

# ANNUAL REPORT 2012



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Druk Holding & Investments



ANNUAL REPORT 2012



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# Statement by the Chairman, DHI



**Lyonpo Om Pradhan**

Chairman, DHI

Fifth Annual General Meeting

26 April 2013

■ I welcome all participants at this fifth Annual General Meeting of DHI. We have representatives of the Ministry of Finance, and as per the Royal Charter, is the shareholder of DHI on behalf of the government and people. I am happy that all Directors of the DHI Board are here today. Thank you for your attendance.

Five years have elapsed since His Majesty the King established DHI. This is time enough to assess whether DHI is on the right track to achieve the objectives laid down in the Royal Charter. According to our key mandates, DHI has to strive for operational excellence, innovation and leadership.

The DHI Board and management, despite teething problems arising from the new democratic constitution which gave rise to new ways of functioning of government agencies, is of the overall view that we are very much on the right track. Yes, initially there seemed to be some confusion all around but gradually matters became more understandable, and working relationships became mutually beneficial.

This was especially clear in the State of the Nation report of the Hon'ble Prime Minister. It was delivered on 4th March earlier this year to the final session of Bhutan's first democratic parliament. From the elaborate report

of the Prime Minister, he summarized DHI's activities as follows:

*"We would like to thank His Majesty the King for having the great wisdom and foresight to establish Druk Holding and Investments by granting the Royal Charter for that purpose. In the last five years, in keeping with the government's vision and policies, DHI has played a substantial role in helping us achieve several key objectives. Based on the positive transformations in its companies, the numerous business initiatives it has undertaken, and the substantial increase in its revenues to the government, the establishment of DHI has made an excellent contribution to the welfare of the nation. DHI has made a visible difference in the Bhutanese economy, and it is expected that DHI will continue to play a major role in defining and shaping the country's growing economy in the most positive way."*

In this regard DHI thanks the Ministry of Finance as member of the Cabinet and National Assembly for endorsing this report. We also thank the Ministries of the outgoing government for their guidance and support, and especially the Ministries of Economic Affairs and Works & Human Settlements. Their understanding of DHI's responsibilities and support proved critical to the success of DHI.

So, let me assure you that DHI has been and is on the right course and though there will always be challenges, we will continue to strive to achieve the Royal Charter mandates and to serve the Tsa-wa-sum to the best of our ability. We will continue to attempt to set new boundaries and strive to achieve excellence.

With these introductory remarks, let me take time to reflect briefly on how DHI has fared with a focus on 2012.

Over the last five years, DHI has cultivated a performance-driven culture. As a result DHI has enhanced the performance of its companies. For example, DHI has developed the business processes and implemented it in all the DHI Owned Companies (DOCs), thereby promoting a professional and conducive work culture.

Right from the beginning of its functioning, DHI introduced a system of Annual Compacts with its companies. This evaluates the company's performance against mutually set targets. It should be noted that incentives given to employees are directly proportionate to this performance. The purpose of its introduction was not only to improve performance but also to identify and set important government and DHI targets. This system of annual compacts has proved highly successful, and DHI is proud to have been the first to introduce such a system in the country.

DHI has over the years, implemented the DHI Ownership Policy – a policy that was developed in line with DHI's philosophy of good corporate governance. This policy not only provides an overall framework for the governance of DHI companies, but it also ensures integrity, transparency, accountability and responsibility in the DHI family. To further improve corporate governance in the State Owned Enterprises (SOEs), DHI also sourced a grant from the World Bank and some of which was utilized for capacity development of board directors and senior management in the companies.

At this stage I would like to bring it to your kind notice that DHI has introduced independent annual Customer Satisfaction Surveys. This ensures feedback directly from our customers, that is, those who avail of our services, to inform us on a regular basis what they feel about these. At the same time Customer Grievance Cells have been set up and customer service training conducted in the service-oriented companies. The services of DHI companies have not only improved but costs have also been coming down for customers. This is contrary to the belief in some quarters that costs of services goes up or service quality goes down when you pay your employees better! In fact DHI companies have proved this belief to be incorrect.

It is also heartening to report that the large-scale projects taken up by DHI since its inception in the energy, ICT and manufacturing sectors are complete, or on the verge of completion. And, many more project ideas conceived by



DHI are currently in the pipeline. To highlight this, Dungsam Polymers is today operational. The same goes for the Thimphu TechPark. Koufuku International was incorporated in 2011 and is at the construction stage. The Education City is under active implementation by the government after DHI completed its mandate. The three SEZs are under implementation. Projects that saw a revision of costs like the Dagachhu Hydropower will be complete by early 2014, and the Dungsam Cement Corporation has begun clinker production and will be fully operational in another four months or so. Mobilizing additional financing for these projects was a big challenge that DHI has met successfully.

DHI has also identified 10 potential business opportunities in eastern Bhutan and carried out pre-feasibility studies in other areas, namely, the Wellness Resort in Punakha, and IFC SME fund. Efforts to mobilize investments for these are taking place.

To support and stimulate the private sector, DHI has been working to come up with new investments and initiatives. We have developed the DHI-Private Sector Partnership Framework.

As a gesture of our support and solidarity to the sector, DHI helped one private company to successfully set up a Waste Management & Transfer Station for Thimphu City. To garner larger participation, DHI began an entrepreneurship program titled DHI-BEGIN. The program is designed to address practical skill development, provide equity capital for business start-ups and monitor businesses. Till date, two batches have undergone the program.

DHI has recently decided that wherever possible and in keeping with the Royal Charter provisions, we should diversify some of our corporations so that opportunities for the private sector are enhanced. In this connection DHI equity shares in various companies are being offered on the Royal Securities Exchange of Bhutan. This is the case with Dungsam Polymers, STCB, BBPL, and after sometime, shares in the Dungsam Cement Project will also be available. Putting shares for sale on our stock market also makes the Securities Exchange more active and dynamic.

DHI is in contact with the Bhutan Chamber of Commerce & Industry to work closely together to look into the area of legislation in order to further facilitate the smooth functioning of business and industry in the kingdom.

Now, let me draw your kind attention to what happened in the year gone by, that is, 2012.

In 2012 DHI's income increased by 8%. The remittances made to the Ministry of Finance, including taxes, were to the tune of Nu. 4.5 billion – an increase of 6%. For DHI owned companies it was a successful year with increases in revenue ranging from 17% to 25%. On the whole in 2012, the revenue from all the DOCs put together increased by 10%, tax contribution increased by 4% and PAT increased by 6% compared to 2011. For DGPC there was only a marginal increase in its revenue by 1.76% although the company achieved operational excellence. This is understandable given the fact that they have no control over the tariff that is fixed, the increasing domestic consumption of electricity, and the low power generation due to the poor monsoons. Here, I would like to stress that DGPC and BPC constitute about 85% of the total dividend received by DHI. Thus, it is a concern and a challenge for DHI to pay increasing dividends to the government.

On the revenue front DHI has been in constant communications with the Ministries of Finance and Economic Affairs, and has also made out submissions to the Prime Minister and Cabinet. For revenues to increase it is necessary for the government to address the power tariffs, both domestic and international. The Bhutan Electricity Act has to be implemented in letter and spirit to yield greater revenues from this national resource and for the nation as a whole to benefit equitably. If the Act needs to be revised to enhance revenues the Ministries concerned need to initiate urgent action in the National Assembly. DHI has requested that this be done by the beginning of the 11th Five Year Plan.

Another bottleneck for DHI is the issue of double taxation. This has served as a deterrent in the creation of a reserve at the holding level, which in turn, hampers new investments. In this regard the Cabinet has directed the Ministry of Finance to take the required action. Hence, there is an urgent need for the Ministry to submit the matter to the National Assembly in order to address this issue as expeditiously as possible and

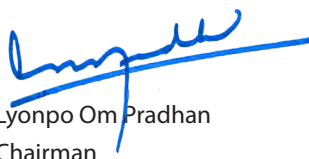
enable the Ministry and DHI to fulfill the Royal Charter requirement to expand the reserves.

Other challenges faced by some of the companies are the cumbersome procedures of dealing with organizations for the issuance of clearances and land acquisition.

Finally, let me bring to your notice that one of the daunting challenges that DHI and its companies face is the lack of skilled human resources.

In conclusion, as we gear up to 2013, I am of the view that the environment external to DHI will continue to be a challenge. But, I firmly believe that the accomplishments and the hurdles of the past five years would have better prepared DHI and its companies to counter the difficulties we will face in the future. The employees of DHI and its companies' as well as our Boards, have time and again proved their commitment to take our companies to greater heights. And as I express my appreciation to each and every one of them, I would also like to remind them never to lose focus from the DHI vision. In the years ahead, the DHI family is expected to take more determined steps to implement the vision of His Majesty the King as outlined in the Royal Charter in order to serve the Tsa-wa-sum with greater effectiveness and excellence.

Tashi Delek!



Lyonpo Om Pradhan  
Chairman

Druk Holding and Investments



# Introduction

Druk Holding and Investments (DHI) was established on 11 November 2007 by His Majesty the King Jigme Khesar Namgyel Wangchuck *“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.”* The Ministry of Finance is the sole shareholder of the DHI.

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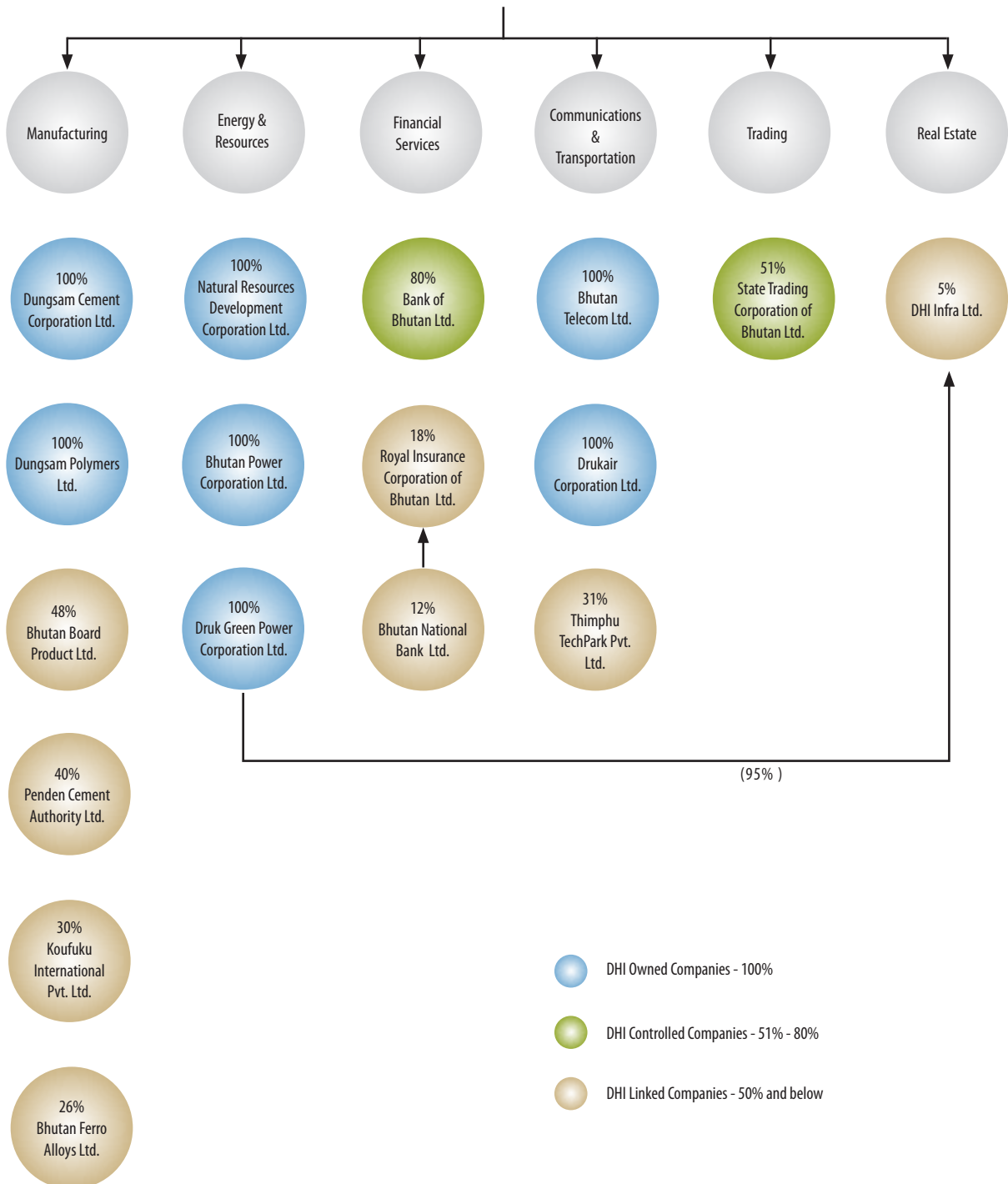
## Vision

“To be a leading sovereign wealth management and creation organization that helps transform Bhutan into a globally competitive economy guided by the principles of GNH”

