International Ltd. (KIL)	-	39.16
Natural Resources Development Corporation Ltd.	-	90.00
Druk Greenpower Corporation Ltd. (Grants from GoI)	548.88	175.04
Dividend income	**8,025.74**	**7,165.19**
Brand management fee	**179.91**	**179.91**
Druk Green Power Corporation Ltd.	98.10	94.79
Bhutan Power Corporation Ltd.	30.69	31.65
Bhutan Telecom Ltd.	32.39	26.44
Others	10.45	27.03
Corporate guarantee fee	**13.87**	**11.90**
Bhutan Power Corporation Ltd.	10.37	6.14
Construction Development Corporation Ltd.	2.05	-
Dungsam Cement Corporation Ltd.	-	4.98
Others	1.45	0.76
Interest income on bank deposits- Bank of Bhutan Ltd.	**75.57**	**72.10**
Interest Income on intercompany loans provided	**0.36**	**4.39**
Bhutan Telecom Ltd.	-	3.72
Drukair Corporation Ltd.	15.96	0.34
Dungsam Polymers Ltd. (DPL)	0.36	0.14
Koufuku International Ltd. (KIL)	-	0.19
Interest expenses- Bank of Bhutan Ltd.	**-**	**5.27**
Electricity expenses- Bhutan Power Corporation Ltd.	**0.81**	**0.40**
Telephone and internet expenses - Bhutan Telecom Ltd.	**1.58**	**1.33**
Purchase of air tickets and others - Drukair Corporation Ltd.	**0.03**	**0.25**
Repairs and maintenance charges- State Trading Corporation Ltd.	**0.30**	**0.51**

Purchase of assets - State Trading Corporation Ltd	**0.21**	**2.73**
Hall hiring charges- Natural Resources Development Corporation Ltd.	**0.01**	**0.02**
Bank charges- Bank of Bhutan Ltd	**0.02**	**0.03**
Inter-company loan	**498.00**	**-**
Drukair Corporation Ltd.	490.00	-
Dungsam Polymers Ltd. (DPL)	8.00	-
Advance provided for project- Construction Development Corporation Ltd.	**118.40**	**237.44**

c) (ii) Balance as at the end of the year with Subsidiaries -	**2021**	**2020**
Current account balances- Bank of Bhutan Ltd.	**144.80**	**-**
Fixed deposits- Bank of Bhutan Ltd.	**1,310.00**	**1,063.5**

c)(iii) Outstanding Balances with Subsidiaries -	**2021**	**2020**
Accrued interest on bank deposits- Bank of Bhutan Ltd.	**55.83**	**26.59**
Electricity expenses - Bhutan Power Corporation Ltd.	**-**	**0.12**
Telephone and internet expenses - Bhutan Telecom Ltd.	**0.74**	**0.15**
Inter-company loan receivable (principal and interest)	**498.00**	**-**
Drukair Corporation Ltd.	490.00	-
Dungsam Polymers Ltd.	8.00	-
Corporate guarantee fee receivable	**13.81**	**8.01**
Bhutan Power Corporation Ltd.	10.37	5.83
Dungsam Cement Corporation Ltd.	2.05	1.47
Others	1.39	0.71
Advances for CSR	**2.35**	**2.35**

d) (i) Transactions with Associates -	**2021**	**2020**
Dividend income- Bhutan Ferro Alloys Ltd.	**19.30**	**-**

d) (ii) Outstanding Balances with Associates -	**2021**	**2020**
Advances given on behalf (net)	**0.20**	**0.20**

e) (i) Transactions with Joint Ventures	**2021**	**2020**

Equity contribution in cash	14.70	166.80
Azista Bhutan Healthcare Limited	14.70	16.80
Druk Metallurgy Limited	-	150.00

f) Transactions with Other Portfolios -	**2021**	**2020**
Bonus shares received	-	-
Dividend income	-	3.37
Insurance of vehicles	0.05	0.09
Medical insurance	0.45	0.45

g) Compensation to Key Management Personnel -	**2021**	**2020**
Short-term benefits	9.52	9.39
Post-employment benefits	0.59	0.56

h) Transactions with SoEs -	**2021**	**2020**
Media and publication expenses - Kuensel	0.71	0.54
Media and publication expenses -	0.22	0.16
BBS Postage charges - Bhutan Post	0.09	0.09

Note 40: Events After Balance Sheet Date

On 1st June, 2022, the Board of Directors approved the dividend of Nu. 3,021 million for the financial year ended December 31, 2021 representing 6.11% on paid up capital.

RATIO ANALYSIS

Appendix - II

DRUK HOLDING & INVESTMENTS

i. STANDALONE RATIO ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

Ratios	Basis	2021	2020
Earnings per share	(Profit After Tax/No. of Shares Issued)	**11.67**	**9.53**
Net Profit Ratio (%)	(Net Profit/Turnover*100)	**68.71%**	**62.51%**
Return on Assets (%)	(Net Profit/Total Assets*100)	**8.28%**	**7.03%**
Return on Equity (%)	(Net Profit/Owner's Equity*100)	**8.72%**	**7.31%**
Dividend Coverage Ratio	(Net Profit Available to equity shareholders/ Dividend paid to Equity shareholders)	**1.36**	**1.34**
Dividend payout Ratio (%)	(Dividend per share/Earning Per Share*100)	**79.00%**	**72.00%**
Current Ratio	Current Asset/Current Liability	**3.39**	**6.44**

ii. CONSOLIDATED RATIO ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

Ratios	Basis	2021	2020
Earnings per share	(Profit After Tax/No. of Shares Issued)	**13.59**	**7.46**
Net Profit Ratio (%)	(Net Profit/Turnover*100)	**16.61%**	**10.51%**
Return on Assets (%)	(Net Profit/Total Assets*100)	**2.79%**	**1.63%**
Return on Equity (%)	(Net Profit/Owner's Equity*100)	**6.76%**	**3.80%**
Current Ratio	Current Asset/Current Liability	**3.55**	**4.11**

For Jigmi Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283308)
Managing Partner
Place: Thimphu Date: .... , 2022

For Tshechu & Associates

Tshechu CPA
(Membership No. 9798359)
Managing Partner
Place: Thimphu Date: .... , 2022

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