## Mission

- Accelerate socio-economic development
- Enhance national wealth
- Help build a dynamic economy for a vibrant democracy
- Lead and stimulate private sector development
- Transform DHI companies into highly efficient and productive companies

# DHI Portfolio Companies



# DHI Portfolio Companies depicting DHI shareholding and Net Worth/Market Capitalization of the Companies:

	DHI Share Holding (in %)	DPC Categories	2012 Revenue (in million)		Net Worth/Market Capitalization (in million)*	
			BTN	USD**	BTN	USD**
Energy & Resources						
Druk Green Power Corporation Ltd.	100	DOC	11,140.80	203.30	38,419.84	701.09
Bhutan Power Corporation Ltd.	100	DOC	4,140.28	75.55	15,801.80	288.35
Natural Resources Development Corporation Ltd.	100	DOC	484.86	8.85	545.41	9.95
Communications & Transportation						
Bhutan Telecom Ltd.	100	DOC	2,209.34	40.32	3,006.75	54.87
Drukair Corporation Ltd.	100	DOC	2,761.25	50.39	2,438.68	44.50
Financial Services						
Bank of Bhutan Ltd.	80	DCC	2,136.11	38.98	3,204.92	58.48
Bhutan National Bank Ltd.	12	DLC	2,175.01	39.69	9,123.76	166.49
Royal Insurance Corporation of Bhutan Ltd.	18	DLC	542.09	9.89	1,440.00	26.28
Real Estate						
DHI Infra Ltd.	100	DOC	13.83	0.25	201.40	3.68
Thimphu Tech Park Pvt. Ltd.****	31	DLC	1.71	0.03	63.19	1.15
Trading						
State Trading Corporation of Bhutan Ltd.	51	DCC	1,009.71	18.43	171.00	3.12
Manufacturing						
Dungsam Cement Corporation Ltd.***	100	DOC	0.00	0.00	4,973.95	90.77
Dungsam Polymers Ltd.	100	DOC	27.41	0.50	42.19	0.77
Penden Cement Authority Ltd.	40	DLC	2,079.66	37.95	2,040.00	37.23
Bhutan Ferro Alloys Ltd.	26	DLC	2,142.94	39.10	900.00	16.42
Bhutan Board Products Ltd.	48	DLC	327.89	5.98	196.00	3.58
Koufuku International Private Ltd.****	30	DLC	0.00	0.00	30.00	0.55

## Accompanying Notes:

\* Net worth is reflected for DHI Owned Companies and for BOBL and is based on book value.

Market Capitalization is reflected for DHI Linked Companies

\*\* 1USD = 54.80 BTN as of December 2012

\*\*\*Company under construction

\*\*\*\*DHI Linked Companies which are not listed. For them, net worth has been reflected

## Glossary

DPC – DHI Portfolio Companies means all companies in which DHI has shares.

DOC – DHI Owned Companies. These are companies that are fully owned by DHI.

DCC – DHI Controlled Companies. These are companies in which DHI owns more than fifty percent of the paid up equity share capital.

DLC – DHI Linked Companies. These are companies in which DHI owns fifty or less percent of the paid up equity share capital.

# B Board of Directors



# The Chairman



## **Lyonpo Om Pradhan**

Lyonpo Om Pradhan has served the Royal Government of Bhutan for 34 years as the Deputy Minister and the then Minister for Trade and Industries. He was also the Ambassador to India, Nepal and the Maldives and served as Bhutan's Permanent Representative at the United Nations in New York. In addition, he served at the United Nations Secretariat coordinating, monitoring and reporting on the implementation of the Programmes of Action for the Least Developed, Landlocked and Small Island Developing States. In 2007, His Majesty the King appointed him as the Chairman of Druk Holding and Investments.

# The Directors



**Mr. Lam Dorji**  
**Secretary, Ministry of Finance**

Mr. Lam Dorji joined as the Finance Secretary in 2008. Prior to this appointment, he was the Secretary of the Planning Commission (presently the GNH Commission) since 2003. Mr. Dorji started his career in the Ministry of Finance, and headed the budget, accounts and aid coordination divisions for several years. In December 2007, DHI appointed him as the Chairman of the Bhutan Telecom Board of Directors.



**Dasho Dr. Sonam Tenzin**  
**Secretary, MOWHS**

Dr. Sonam Tenzin did his MBBS from Bangalore Medical Institute, India in 1982 and later his MPH (Public Health) from Tulana School, USA in 1989. He was honoured with a Gold Medal from His Majesty the Fourth King for National Service in 1976. He started his career as District Medical Officer in 1985. With years of experience he became the Zonal Health Officer in 1992. He served Directorial posts in various Government Organizations, and as Secretary of the Ministry of Labour and Human Resources before being appointed the Secretary of the Ministry of Works and Human Settlement.



**Dasho Penjore**  
**Zimpon, His Majesty's Secretariat**

Dasho Penjore holds MA in Economics from Northeastern University, Boston. His employment record includes Deputy Governor of Royal Monetary Authority of Bhutan, Fellow Research on His Majesty's People Project Research. He was appointed the Gyalpoi Zimpon (Royal Chamberlain) since January, 2007. He is a member of the working committee for designing and launching Bhutan's National Pension plan, member of inter-ministerial working committee for drafting Bhutan's first FDI policy, and member of the Working Group for Bhutan's WTO Accession. He is associated with Secretary General, Bhutan India Friendship Association (BIFA) and former Board Member of the India Bhutan Foundation.





**Mr. Namgey Nidup**  
**CEO, Environmental Friendly Construction Pvt. Ltd.**

Mr. Namgey Nidup did his Masters in Public Administration & Financial Management and Post Graduate in International Financial Management in 1984 from the University of Southern California (USC), USA. He served as Program Co-ordinator in His Majesty's Secretariat. After serving in various government agencies as Head and Chief he moved in to the corporate sector as Managing Director of Bhutan Board Products Limited in 1999.



**Mr. Ugyen Rinzin**  
**Chairman, Yangphel Pvt. Ltd.**

Mr. Ugyen Rinzin is the founder of Yangphel Company with its businesses spanning across sectors such as tourism, wood works, housing, supply and handicrafts. He currently holds Chairmanship of Yangphel Pvt. Ltd, Dragchu Beverages Pvt. Ltd and the Bhutan Insurance Company. He is also an ardent promoter of the National Sport; Archery and is the President of Bhutan Archery. As a Board member of Tarayana Foundation and National Council for Women & Children (NCWC), he continues to play a meaningful role in addressing social issues. In the past, he served as the Board member of Drukair Corporation, the Royal Society for Protection of Nature (RSPN) and the Bhutan Chamber of Commerce & Industry (BCCI)

## The CEO



**Mr. Karma Yonten**

Mr. Karma Yonten received his Electrical Engineering Degree as a Fulbright scholar from the University of Kansas, USA, and his MBA Degree from Hitotsubashi University, Japan. He started his career as a civil servant in the Department of Power/Energy in the then Ministry of Trade and Industry. He was the Chief Executive Officer of the Bhutan Electricity Authority when he resigned from the civil service. Prior to taking up his position as the Chief Executive Officer of DHI, he was a Consultant with Ongdi Consulting Services and a member of the Bhutan Electricity Authority, Bhutan National Bank and board director for Bhutan Telecom.

# D Directors' REPORT

The end of 2012 marks the completion of five years since Druk Holding and Investments (DHI) was established by His Majesty the King in 2007. The past five years have been a journey for all of us associated with DHI. We have had our share of challenges but in all that, it has been a fulfilling experience. We have scaled and continues to scale new heights. A strong foundation has been laid for DHI and we must continue to fulfill the mandates outlined in the Royal Charter. We are determined to endeavor to fulfill the Kasho granted by His Majesty in September 2007. He stated that: "Druk Holding and Investments has performed well since its establishment in 2007. It has built a strong foundation for effectively fulfilling its goals of holding and managing the commercial investments of the Royal Government for the long term benefit of the Bhutanese people. Its governance has set an example and we are grateful for its contribution. I address to you today, he stated, and it is a pleasure to see the progress of DHI."

The end of 2012 marks the completion of five years since Druk Holding and Investments (DHI) was established by His Majesty the King in 2007. The past five years have been an incredible journey for all of us associated with DHI. We have had our share of successes and challenges but in all that, it has been a fulfilling experience and the DHI family has together scaled and continues to scale new heights.

Over the five years, a solid foundation has been laid for DHI and we must continue to endeavor to fulfill the mandates outlined in the Royal Charter. We are deeply honored and humbled by the Kasho granted by His Majesty in September 2010 where it was stated that:

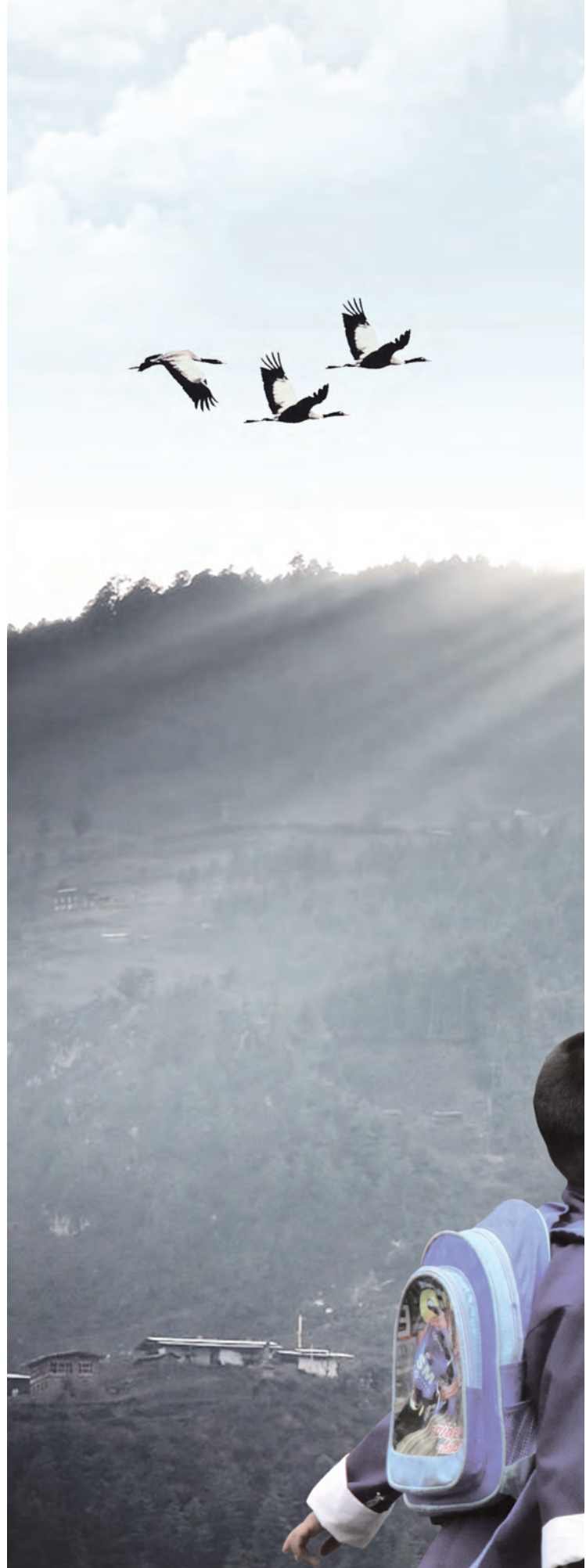
*"Druk Holding and Investments has performed admirably since its establishment in 2007. It has built a strong foundation for effectively fulfilling the goals of holding and managing the commercial investments of the Royal Government for the long term benefit of the Bhutanese people."*

*"DHI's initiatives to promote the best practices of corporate governance in the management of its companies has paid rich dividends and set an example to other organizations as well."*

Further to this, we are also very grateful for the kind words of the Prime Minister on DHI's performance, in his address to the final session of the first democratically elected parliament, where he stated that:

*"DHI has made a visible difference in the Bhutanese economy, and it is expected that DHI will continue to play a major role in defining and shaping the country's growing economy in the most positive way."*

On that note, may I now take this opportunity, on behalf of DHI's board directors, to present to the representatives of the Ministry of Finance, the Directors' Report for 2012. The report consists of DHI's operational and financial performances, an overview of the performances of the DHI Owned Companies (for the past five years) and the audited financial statements of DHI for the year 2012.



## DHI and Gross National Happiness

We have, over the years, consciously engrained the GNH aspects of development in the overall operation of DHI and its companies, particularly in the areas of socio-economic development, environmental conservation and good governance.

And this approach has, in turn, enabled DHI to contribute directly to the overall economic development of the country. DHI Companies too, remain steadfast in their commitment to fulfilling certain social obligations. For instance, rural electrification (with grid connection) has been increased to 89%. From the estimated target of 40,274 (including households electrified under BPC's RE Fill-In program), 31,475 households today have electricity.

In terms of connectivity, all the 205 gewog centres have access to mobile services. After implementing the rural GSM project, Bhutan Telecom has been able to connect a total of 109 far flung villages in eight Dzongkhags to the country's mobile network. And, to increase airline connectivity, international flights were introduced to Singapore while domestic flights to Gelephu and Bumthang were resumed.

Also, a total of 0.185 million cft of rural timber was supplied in 2012 at subsidized rates apart from providing 2.174 million cft of non-rural timber and almost 60,000 truckloads of sand. In addition, NRDCL also constructed 44 kms of road and set up five crushing units in various places to meet the increasing sand demand. In the banking sector, BOB opened nine new e-branches to facilitate banking services.

Furthermore, as an initiative towards private sector development, DHI started an entrepreneurship program called the Business Entrepreneurship Growth and INnovation (BEGIN). The program is aimed to address practical skill development, provide equity capital for business start-ups and provide business mentoring. So far, in two batches, a total of 20 participants have been trained in 2012.

At DGPC, "Being Green Initiative" has been undertaken to ensure preservation of catchment areas of rivers that feed its generating station. Afforestation programs were



also supported. NRDCL, on the other hand, continued its afforestation program at a cost of Nu 5.64 million in 2012. Scientific harvesting methods for timber, sand and stones are used thereby causing minimum damage to the environment.

Further, corporate governance has been strengthened by development of various codes of conduct and training of DOC and DCC board directors. Compacts have been instituted in all the fully owned subsidiary companies for greater performance. Performance measurements have been streamlined in the companies. Overall, a culture of integrity has been embedded in DHI and its companies.

Improvement in customer service is a continued effort by DHI and its service oriented companies. Contact centers in all service companies have been set up with toll free numbers. DHI conducts an independent customer satisfaction survey every year to gauge the quality of service.

DHI and its companies have also contributed to various religious and social institutions and have taken part in blood donation and Help-Shoe Bhutan programs.

## Operational Performance

DHI's main activities are reflected in the compact signed with the Board. The compact is categorized based on the five thrust areas of performance improvement, resource optimization, new investments, private sector development and revenue to the Government. For 2012, DHI was awarded a score of 96% by the Board for its performance. A brief outline of the achievements is as follows;

### ***Thrust Area 1: Performance Improvement***

- Compacts with DHI Board and the DOCs were negotiated, finalized and signed for the year 2012. Performances of DOCs were monitored through their quarterly progress reports, half-yearly and annual presentations to the DHI Board, and during their respective AGMs. Preparation towards non-financial Compacts for 2013 with the DOCs and the DHI Board Compact began in November and were finalized soon after the year-end.

- Prepared final drafts of revised DHI Ownership Policy, Corporate Governance Code, Board Charter, Audit Charter and Code of Ethics.
- Under WB-IDF's "Strengthening Institutional Capacity of DHI to improve Corporate Governance of SOEs in Bhutan" Project, 59 Board Directors from DHI and its companies were trained and certified on "Directorship Skills – Growth and Development of Board Leadership Workshop". The training was conducted in three batches – first batch in November, 2011 and the other two batches in March & August, 2012 respectively.
- Conducted the 3rd Board Orientation Program for the new Board Directors of the DHI Portfolio Companies in June, 2012. A total of eleven Board Directors took part in the two-day program. The program oriented the new Board Directors on DHI's corporate governance framework/policies and familiarized them on fundamental concepts and tools necessary for effective board functions.
- Conducted a two-day workshop on leadership development and balanced scorecard to the Board Directors and senior executives of DHI and its portfolio companies in October, 2012. The workshop mainly focused on strategic choices and issues relating to the execution of strategies and balanced scorecard as a tool for execution of strategy and tracking performance.
- Based on the customer satisfaction survey conducted for service oriented DOCs in 2012, three weak areas were identified for each company for incorporation into their respective compacts with DHI for 2013.
- An intranet site (<http://dhinet/>) was launched at DHI for sharing and communicating information on DPCs within DHI.
- Conducted awareness workshops on information collection and dissemination to all the DPCs.
- As part of improving cohesiveness between DHI and its companies, the CEO, DHI toured central and southern parts of Bhutan to meet with the branch managers of the DOCs.

- Besides developing PMS Manual, Procurement Manual for Goods and Services and Service Rules for DPL and Service Rules for DCCL, the Consultancy Unit at DHI also provided consultancy services to the Tourism Council of Bhutan for the reorganisation of strategic direction and development of Corporate Strategic Plan, Employee Appraisal System and Team Appraisal System.
- In order to streamline the HR functions, DHI prepared a staffing framework for DHI projects and new companies and developed a guideline for short-term trainings at DHI. Position titles and TORs were reviewed and new position titles and detailed TORs were developed.
- Towards improving the organizational climate of DHI and its employees, an employee satisfaction survey was conducted.
- To help understand the relationship between the strategic direction and performance measures at the functional levels and to proactively support the core functions of DHI, a strategic plan for the Corporate Services Division was developed.

#### ***Thrust Area 2: Resource Optimization***

- Implemented phase-II of the contact centre. Phase-II includes additional features of redressing customer grievances.
- Revised the current dividend determination framework for DOCs. This has been done as a means to ensure that substantial reserves are built at DHI to carry out investments as per its mandates and also to provide funds to the government during national exigencies.
- Initiated divestment of Dungsam Polymers Ltd. (DPL). The DPL Board, the DHI Board and the MoF have jointly approved the proposal for divestment. Prospectus has been submitted to Company Registrar for IPO approval. The IPO will be made once approval is received.

#### ***Thrust Area 3: New Investments***

- DHI started implementation of the Wellness Resort

Project. Details of the project are given under 'DHI Investment'.

#### ***Thrust Area 4: Private Sector Development***

- DHI conducted its first batch of Business Entrepreneurship Growth and INnovation (BEGIN) training program to eleven entrepreneurs. The training began on 19 March 2012 and concluded on 19 June 2012. The second batch of BEGIN training began on 01 October 2012 and concluded on 31 December 2012.
- Thimphu TechPark Ltd. signed a lease agreement with a joint venture company, Shaun Communication Bhutan Pvt. Ltd. on 28 August 2012. The company began its commercial operation from 01 September 2012. Another company, ScanCafe started operations from November 2012 on a pilot basis.
- A study on credit rating for Bhutan was conducted in 2011. The study showed significant benefits from obtaining credit rating for Bhutan. However, due to the lengthy process involved in obtaining one, as a short term measure to reduce cost of borrowings for Bhutan, DHI came up with a proposal to obtain membership to World Bank's Multilateral Investment Guarantee Agency (MIGA) and re-assessment of the Organization for Economic Development and Cooperation (OECD) country risk classification system. Cabinet has approved the proposal for MIGA membership.
- Set up a seed fund of Nu. 25 million to provide risk capital to entrepreneurs with DHI contributing Nu. 15 million and BOBL contributing Nu. 10 million.
- A Memorandum of Understanding has been signed with Leopard Capital to set up a local fund management company to identify and manage investments.

#### ***Thrust Area 5: Revenue to the Government***

- DHI met the dividend remittances of Nu. 1,550 million and 90% of profit after tax of DGPC-THPA in monthly tranches to MOF. Total amounting to Nu. 2,939.27 million.



## Financial Highlights

The table below depicts key financial figures for 2011 and 2012 and the variance thereof:

[Figures in Ngultrum, Million]

Particulars	2012	2011	% Variance
Total Income	4,703.14	4,359.98	7.87%
Total Expenditure	131.31	52.01	152.47%
Profit Before Tax	4,571.84	4,307.96	6.13%
Tax	1,372.95	1,292.39	6.23%
Profit After Tax	3,198.89	3,015.57	6.08%
Dividend	3,127.53	2,939.27	6.40%
Reserves and Surplus	1,143.65	1,062.29	7.66%
Loan	1,600.00	-	-
Total Investments	46,695.62	44,784.43	4.27%

The total expenditure increased by 152% over 2011, mainly on account of the interest expenses of Nu. 47.46 million on the loan that was availed from DGPC, BPCL and BTL during the year and also, due to increase in employee remuneration and benefits by about 54% from 2011 (by Nu. 15.51 million). Increase in other expenses and depreciation expenses also attributed to the increase in total expenditure.

Reserves at the DHI stand at Nu. 1143.65 million in 2012. Given the types of projects and investment to be made in future, the retention in the reserve is low.

## DHI Investments

### *Wellness Resort Project*

The Wellness Resort Project (WRP) is a strategic investment initiated by DHI to promote Bhutan as a wellness destination in line with the country's policy of "high value, low impact" tourism.

Chiva-Som International Health Resorts based in Thailand was identified as the strategic partner. A framework agreement was executed between DHI and Chiva-Som for collaboration. In accordance with the framework agreement, Chiva-Som carried out the pre-feasibility and concept study (business plan). The total project cost is estimated at USD 34.5 million, to be financed 50% by equity and the remaining 50% by debt.

A thorough study, involving extensive site visits, was carried out to identify potential sites for the Resort. The current project site in Lingmukha under Punakha Dzongkha was found to be the most ideal location. In-house survey for the delivery of all the ancillary services like road connectivity, water, power supply etc. to the site has been completed. Application for long-term lease of the site has been completed and submitted to the National Land Commission. All the reports pertaining to environment clearances for the project have also been completed and application have been submitted to the National Environment Commission for their consideration.

In November, DHI signed a Memorandum of Understanding (MoU) with Bhutan Investment Corporation (BIC), a Singaporean company for investment in the project. Subsequently, DHI, National Pension and Provident Fund (NPPF) of Bhutan and BIC signed the Shareholders' Agreement for investment in the project. All due process have been completed and the request for FDI registration and the incorporation of Menjong Wellness Resort (the name for the wellness resort as cleared by the Registrar of Companies) have been lodged with the appropriate authorities.

The MoU or the Term Sheet laying down the broader terms of the definitive agreements have been finalized and signed with Chiva-Som.

### *Dagachhu Hydropower Project*

The CDM Executive Board approved the registration of Dagachhu Project as a CDM Project in 2010 with the crediting period defined from 01 January 2012 to 31 December 2018. The project is estimated to generate 515 GWh of electricity annually that will provide 500,000 Certified Emission Reduction (CER) certificates for trading. Upon fulfillment of the conditions precedent to the CERPA signed with ADB-FCF, the first milestone payment amounting to USD 1.937 million had been disbursed from ADB and was credited in the DHPC account on 31 October 2012.

The cost of the Dagachhu Hydropower Project had increased from Nu. 8,160.59 million to Nu. 12,226.74 million mainly on account of poor geological conditions

encountered at the various stages of underground works. 80% of overall civil works were completed. The engineering and manufacturing of all the equipment were completed and 75% of transportation was also completed as of 31 December 2012. The project is expected to commission by early 2014.

#### ***Dungsam Cement Corporation Ltd. (DCCL)***

Revised commercial operation deadline for clinker and cement is 24 April 2013 and 21 August 2013 respectively. The scheduled operation date could not be achieved due to various issues including increase in scope of work. The overall progress achieved as of December 2012 is about 98%. Civil and mechanical works related to clinker plant were completed with remaining work on electrical, control and instrumentation. With regard to the cement grinding and packing plant, all civil and structural works were completed with remaining work on mechanical, electrical, control and instrumentation and testing and commissioning. Total cost as of December 2012 was Nu. 9,078 million.

#### ***Koufuku International Pvt. Ltd. (KIPL)***

KIPL office in Thimphu opened in April 2012 with total of 5 staff including a manager from Shin Nippon Biomedical Laboratories Ltd (SNBL), Japan. Design works for construction of new factory in Trashigang has been contracted.

#### ***SAP ERP System***

The SAP ERP system has been fully implemented and stabilized by December 2012. The financial year 2012 closing for DHI was done successfully from the SAP ERP system. The Enhancement Package (EHP) of SAP ERP platform was successfully upgraded from ECC 6.0 EHP 4.0 to EHP 6.00, and the DHI SAP hardware has hosted the SAP ERP systems of Dungsam Cement Corporation Ltd., Dungsam Polymers Ltd. and DHI Infra, as multi client and multi companies on the same hardware, as part of resource optimization initiative of DHI within the group companies.

The total cost of the project, which was capitalized in

the financial year 2012 is Nu. 11,508 million. This cost includes the cost of SAP licenses, ERP consulting and implementation services, and maintenance and support, and change management cost.

## **Corporate Governance**

Instituting best corporate governance principles and practices are important in ensuring high standards of corporate governance in DHI and its companies. To this end, in 2012, DHI developed Corporate Governance Code, Board Charter, Audit Committee Charter and Code of Conduct. A system of evaluating the performance of CEOs of DOCs has also been started since 2011.

#### ***DHI Board of Directors***

DHI Board of Directors is appointed as per process prescribed in the Royal Charter. The size of the DHI Board is seven and the profiles of the current Directors are provided at the beginning of report.

The Board provides strategic guidance and monitors the performance of the company. It meets minimum of four times every year and in 2012 it met nine times to discuss the strategies, review the performance and other pertinent issues related to the company.

DHI Board has established three Board Committees to enhance the effectiveness of the Board. The three committees are:

- i. Board Nomination Committee: Its primary responsibility is to recommend the selection of Board Directors for DHI and DOCs/DLCs
- ii. Board Committee for Performance Management: It is the standing committee of the DHI Board to negotiate and monitor the annual compacts of DHI with the DHI board, DHI owned companies.
- iii. Investment and Finance Committee: Its primary function is to assess and evaluate all projects and investments proposed by the DHI Management and making recommendations to the DHI Board.

# Financial Performance Summary of DHI Companies

The following table 1 shows the comparison of performance in terms of their revenue and profit between 2008 and 2012 for DHI Owned Companies (DOCs) including BOBL and table 2 for STCBL and the DHI Linked Companies (DLCs):

Table 1: DOCs and BOBL

[Figures in Ngultrum, Million]

Company	Particulars	2008	2009	2010	2011	2012	CAGR (08-12)
<b>DGPCL</b>	Revenue	4,459.26	10,889.85	11,811.46	10,948.33	11,140.80	29.97%
	Tax	919.35	1,981.40	1,998.14	1,705.15	1,815.46	19.49%
	PAT	2,144.88	4,574.61	4,488.59	3,933.09	4,181.93	18.99%
<b>BPCL</b>	Revenue	2,388.70	2,899.49	3,366.15	3,545.15	4,140.28	14.67%
	Tax	257.52	254.02	354.77	322.48	310.62	4.12%
	PAT	669.61	732.44	998.43	886.53	901.7	6.93%
<b>BTL</b>	Revenue	1,217.37	1,314.31	1,563.49	1,833.67	2,209.34	16.30%
	Tax	106.29	110.12	198.11	248.99	286.73	33.95%
	PAT	190.94	212.99	336.54	432.21	576.47	40.38%
<b>Drukair</b>	Revenue	1,554.63	1,531.75	1,704.36	2,261.29	2,761.25	15.52%
	Tax	39.75	71.21	60.2	114.97	70.54	15.49%
	PAT	155.19	160.49	125.48	255.76	160.84	0.73%
<b>NRDCL</b>	Revenue	286.47	313.79	382.33	346.13	484.86	13.85%
	Tax	14.37	18.3	30.53	9.79	24.15	13.61%
	PAT	32.43	41.15	73.03	20.8	51.93	12.03%
<b>BOBL</b>	Revenue	951.74	1,400.59	1,467.31	1,757.70	2,136.11	24.89%
	Tax	74.3	207.54	226.81	276.93	290.01	58.06%
	PAT	167.62	471.6	509.18	644.39	660.38	58.79%
<b>DHI Infra Ltd.</b>	Revenue	-	-	-	3.55	13.83	NA
	Tax	-	-	-	-	1.10	NA
	PAT	-	-	-	(0.43)	1.83	NA
<b>DPL</b>	Revenue	-	-	-	-	27.41	NA
	Tax	-	-	-	-	-	NA
	PAT	-	-	-	-	(19.24)	NA
<b>Total</b>	Revenue	10,858.17	18,349.78	20,295.10	20,695.82	22,913.88	22.21%
	Tax	1,411.58	2,642.59	2,868.56	2,678.31	2,798.61	19.65%
	PAT	3,360.67	6,193.28	6,531.25	6,172.35	6,515.84	18.78%

Table 2: STCB and DLCs

[Figures in Ngultrum, Million]

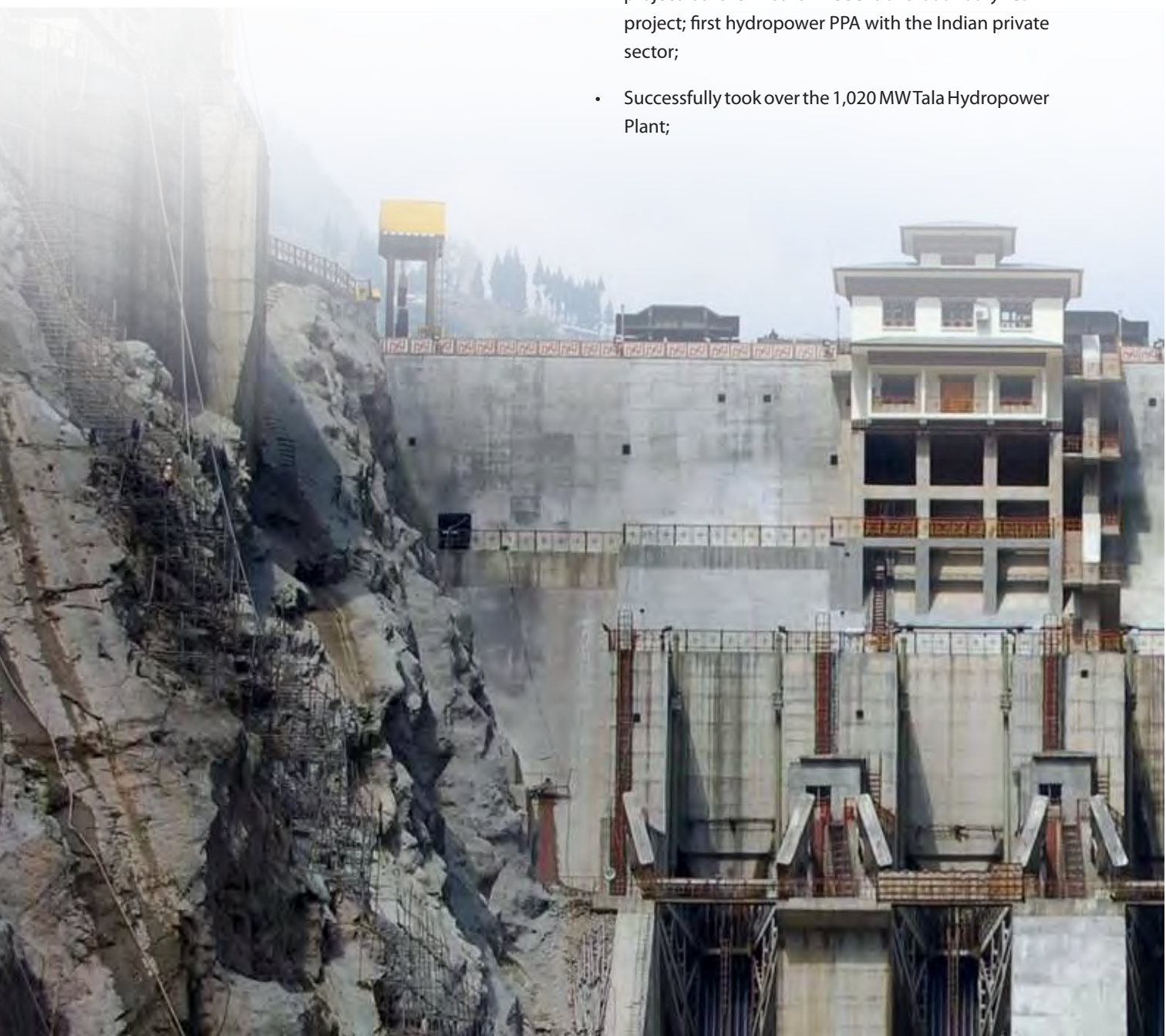
Company	Particulars	2008	2009	2010	2011	2012	CAGR (08-12)
<b>STCBL</b>	Revenue	1,189.21	1,017.60	1,723.09	2,335.20	1,009.71	-3.02%
	Tax	18.34	22.04	21.77	30.98	5.54	-13.96%
	PAT	42.79	30.99	88.48	72.29	9.04	-15.77%
<b>BBPL</b>	Revenue	342.35	372.50	349.35	332.08	327.89	-0.84%
	Tax	6.87	14.24	14.40	9.12	9.64	8.06%
	PAT	12.99	33.22	33.60	21.29	16.41	5.27%
<b>PCAL</b>	Revenue	1,437.55	1,740.05	1,984.96	1,892.05	2,079.66	8.93%
	Tax	130.92	163.66	169.75	138.40	150.83	3.04%
	PAT	293.11	370.20	378.74	291.37	351.91	4.01%
<b>BFAL</b>	Revenue	1,940.15	1,702.68	1,975.30	1,858.59	2,142.94	2.09%
	Tax	113.58	51.15	130.82	86.84	39.49	-13.05%
	PAT	278.51	90.43	244.93	130.92	92.99	-13.32%
<b>TTPL</b>	Revenue	-	-	-	-	1.71	NA
	Tax	-	-	-	-	-	NA
	PAT	-	-	-	-	(5.02)	NA
<b>RICBL</b>	Revenue	191.40	290.13	332.22	486.94	542.09	36.64%
	Tax	51.11	80.07	90.06	150.85	150.32	38.82%
	PAT	119.26	181.20	210.13	300.09	350.75	38.82%
<b>BNBL</b>	Revenue	1,149.55	1,291.12	1,584.15	2,032.34	2,175.01	17.84%
	Tax	140.80	111.23	110.26	218.95	297.92	22.32%
	PAT	310.35	266.27	250.82	510.06	697.92	24.98%
<b>Total</b>	Revenue	6,250.21	6,414.08	7,949.07	8,937.20	8,279.01	6.49%
	Tax	461.62	442.39	537.06	635.14	653.74	8.32%
	PAT	1,057.01	972.31	1,206.70	1,326.02	1,514.00	8.65%

# Major achievements of DHI Owned Companies and BOBL from 2008 to 2012



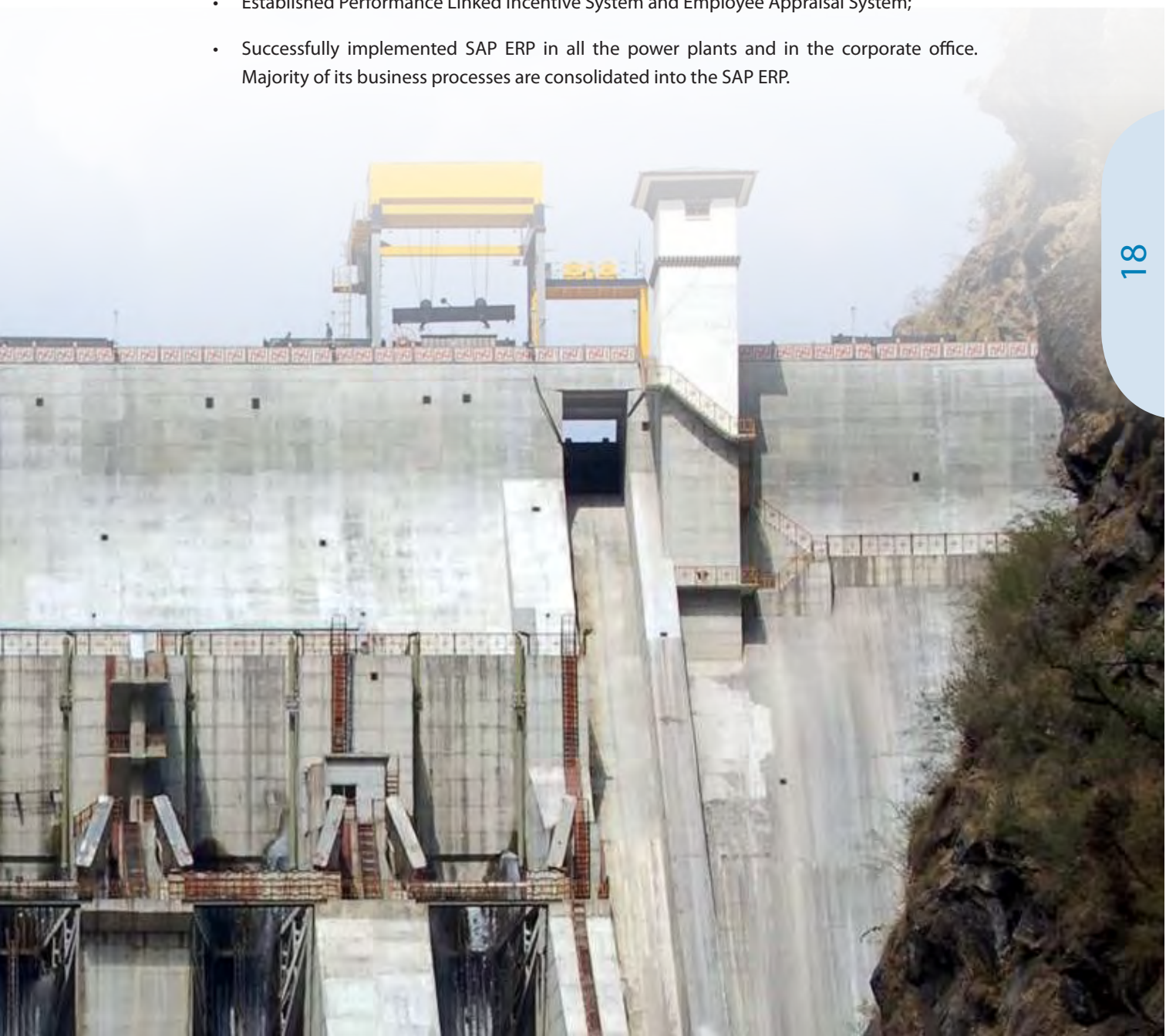
## **Druk Green Power Corporation Ltd.**

- Established DGPC with amalgamation of Chhukha, Kurichhu, and Basochhu Hydropower Corporations;
- Established the Dagachhu Hydropower Corporation, the first PPP in the hydropower sector; achieved financial closure for \$200 million; registered the project as the first UNFCCC trans-boundary CDM project; first hydropower PPA with the Indian private sector;
- Successfully took over the 1,020 MW Tala Hydropower Plant;





- Completed the Tichhalumchhu and Lubichhu diversion schemes for an additional generation of 57 MU from the Chhukha Hydropower Plant during the winter months;
- Involved in the implementation of the government's vision to achieve 10,000 MW by 2020.
- The Feasibility Study Report for 210 MW Nikachhu Hydropower Project with the preliminary Design and Engineering and Cost Estimation was completed;
- Pre-feasibility Study of Aiechhu Hydropower Project completed;
- Study on downtime optimization of maintenance of all hydropower plants completed;
- Finalized joint venture agreement with Alstom Hydro Holding of India to set up Hydropower Services Center and FDI certificate is approved. A company called Bhutan Hydro Power Services Ltd. has been registered;
- Established Performance Linked Incentive System and Employee Appraisal System;
- Successfully implemented SAP ERP in all the power plants and in the corporate office. Majority of its business processes are consolidated into the SAP ERP.







## **Bhutan Power Corporation Ltd.**

- Completed Tsirang-Dagapela Transmission line in June and charged line in July;
- Carried out walk-over survey of 220 kV Dagapela-Sunkosh power line;
- Completed East-West Transmission link project. The physical progress of Jigmeling substation is 61% and that of Tsirang is 57% as of December 2012;
- Out of 40,257 households planned for RE, 31,089HHs are connected as of December 2012 i.e. 26,137HHs for RGoB Plan and 4,952HHs for BPC RE fill-in Plan (1,119 HHs);
- Established Quality Assurance Plan for goods related to the electricity industry;
- Completed 1,292 km of ADSS Phase-I Project component connecting 125 Gewogs;
- Completed award of ADSS Phase-II Project works on 26 April 2012 for ICT connectivity of remaining Grid connecting 70 gewogs;
- Implemented spot billing in all 20 Dzongkhags and introduced online bill payment service;
- National Load Dispatch Centre is scheduled to be commissioned before the year end;
- Construction of 220 kV Dagana-Tsirang-Jigmeling-Lodrai double circuit transmission line completed;
- Live line replacement of the existing ground wire with OPGW on the 132 kV Eastern transmission grid and some sections of the 66 kV transmission lines in the Western grid completed;
- Transmission lines for different sectors for system expansion and increased power distribution for future are being undertaken;
- Successfully implemented SAP ERP.



### **Drukair Corporation Ltd.**

- Fleet size increased from two to four in the last five years (purchased one ATR and one new Airbus A319);
- International services to 10 destinations – Delhi, Kolkata, Mumbai, Gaya, Guwahati, Bagdogra, Kathmandu, Dhaka, Bangkok and Singapore. Drukair flew 195,264 revenue passengers in 2012 as against 119,105 in 2008, a growth of 63.94%;
- Domestic air services to two destinations started;
- Frequency of flights to important destinations (Bangkok, Delhi) increased;
- Introduced online ticketing with B2B and B2C systems;
- Introduced online ticketing system and baggage tracking system;
- Drukair turned into a profit making company and started paying corporate tax and dividend as a result of efficiency improvement in the last five years.







### **Natural Resources Development Corporation Ltd.**

- Installation and operationalization of five crushing units completed in Mongar, Gelephu, Zhemgang, Samdrup Jongkhar and Trashi Yangtse. Sixth one is under installation in Pemagatshel and will be completed within March 2013;
- Harvested and marketed 100% of the timber allotted by MOAF;
- Produced and distributed sand and stone supply as per the annual targets;
- Completed pre-feasibility study on setting up a bamboo treatment plant. Plant set up at Gelephu on pilot basis with two bamboo treatment equipment received from Social Forestry and Extension Division, MOAF free of cost.







## **Bhutan Telecom Ltd.**

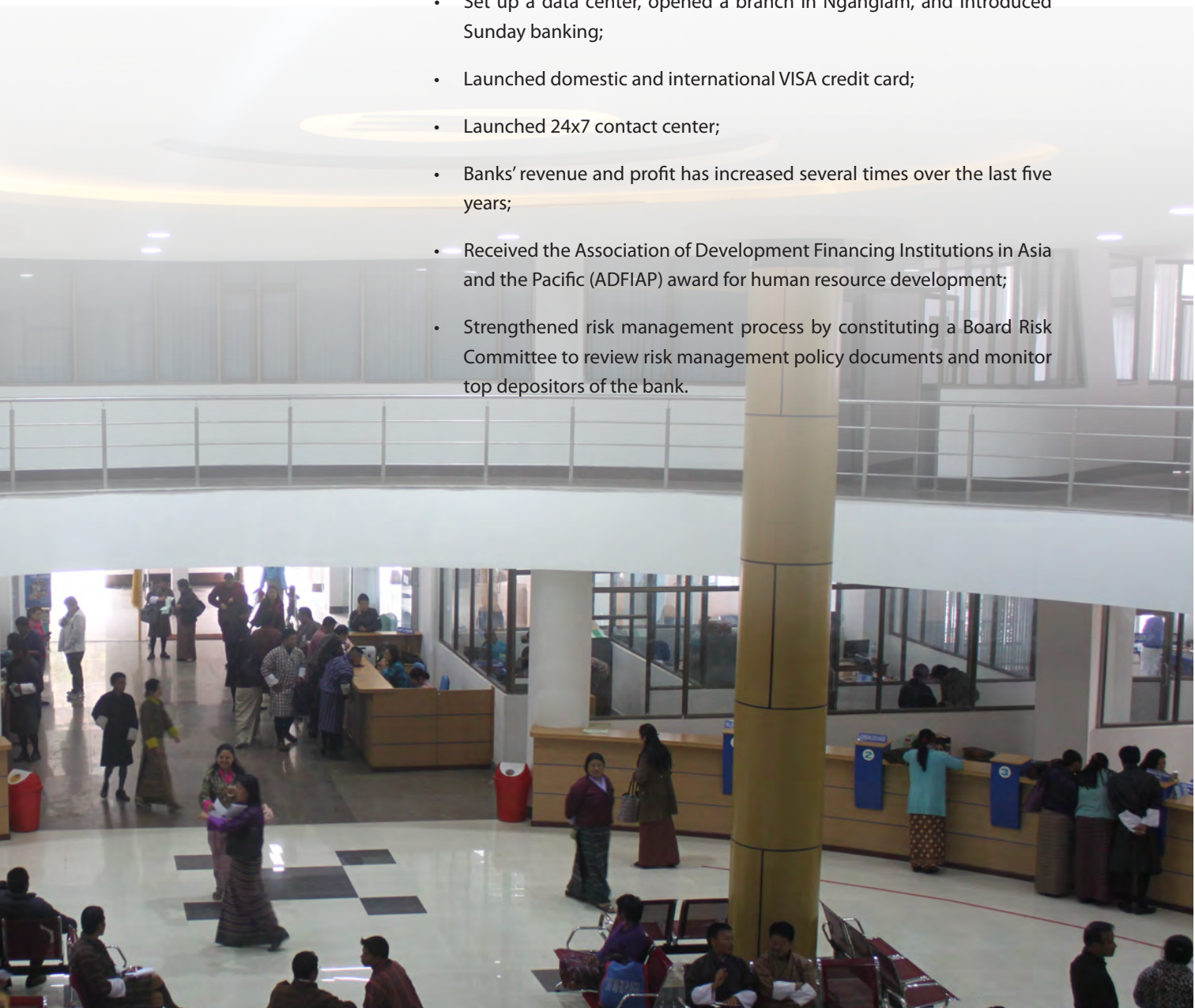
- Achieved connection for all 20 Dzongkhags and 204 Gewogs with mobile services;
- Deployed 3G services in Phuentsholing and Paro;
- Upgraded and expanded 3G stations in Thimphu to 850 Mhz and 21 Mbps providing greater coverage and higher mobile data speed;
- Received the Growth Engine for Mobile Telephony and Growth Engine for Internet awards at the 8th SAARC CEO Conclave held in Dhaka in 2009;
- Achieved international backbone link reliability of 99.99% after installing SDH terminal with STM-4 (622Mbps) capable circuit at Gelephu and established redundant link to Hongkong through Bharti Airtel;
- Achieved average domestic backbone link reliability of 99.90% by building Next Generation Network (NGN) running up to 10 Gbps connecting all main exchanges;
- Maintained call drop rate within 1.39%;
- All Dzongkhags provisioned with internet lease line and IP-VPN services;
- Upgraded the Internet backbone to 310 Mbps, and expanded broadband connectivity to 39 locations;
- Introduced Online Bill Payment service for the users of Bhutan Telecom's fixed line, post paid Mobile and post paid Internet Broadband;
- Launched B-wallet services in partnership with Bhutan National Bank Ltd. to facilitate pre-paid top-up and fund transfer.





## Bank of Bhutan Ltd.

- Rolled out Core Banking Solution (CBS) in all 27 branches;
- Achieved acceptance of credit cards in Bhutan, and issuance of Visa Prepaid Card with Axis Bank;
- Installed 42 ATMs at various locations, and deployed 218 point-of-sale systems;
- Launched internet and SMS banking, and online electricity bill payment with BPC;
- Set up a data center, opened a branch in Nganglam, and introduced Sunday banking;
- Launched domestic and international VISA credit card;
- Launched 24x7 contact center;
- Banks' revenue and profit has increased several times over the last five years;
- Received the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) award for human resource development;
- Strengthened risk management process by constituting a Board Risk Committee to review risk management policy documents and monitor top depositors of the bank.







## **DHI Infra Ltd.**

### ***Bhutan Education City Project***

- Entire bidding process completed and the letter of award issued;
- Survey and design for ancillary completed and ancillary infrastructure budget of Nu. 479 million approved. Engineering, procurement and construction contract evaluation for road, bridge and water supply completed;
- Legal framework enacted (BEC Act 2012);
- A major milestone was the formation of its first board, comprising seven members from the government, two local leaders and one private sector representative, on 31 October 2012.

### ***Amochhu Land Reclamation and Township Project***

- Completed IL&FS studies including concept plan finalization, drafting RFP & updating BoQ;
- DHI Infra included in the border talks during the 22nd round of Border Districts Coordination Meeting (BDCM) with the State Government of West Bengal in January 2013;
- Term sheet agreement signed between the Phuentsholing Thromde, MOWHS and DHI Infra Ltd. on 3 May 2012;
- The responsibility of the urban planning of 70 acres of private land has been transferred to Phuentsholing Thromde as per the directive of the DHI Infra Board and the Empowered Group.

### ***Special Economic Zones***

- Completed master plan and financial and economic analysis on the Motanga Industrial Estate in Samdrup Jongkhar;
- Completed Feasibility study for Jigmeling and Dhamdum on June 2012 based on World Bank Study of 2006. The project for developing industrial estates at Dhamdum and Jigmeling is economically viable if the demand projections of the medium scenario can be achieved;
- Term sheet agreement signed between DHI Infra Ltd. and Ministry of Economic Affairs on 15 May 2012 which captures all issues of legal, concessions, modus operandi, ownership and business model;
- Agreement for Project Management Consultancy Services for DHI Corporate Office Building Construction signed between DHI and DHI-Infra Ltd. on 31 December 2012.







### **Dungsam Polymers Ltd.**

- Commenced production from 26 March 2012. First batch of 31,500 PP bags and 15,500 bags was sold to Penden Cement Authority Limited (PCAL) and Lhaki Cement respectively in April 2012;
- Produced 301.716 MT of fabric out of which 2.60 million PP bags were produced;
- Sold 81.20 MT of fabric and 2.13 million PP bags in local market and neighboring states of Assam and West Bengal;
- SAP ERP implementation started.



# AUDITORS' REPORT



# INDEPENDENT AUDITORS' REPORT

To

The Members of Druk Holding and Investments Limited

Thimphu: Bhutan

## **Report on the Financial Statements**

1. We have audited the accompanying financial statements of Druk Holding and Investments Limited ("the Company"), which comprise the Balance sheet as at 31st December, 2012, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

2. The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

## **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## Basis for Qualified Opinion

5. The Company recognizes dividend income from its investments in associates, joint ventures and others. During the year it has recognized dividends aggregating to Nu 224,249,858 from Royal Insurance Corporation of Bhutan, Bhutan National Bank Limited, Penden Cement Authority Limited and Bhutan Ferro Alloys Limited based on income for the year for which such dividend has been declared and approved by the Annual General Meeting of such declaring companies after 31 December 2012. This constitutes departure from generally accepted accounting principle with respect to recognition of dividend income from such declaring companies whereby right to receive such dividends are established after 31 December 2012.

The company's record indicate that had management recognized dividend based on generally accepted accounting principle an amount of Nu 175,452,390 would have been recorded as revenue for the current year. Accordingly revenue from dividend for the year ended 31 December 2012 would have been reduced by Nu 48,797,468, income tax, net income after tax and shareholders' equity would have been reduced by Nu 14,639,240, Nu 34,158,228 and Nu 34,158,228 respectively.

## Qualified Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ("the Act"):
  - i) in the case of Balance Sheet of the state of affairs of the Company as at 31 December 2012;
  - ii) in the case of Profit and Loss Account of the profit of the Company for the year ended on that date and
  - iii) in the case of Cash Flow Statement, of the movement of cash flows of the Company for the year ended on that date.



## Report on Other Legal and Regulatory Requirements

7. As required by Section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with Section II of Schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
8. As required by Section 74(3) of the Act, 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 so far as appears from our examination of the books.
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
  - (d) Except for the effect of the matter described in para 5 in the Basis for Qualified Opinion paragraph above, in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement comply with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

### For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm Registration No.302009E)

Place: Kolkata, India,

Date: April 17, 2013



A. Bhattacharya

Partner

(Membership No. 054110)



**Balance Sheet as at 31st December, 2012****[Figures in Ngultrum]**

Particulars	Schedule	As at 31-12-2012	As at 31-12-2011
<b>SOURCES OF FUNDS :</b>			
(1) Shareholders' Funds			
(a) Capital	1	44,328,114,200	44,328,114,200
(b) Reserves and Surplus	2	1,143,654,679	1,062,291,502
		<b>45,471,768,879</b>	<b>45,390,405,702</b>
(2) Loan Funds			
(a) Unsecured Loans	3	1,600,000,000	-
<b>Total</b>		<b>47,071,768,879</b>	<b>45,390,405,702</b>
<b>APPLICATION OF FUNDS :</b>			
(1) Fixed Assets	4		
(a) Gross Block		44,761,925	30,619,691
(b) Less: Depreciation		11,329,815	6,673,139
(c) Net Block		33,432,110	23,946,552
(d) Capital Work-in-progress		8,002,959	10,314,710
		<b>41,435,069</b>	<b>34,261,262</b>
(2) Investments	5	<b>46,695,617,100</b>	<b>44,784,428,100</b>
(3) Current Assets, Loans and Advances :			
(a) Inventories		-	181,807
(b) Sundry Debtors	6	2,846,340,769	2,864,278,987
(c) Cash and Bank Balances	7	206,547,344	476,027,646
(d) Other Current Assets	8	1,853,394,395	1,481,286,717
(e) Loans and Advances	9	15,664,087	15,590,995
		<b>4,921,946,595</b>	<b>4,837,366,152</b>
(4) Less: Current Liabilities and Provisions			
(a) Current Liabilities	10	84,686,284	31,959,197
(b) Provisions	11	4,502,543,601	4,233,690,615
		<b>4,587,229,885</b>	<b>4,265,649,812</b>
<b>Net Current Assets</b>		<b>334,716,710</b>	<b>571,716,340</b>
<b>Total</b>		<b>47,071,768,879</b>	<b>45,390,405,702</b>

Significant Accounting Policies

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Notes to Accounts

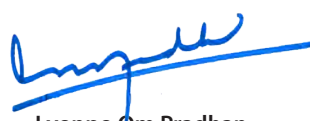
18

This is the Balance Sheet referred to in our report of even date. Schedules referred to above form an integral part of the Balance Sheet.

**For Deloitte Haskins & Sells**

Chartered Accountants

  
**A. Bhattacharya**  
 Partner

  
**Lyonpo Om Pradhan**  
 Chairman

  
**Karma Yonten**  
 Chief Executive Officer

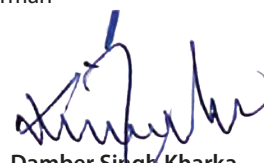
Place: Kolkata

Date: April 17, 2013



Place: Thimphu

Date: April 10, 2013

  
**Damber Singh Kharka**  
 Director (CPD)

  
**Lam Dorji**  
 Director

# Profit and Loss Account for the year ended 31st December, 2012

[Figures in Ngultrum]

Particulars	Schedule	For the year ended 2012	For the year ended 2011
<b>Income</b>			
Income from Investments	12	4,694,023,939	4,340,909,439
Consultancy Income		3,331,600	2,131,964
Other Income	13	5,787,871	16,933,758
<b>Total</b>		<b>4,703,143,410</b>	<b>4,359,975,161</b>
<b>Expenditure</b>			
Employees' Remuneration and Benefits	14	44,012,169	28,499,271
Interest Expenses	15	47,462,295	-
Other Expenses	16	35,174,017	20,778,863
Depreciation		4,656,676	2,734,188
<b>Total</b>		<b>131,305,157</b>	<b>52,012,322</b>
<b>Profit Before Tax</b>		<b>4,571,838,253</b>	<b>4,307,962,839</b>
Provision for Tax for the Current Year		1,371,737,476	1,292,388,852
Taxes for Earlier years		1,211,495	-
<b>Profit After Tax</b>		<b>3,198,889,282</b>	<b>3,015,573,987</b>
<b>Appropriation</b>			
Proposed Dividend		3,127,526,105	2,939,272,107
Transfer to General Reserve		71,363,177	76,301,880
Significant Accounting Policies	17		
Notes to Accounts	18		

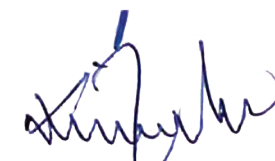
This is the Profit and Loss Account referred to in our report of even date. Schedules referred to above form an integral part of the Profit and Loss Account.

For Deloitte Haskins & Sells  
Chartered Accountants

  
A. Bhattacharya  
Partner


Place: Kolkata  
Date: April 17, 2013

  
Lyonpo Om Pradhan  
Chairman

  
Dambar Singh Kharka  
Director (CPD)

Place: Thimphu  
Date: April 10, 2013

  
Karma Yonten  
Chief Executive Officer

  
Lam Dorji  
Director



# Cash Flow Statement for the year ended 31st December, 2012

[Figures in Ngultrum]

Particulars	31-12-2012		31-12-2011	
	Nu.	Nu	Nu	Nu
<b>Operating Activities:</b>				
Net Profit Before Tax / Operating Profit	4,571,838,253		4,307,962,839	
Depreciation	4,656,676		2,734,188	
Interest Income	(5,485,054)		(16,900,288)	
Dividend Income	(4,694,023,939)		(4,340,909,439)	
Decrease in Inventories	181,807		63,408	
Decrease in Loans and Advances and Other Current Assets	(354,242,552)		(292,290)	
Increase in Payables	321,580,073		26,452,935	
<b>Net Cash Flow from Operating Activities</b>		<b>(155,494,736)</b>		<b>(20,888,647)</b>
<b>Return on Investments and Servicing of Finance:</b>				
Interest Income	5,485,054		16,900,288	
Dividend to MoF	(3,127,526,105)		(2,939,272,107)	
Dividend Income	4,694,023,939		4,340,909,439	
	1,571,982,888		1,418,537,620	
Taxation (CIT - RRCO)	(1,371,737,476)		(1,292,388,852)	
Taxes for Earlier Years	(1,211,495)		-	
Capital Expenditure - Increase in Fixed Asset	(11,830,483)		(26,783,905)	
<b>Net Cash Flow from Investing Activities</b>		<b>187,203,434</b>		<b>99,364,863</b>
<b>Net Cash Inflow / (Outflow) before Financing</b>		<b>31,708,698</b>		<b>78,476,216</b>
<b>Financing Activities:</b>				
Contribution for Entrepreneurship Development Fund	10,000,000		-	
Purchase of Shares	(1,911,189,000)		(240,536,400)	
Inter-company Loans Aailed	1,600,000,000		-	
<b>Cash Inflow / (Outflow) from Financing Activities</b>		<b>(301,189,000)</b>		<b>(240,536,400)</b>
<b>Increase / (Decrease) in Cash (Note 2)</b>		<b>(269,480,302)</b>		<b>(162,060,184)</b>



**Notes:**

1. Net Cash Flow from Operating Activities has been arrived at under Indirect Method.
2. Increase / (Decrease) in cash as shown above may also be arrived as follows:

Opening Cash	476,027,646	638,087,830
Closing Cash	206,547,344	476,027,646
<b>Increase / (Decrease) in Cash</b>	<b>(269,480,302)</b>	<b>(162,060,184)</b>


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

For Deloitte Haskins & Sells  
Chartered Accountants

  
**A. Bhattacharya**  
Partner

Place: Kolkata  
Date: April 17, 2013

  
**Lyonpo Om Pradhan**  
Chairman

  
**Dambar Singh Kharka**  
Director (CPD)

Place: Thimphu  
Date: April 10, 2013

  
**Karma Yonten**  
Chief Executive Officer

  
**Lam Dorji**  
Director



## Schedules forming part of the Balance Sheet

### Schedule 1 : Capital

[Figures in Ngultrum]

Particulars	2012	2011
<b>Authorised Capital</b>		
5,000,000,000 equity shares of Nu. 100/- each	500,000,000,000	500,000,000,000
<b>Issued, Subscribed and Fully Paid-Up Capital</b>		
442,682,486 equity shares of Nu. 100/- each	44,328,114,200	44,328,114,200
(The above shares are allocated as fully paid up pursuant to a contract without payment being received in cash to Ministry of Finance, Royal Government of Bhutan)		

### Schedule 2 : Reserves and Surplus

Particulars	2012	2011
<b>(a) General Reserve</b>		
As per last Account	1,062,291,502	985,989,622
Less: Transferred to Entrepreneurship Promotion Fund	15,000,000	-
	<b>1,047,291,502</b>	<b>985,989,622</b>
Transfer from Profit and Loss Account	71,363,177	76,301,880
<b>Total</b>	<b>1,118,654,679</b>	<b>1,062,291,502</b>
<b>(b) Entrepreneurship Promotion Fund</b>		
As per last Account	Nil	-
Add: Transferred from General Reserve	15,000,000	-
Add: Contribution Received from Bank of Bhutan	10,000,000	-
<b>Total</b>	<b>25,000,000</b>	<b>-</b>
<b>Grand Total</b>	<b>1,143,654,679</b>	<b>1,062,291,502</b>

### Schedule 3 : Loan Funds

Particulars	2012	2011
<b>Unsecured Loans</b>		
Loans and Advances from Subsidiaries (Refer Note 5 on Schedule 18)		
Druk Green Power Corporation Ltd. (DGPCL)	900,000,000	-
Bhutan Power Corporation Ltd. (BPCL)	600,000,000	-
Bhutan Telecom Ltd. (BTL)	100,000,000	-
<b>Total</b>	<b>1,600,000,000</b>	<b>-</b>





# Schedule 4 : Fixed Assets and Capital Work-in-progress

		Gross Block				Depreciation				Net Block	
Particulars	Depre- ciation Rate	Opening 01-01-2012 Nu.	Addition/ Adjustment Nu	Deletion/ Capitalization Nu.	As at 31-12-2012 Nu.	Opening 01-01-2012 Nu.	Addition/ Adjustment Nu	Deletion/ Adjustment Nu.	As at 31-12-2012 Nu.	As at 31-12-2011 Nu.	
<b>(a) Fixed Assets :</b>											
Furniture and Fittings	15%	2,457,001	535,894	-	2,992,895	896,958	380,085	-	1,277,043	1,560,043	
Electrical Equipment	15%	288,672	155,495	-	444,167	117,360	39,514	-	156,874	171,312	
Data Processing Equipment	15%	19,359,801	1,692,431	-	21,052,232	2,297,729	2,961,149	-	5,258,878	17,062,072	
Office Equipment	15%	2,211,040	46,010	-	2,257,050	453,261	324,730	-	777,991	1,757,779	
Vehicles	15%	5,836,777	-	-	5,836,777	2,881,588	875,517	-	3,757,105	2,955,189	
Softwares	15%	466,400	11,712,404	-	12,178,804	26,243	75,681	-	101,924	440,157	
<b>Total</b>		<b>30,619,691</b>	<b>14,142,234</b>	<b>-</b>	<b>44,761,925</b>	<b>6,673,139</b>	<b>4,656,676</b>	<b>-</b>	<b>11,329,815</b>	<b>23,946,552</b>	
<b>(b) Capital Work-in-progress :</b>											
Building  (Refer Note 8 on Schedule 18)		2,205,349	5,797,610	-	8,002,959	-	-	-	8,002,959	2,205,349	
ERP		8,109,361	3,838,088	11,947,449	-	-	-	-	-	8,109,361	
Net Working		-	101,820	101,820	-	-	-	-	-	-	
<b>Total</b>		<b>10,314,710</b>	<b>9,737,518</b>	<b>12,049,269</b>	<b>8,002,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,002,959</b>	<b>10,314,710</b>	
<b>Grand Total</b>		<b>40,934,401</b>	<b>23,879,752</b>	<b>12,049,269</b>	<b>52,764,884</b>	<b>6,673,139</b>	<b>4,656,676</b>	<b>-</b>	<b>11,329,815</b>	<b>34,261,262</b>	
<b>Previous Year's Total</b>		<b>14,174,207</b>	<b>26,814,794</b>	<b>(54,600)</b>	<b>40,934,401</b>	<b>3,962,662</b>	<b>2,734,188</b>	<b>(23,711)</b>	<b>34,261,262</b>	<b>10,211,545</b>	



**Schedule 5 : Investment in Shares (Long Term - At Cost)**
**[Figures in Ngultrum]**

Particulars	Number of Shares	2012	Number of Shares	2011
<b>OTHERS:</b>				
<b>Quoted - Equity Shares fully paid up</b>				
Bhutan Ferro Alloys Ltd.	385,946	38,594,600	385,946	38,594,600
Bhutan National Bank Ltd.	2,915,712	242,976,000	971,904	242,976,000
Penden Cement Authority Ltd.	1,371,074	91,404,900	1,371,074	91,404,900
Royal Insurance Corporation of Bhutan Ltd.	441,950	17,678,000	441,950	17,678,000
<b>SUBSIDIARIES:</b>				
<b>Quoted - Equity Shares fully paid up</b>				
Bhutan Board Products Ltd.	668,334	66,833,400	668,334	66,833,400
State Trading Corporation of Bhutan Ltd.	459,000	10,200,000	306,000	10,200,000
<b>Unquoted - Equity Shares fully paid up</b>				
Bank of Bhutan Ltd.	8,000,000	240,000,000	3,200,000	240,000,000
Bhutan Telecom Ltd.*	854,082	854,082,000	854,082	854,082,000
Druk Green Power Corporation Ltd.*	30,508,291	30,508,291,000	30,508,291	30,508,291,000
Drukair Corporation Ltd.	22,252,111	2,225,211,100	22,252,111	2,225,211,100
Natural Resources Development Corporation Ltd.	300,000	30,000,000	300,000	30,000,000
Bhutan Power Corporation Ltd.*	8,178,979	7,315,673,000	7,315,673	7,315,673,000
Dungsam Cement Corporation Ltd.	49,739,479	4,973,947,900	30,739,479	3,073,947,900
Dungsam Polymers Ltd.	421,890	42,189,000	400,000	40,000,000
DHI Infra Ltd.	100,000	10,000,000	100,000	10,000,000
<b>JOINT VENTURES:</b>				
<b>Unquoted - Equity Shares fully paid up</b>				
Thimphu TechPark Private Ltd.	195,362	19,536,200	195,362	19,536,200
Koufuku Intrentional Private Ltd.	90,000	9,000,000		-
		<b>46,695,617,100</b>		<b>44,784,428,100</b>
Aggregate value of Quoted Investments		467,686,900		467,686,900
Aggregate value of Unquoted Investments		46,227,930,200		44,316,741,200
		<b>46,695,617,100</b>		<b>44,784,428,100</b>
<b>Market Value of Quoted Investments</b>		<b>2,827,326,780</b>		<b>2,412,159,740</b>

**Notes :**

1. All shares except as indicated by \* are of Nu. 100/- each fully paid up.
2. All shares indicated by \* are of Nu. 1,000/- each fully paid up.
3. All investments which have been made other than for trading purpose are included in this schedule.
4. Face value of equity shares of Bank of Bhutan Ltd. was reduced from Nu. 1,000/- each to Nu. 100/- each in 2011.



**Schedule 6 : Sundry Debtors****[Figures in Ngultrum]**

Particulars	2012	2011
<b>Unsecured and Considered good - Other Debts</b>		
Consultancy Receivable	2,316,830	1,209,548
Dividend Receivable	2,844,023,939	2,863,069,439
	<b>2,846,340,769</b>	<b>2,864,278,987</b>

**Schedule 7 : Cash and Bank Balances****[Figures in Ngultrum]**

Particulars	2012	2011
<b>Bank Balances:</b>		
<b>On Current Accounts -</b>		
Bank of Bhutan Ltd.	6,200,427	8,578,155
Bhutan National Bank Ltd.	24,346,917	50,146,085
<b>Total</b>	<b>30,547,344</b>	<b>58,724,240</b>
<b>On Fixed Deposit Accounts -</b>		
Bank of Bhutan Ltd.	23,000,000	-
Bhutan National Bank Ltd.	153,000,000	417,303,406
<b>Total</b>	<b>176,000,000</b>	<b>417,303,406</b>
<b>Grand Total</b>	<b>206,547,344</b>	<b>476,027,646</b>

**Schedule 8 : Other Current Assets****[Figures in Ngultrum]**

Particulars	2012	2011
Advance Remittance to Ministry of Finance	1,850,000,000	1,405,610,000
Accrued Interest on Fixed Deposits	3,080,151	2,317,553
Tax Deducted at Source on Fixed Deposits / Dividend / Consultancy Income	314,244	73,303,211
Library Books	-	55,953
	<b>1,853,394,395</b>	<b>1,481,286,717</b>

**Schedule 9 : Loans and Advances****[Figures in Ngultrum]**

Particulars	2012	2011
<b>Unsecured and Considered good :</b>		
Advance recoverable in cash or in kind or for value to be received		
- Staff Advances	45,834	87,438
- Prepaid Expenses	3,329	-
- Other Receivables	10,828,374	14,416,727
- Security Deposits	40,000	30,125
- Advance to Suppliers	947,618	1,056,705
- Advance to Others	179,480	-
- Advance for Projects (Refer Note 7 on Schedule 18)	3,619,452	-
	<b>15,664,087</b>	<b>15,590,995</b>



### Schedule 10 : Current Liabilities

[Figures in Ngultrum]

Particulars	2012	2011
<b>Sundry Creditors</b>	6,217,243	2,421,159
<b>Other Liabilities:</b>		
Unutilised Advance Received from Ministry of Finance, RGOB (Refer Note 11 on Schedule 18)	17,985,077	17,985,077
Advance from Subsidiaries	200,000	-
Employee Related Liabilities	10,655,271	9,194,652
Security Deposits	88,686	365,239
Interest Payable on Inter-company Borrowings	47,462,295	-
Others	2,077,712	1,993,070
	<b>84,686,284</b>	<b>31,959,197</b>

### Schedule 11 : Provisions

[Figures in Ngultrum]

Particulars	2012	2011
Provision for Gratuity	3,280,020	2,029,656
Provision for Corporate Income Tax	1,371,737,476	1,292,388,852
Provision for Dividend Payable	3,127,526,105	2,939,272,107
	<b>4,502,543,601</b>	<b>4,233,690,615</b>

## Schedules forming part of the Profit and Loss Account

### Schedule 12 : Income from Investments

[Figures in Ngultrum]

Particulars	2012	2011
Dividend Income from Subsidiaries	4,469,774,081	4,165,457,049
Dividend Income from Others	224,249,858	175,452,390
	<b>4,694,023,939</b>	<b>4,340,909,439</b>

### Schedule 13 : Other Income

[Figures in Ngultrum]

Particulars	2012	2011
Sale of Tender Documents	6,000	18,000
Interest income on Fixed Deposits - BNBL (Gratuity Fund)	49,366	11,593
Interest Income on Fixed Deposits - BNBL	5,431,455	16,888,695
Interest income on Fixed Deposits - BOBL	4,233	-
Miscellaneous Income	296,817	15,470
	<b>5,787,871</b>	<b>16,933,758</b>



**Schedule 14 : Employees' Remuneration and Benefits****[Figures in Ngultrum]**

Particulars	2012	2011
Salary, Wages, Bonus, Incentive and Other Allowances	35,159,537	24,080,036
Contribution to Provident Fund	1,497,097	1,035,903
Gratuity Expenses	1,343,778	784,150
Staff Welfare Expenses	48,435	200,832
Training- Human Resource Development	5,963,322	2,398,350
	<b>44,012,169</b>	<b>28,499,271</b>

**Schedule 15 : Interest Expenses****[Figures in Ngultrum]**

Particulars	2012	2011
<b>On Fixed Term Loan :</b>		
Interest Expense on Druk Green Power Corporation Ltd. Loan	17,943,169	-
Interest Expense on Bhutan Power Corporation Ltd. Loan	25,442,623	-
Interest Expense on Bhutan Telecom Ltd. Loan	4,076,503	-
(Refer Note 5 on Schedule 18)	<b>47,462,295</b>	<b>-</b>

**Schedule 16: Other Expenses****[Figures in Ngultrum]**

Particulars	2012	2011
Advertisement, Printing and Marketing Expenses	1,781,472	2,323,882
Auditors' Remuneration (Refer Note 13 on Schedule 18)	328,605	282,235
Board Sitting Fees and Retreat Expenses	1,349,689	900,000
Professional and Consultancy Charges	7,074,094	4,965,502
Corporate Social Responsibility	780,000	894,186
Electricity and Water Charges	244,880	224,758
Hospitality and Entertainment	1,182,096	775,354
Travelling Expenses	10,452,351	4,701,664
Insurance Expenses	26,886	48,257
Repairs and Maintenance	349,110	190,954
Rent	1,533,850	1,568,000
Rates and Taxes excluding Taxes on Income	12,702	-
Office Supplies and Stationeries	693,045	695,002
Workshops and Seminars	1,815,595	1,157,553
Entrepreneurship Development	3,020,054	-
Prior Period Adjustments	1,252,830	-
Postage, Telephone and Internet expenses	1,299,584	1,391,601
Bank Charges	120,020	103,448
ERP - SAP Expenses	247,849	-
Miscellaneous Expenses	1,609,305	556,467
	<b>35,174,017</b>	<b>20,778,863</b>





## Schedules forming part of the Accounts

### Schedule 17 : Significant Accounting Policies

#### 1. Accounting Conventions

The financial statements are prepared on accrual basis under the historical cost convention and in accordance with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

#### 2. Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Cost includes taxes and incidental expenses related to acquisition and installation of assets.

Depreciation on fixed assets is provided on Straight Line Method (on pro rata basis from the date of purchase) at the rates specified in Annexure II of Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.

#### 3. Investments

Investments which are long term in nature are stated at cost and provisions, where applicable, is made against permanent diminution in their value.

#### 4. Revenue Recognition

##### a) Income from Investment:

Dividend Income is recognized as income for the year for which it is declared, provided that the dividends have been approved in the Annual General Meeting of the declaring company, and in the case of financial institutions after the dividends are approved by Royal Monetary Authority of Bhutan.

##### b) Other Income:

Other income is accounted on accrual basis.

#### 5. Government Grant

Government grants related to revenue are recognized on a systematic basis as "Other Income" in the profit and loss account over the periods necessary to match them with the related costs against which they are received.

#### 6. Foreign Currency Transactions

Foreign Exchange transactions are recorded at the exchange rates prevailing at the time of transaction.

#### 7. Employee Benefits

Contributions to Provident Fund are recognized in the Profit and Loss account on accrual basis.

Gratuity liability is provided for as per the Service Rules of the Company.

Provision for leave encashment and leave allowance has been accounted for on accrual basis as per the Service Rules of the Company.

#### 8. Contingent Liabilities

Contingent liabilities on account of guarantees, endorsements and other obligations are not recognised but are disclosed in the notes.



## Schedule 18

### Notes to Accounts

1. On 11th November 2007, His Majesty King Jigme Khesar Namgyel Wangchuck decreed the establishment of Druk Holding & Investments (DHI) through a Royal Charter. DHI was subsequently incorporated into a limited liability company under the Companies Act of the Kingdom of Bhutan, 2000 on 16 November 2007. Shares held by the Ministry of Finance, Royal Government of Bhutan, in 14 companies, amounting to Nu. 15,998,982,400/- was transferred to Druk Holding and Investments Limited as its issued and subscribed capital divided into 159,989,824 equity shares of Nu. 100/- each. In subsequent years various projects have been handed over to the company by the Royal Government of Bhutan and the relevant share capital has been issued to the Ministry of Finance.
2. The Company under current tax laws of the country has determined its taxation liability for the year 2012 as Nu. 1,371,737,476/- (previous year Nu. 1,292,388,852/-) and proposes dividend for the year amounting to Nu. 3,127,526,105/- (previous year Nu. 2,939,272,107/-). Both these amounts payable on account of taxation and dividend are included under Provisions. The Company as per its understanding with the Ministry of Finance and guidelines laid down in the Articles of Incorporation of the Company has already remitted in advance an amount of Nu. 1,850,000,000/- (previous year Nu. 1,405,610,000/-).
3. DHI and Assetz Property Group had entered into a joint venture to form the company Thimphu TechPark Private Limited (TTPL) in the equity contribution ratio of 26% and 74% respectively.  
The total cost of the project is Nu. 225,372,711/- which will be funded as 33.84% equity of Nu. 76,274,711/- and 66.16% debt of Nu. 149,098,000/-.  
DHI's share of the equity contribution of 26% amounts to Nu. 19,831,425/-. Up to 2012 DHI has injected an equity contribution of Nu. 19,536,200/-.  
The project was completed on 30 April 2012 and commercial operation started in May 2012.
4. DHI and Shin Nippon Biomedical Laboratories Limited had entered into a joint venture to form the company Koufuku International Private Limited (KIPL) in the equity contribution ratio of 30% and 70% respectively.  
The total cost of the project is estimated at Nu. 50,000,000/-.  
DHI's share of the equity contribution of 30% amounts to Nu. 15,000,000/- and as at the end of 2012 DHI has injected equity contribution of Nu. 9,000,000/-.  
The project is currently under development stage.
5. DHI has further injected an equity contribution of Nu. 1,900,000,000/- to Dungsam Cement Corporation Ltd. (DCCL) during the year 2012 from internal accruals of Nu. 300,000,000/- and intercompany loans from the following subsidiary companies:

Druk Green Power Corporation Limited	Nu. 900,000,000/-
Bhutan Power Corporation Limited	Nu. 600,000,000/-
Bhutan Telecom Limited	Nu. 100,000,000/-

The cost of interest on loans is @ 8% per annum calculated on simple interest basis and payable during the year 2014.



6. During the year 2012, DHI has injected additional equity of Nu. 2,189,000/- in Dungsam Polymers Ltd. (DPL), a wholly owned subsidiary company of DHI. This subsidiary has started commercial operation on 7 April 2012. As of 31 December, 2012 total equity in the project is Nu. 42,189,000/-.
7. DHI is currently undertaking the following projects and has given advance of Nu. 3,619,452/- which is included under "Loans and Advances" in the Balance Sheet:
  - a. Wellness resort project, incorporated on 14 February 2013 as Mejong Wellness Resort Limited (Nu. 3,236,884/-). The total estimated project cost is Nu. 1,892,000,000/-.
  - b. Bhutan International Convention Centre project (Nu. 382,568/-). The total estimated project cost is Nu. 2,236,240,000/-.
8. DHI is in the process of constructing Corporate Office Building at Kawajangsa, Thimphu for which an amount of Nu. 2,205,349/- have been paid to Department of Roads and Bhutan Power Corporation for road alignment and shifting of electric poles. During the year 2012, DHI has incurred Nu. 5,797,610/- for further development and the total expenditure as on 31 December, 2012 is Nu. 8,002,959/-. This has been included in Capital work in progress.
9. DHI has a contingent liability of Nu. 335,000,000/- on account of guarantees provided to a consortium of a financial institution and banks in Bhutan for sub-ordinate debt extended to Dungsam Cement Corporation Limited.  
Further, DHI with Assetz Property Group, Singapore has provided Corporate Guarantee for Thimphu TechPark Pvt. Ltd. on loan taken from Bank of Bhutan Ltd. amounting to Nu. 97,100,000/-.
10. The Royal Monetary Authority has approved 33% of Paid-up capital as dividend for Bank of Bhutan Limited, 35% of Paid-up capital as dividend for Royal Insurance Corporation of Bhutan Limited and Nu. 16.64 per share as dividend for Bhutan National Bank Limited for the year 2012. Dividend Income from these financial institutions has been accounted accordingly.
11. The unutilized balance amounting to Nu. 17,985,077/- (previous year Nu. 17,985,077/-) which was provided by Government of India through RGOB as assistance for establishment of DHI in 2008, to make certain specified payments, has been shown as Current Liability.

## 12. Managerial Remuneration

i) Remuneration paid / payable for the period 1.1.2012 to 31.12.2012 to the Chairman of the Company are as follows:

Particulars	Current Year Amount (Nu.)	Previous Year Amount (Nu.)
Salary and Allowances	2,091,965	2,089,515
Other Benefits	1,043,753	949,136
Provident Fund	131,921	132,696
Gratuity	99,405	100,531
Sitting Fees	165,000	120,000
<b>Total</b>	<b>3,532,044</b>	<b>3,391,878</b>



- ii) Remuneration paid / payable for the period 1.1.2012 to 31.12.2012 the Chief Executive Officer of the Company are as follows:

Particulars	Current Year Amount (Nu.)	Previous Year Amount (Nu.)
Salary and Allowances	1,768,330	1,727,327
Other Benefits	907,603	825,334
Provident Fund	114,708	115,392
Gratuity	86,438	87,418
Sitting Fees	172,500	105,000
<b>Total</b>	<b>3,049,579</b>	<b>2,860,471</b>

- iii) Sitting Fees paid/payable to other members of the Board of Directors Nu. 1,090,000/- (previous year Nu. 900,000/-)

### 13. Auditor's Remuneration


Particulars	Current Year Amount (Nu.)	Previous Year Amount (Nu.)
Statutory Audit	350,000	150,000
Other Audit Expenses	(21,395)	132,235
<b>Total</b>	<b>328,605</b>	<b>282,235</b>


14. Outstanding Capital commitment as on 31 December 2012 is Nu. 1,673,966/- (Previous year Nu. Nil).

15. DHI was granted a land [Type UV-2(MD)] of 1.08 acre at Kawajangsa, Thimphu (Map Sheet No. K7/11SW and Plot No. KL-201) from the State on 6 September 2011 vide Thram No. TT-1011 on which the DHI Corporate Office Building is being constructed.

16. Previous year's figures have been rearranged and regrouped wherever necessary.

17. The current year's financial statements cover the period from 1 January 2012 to 31 December 2012.

  
**Lyonpo Om Pradhan**  
 Chairman

  
**Damber Singh Kharka**  
 Director (CPD)

  
**Karma Yonten**  
 Chief Executive Officer

  
**Lam Dorji**  
 Director

Place: Thimphu  
 Date: April 10, 2013





## MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Company has maintained proper records to show full particulars including quantitative details of its fixed assets. However, based on our audit procedure performed and as informed to us, particulars pertaining to situation of fixed assets have not been maintained and there have been no physical verification of fixed assets conducted by the management during the year.
2. As informed to us, none of the fixed assets have been revalued during the year.
3. The Company has taken unsecured loans from the Companies during the year. In our opinion and according to the information and explanations given to us during the course of the audit, the rate of interest and other terms and conditions of such loan are prima facie not prejudicial to the interest of the Company.
4. According to the information and explanations given to us, the Company has not granted any loans secured or unsecured to other companies, firms or other parties, and/or to the companies under the same management.
5. The employees to whom the loans and advances have been given by the Company are generally regular in repaying the amounts as stipulated, except for advance to one employee for Nu. 786,830 which was given during earlier year has not been recovered. The advance given is interest free.
6. The loans/advances granted to officers/staff are generally in keeping with the provisions of its service rules and no excessive/frequent advances are generally been granted and accumulation of large advances against particular individual is generally avoided.
7. In our opinion and according to the information and explanations given to us, the Company has established an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records during the year, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures.
8. In our opinion and according to the information and explanations given to us, there is a reasonable system of obtaining competitive biddings/ quotations from the parties in respect of purchase of fixed assets and services commensurate with the size of the company and the nature of its business. The Company does not have any competitive bidding/ quotation for sale of services since services have been sold based on agreements with the customers. The Company is not engaged in manufacturing or trading activities, hence the question of purchasing or selling goods does not arise.
9. (a) According to the information and explanations given to us, 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. Based on above confirmation and our audit process we have not come across any such transaction during the year.



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(b) Our examination of books and records based on our audit process did not reveal any transaction entered into by the Company wherein the directors are directly or indirectly interested.

10. Company is regular in depositing rates and taxes, duties, and other statutory dues with the appropriate authorities, except for Tax Deducted at Source (TDS) and Provident Fund (PF) dues which has been deposited after the due dates as below;

Statute	Nature of Dues	Month to which the amount relates	Amount involved (Nu.)	Due date of Payment	Actual Date of Payment
Income Tax Act of the Kingdom of Bhutan, 2001	TDS	December, 2011	6,662	January 10, 2012	February 6, 2012
Income Tax Act of the Kingdom of Bhutan, 2001	TDS	October, 2012	36,000	November 10, 2012	November 19, 2012
National Pension and Provident Fund Plan Rules and Regulations of The Kingdom of Bhutan, 2002	PF	October, 2012	250,532	November 10, 2012	November 15, 2012

In our opinion and according to the information and explanations given to us during the course of the audit, we believe that the provision for corporate tax is adequate.

11. The undisputed outstanding amount payable in respect of contractor taxes, health tax, salary tax etc. at the year end were as follows:

Particulars	Amount (Nu)
Tax deducted at source	224,721

12. According to the information and explanations given to us, 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.
13. The Company has entered into contract of providing few consultancy services during the year and is in process of introducing systems for allocation of man hours utilized to the respective jobs of consultancy services.
14. The Company has entered into contract of providing few consultancy services during me year and is in process of introducing system of authorization and internal control system for allocation of labour to jobs relating to consultancy services. The Company is not in business of manufacturing or trading accordingly system of authorization and internal control on issue of stores and allocation of material to jobs are not applicable.
15. The Company has entered into contract of providing few consultancy services during the year and has implemented a process of introducing system of price fixation taking into account the market condition.
16. The Company has entered into contract of providing few consultancy services during the year and has credit policies as per terms of agreement. As per information and explanation provided



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to us, the consultancy services are primarily provided to its group companies and accordingly assessing the credit rating of customers are not applicable.

17. In our opinion, 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.
18. In our opinion and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank is generally adequate and that excessive amounts are not lying idle in non- interest bearing accounts as on 31st December, 2012.
19. According to the information and explanations given to us, and on basis of examination of books and records on test check basis, the activities carried out by the Company during the year are in our opinion lawful and intravires to the Articles of Incorporation of the Company.
20. According to the information and explanations given to us, and on basis of examination of books and records on test check basis, in our opinion the activities/ investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
21. In our opinion, the Company has established an effective budgetary control system.
22. The details of remuneration, commission and other payments made in cash or kind to the Board of Directors or any of their relatives by the Company directly or indirectly are disclosed in the Schedule 18 of Note 12 to Notes to Accounts.
23. According to the information and explanations given to us, the directives of the Board have been complied with.
24. During the course of our audit we have not come across any investments (shares) that would require provision for permanent diminution.
25. Based on information and explanation provided to us, the Company is not covered under Financial Institutions Act, 1992 and has complied with other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.
26. Based on our audit process and information and explanations given to us, the Company has entered into contract of providing few consultancy services during the year and is in process of implementing a system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

The clauses 3,4,5,6,14,15,16,17,21,22,23,28,34 and 37 of the Companies Act of the Kingdom of Bhutan 2000 read with Section II of Schedule XIV thereto the Minimum Audit Examination and Reporting Requirements are not applicable to the Company. In addition to the above clauses 1,2,3,4,7,8,9,10,11,12 and 13 for Finance and Investment Company, all the clauses for Trading Company and clauses 1,3 and 4 for other service sector Companies are not applicable.



## COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to size and nature of Computer installations.
2. The Company has adequate safeguard measures and backup facilities.
3. As regards back up facilities and disaster recovery measures, we are given to understand that the back-up files are kept at different locations.
4. The 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 2012 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 has been given below:

Ratios	Basis	2012	2011
Earnings per share	(Profit After Tax/ No. of shares issued)	7.23	6.81
Net Profit Ratio ( % )	(Net Profit/ Turnover * 100)	68.10	69.43
Return on Assets ( % )	(Net Profit/ Total Assets *100)	6.19	6.07
Return on Equity ( % )	(Net Profit/ Owner's Equity *100)	7.03	6.64
Dividend Coverage Ratio	(Net Profit available to equity shareholders/ Dividend paid to Equity shareholders)	1.02	1.03
Dividend Payout Ratio (%)	(Dividend per share/ Earnings per share *100)	97.77	97.47
Current Ratio	Current Asset/ Current Liability	1.07	1.13

### 3. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Kingdom of Bhutan, 2000 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 Association relevant to the financial statements and we are unable to state whether the Company has been complying with applicable laws (other than the Companies Act), rules and regulations, systems, procedures and practices.



## Annexure

### COMPLIANCE CHECKLIST

SL	Section	Incorporation of Company & matters incidental thereto	YES	NO	NA	Remarks
1	7	Alteration of Articles			✓	
2	8	Changes of name			✓	
3	9	Increase or consolidation of share capital			✓	
4	10	Reduction of share Capital			✓	

### P-VII MANAGEMENT & ADMINISTRATION

SL	Section	Incorporation of Company & matters incidental thereto	YES	NO	NA	Remarks
5	54	Registered Office of Company			✓	
6	55	Publication of name by company	✓			
7	56	Financial Year of Companies	✓			
8	57	Annual return	✓			July 30, 2012
9	58	Annual General Meeting	✓			Held on 25.5.2012
10	59	Extraordinary General Meeting			✓	
11	60	Notice for calling general meeting	✓			7 <sup>th</sup> May 2012
12	61	Chairman of meeting	✓			
13	63	Representation of corporation at meetings	✓			
14	64	Ordinary and special resolutions	✓			No special resolution
15	65	Minutes of general meetings and of Board	✓			
16	66	Declaration and payment of dividend	✓			
17	67	Books of account to be kept by company	✓			
18	68	Inspection of books of account	✓			
19	69	Annual Account and balance sheets	✓			
20	70	Filing of balance sheet etc. with the Registrar	✓			
21	71	Board's Report	✓			
22	72	Appointment and removal of Auditors	✓			
23	73	Resignation of Auditors from office			✓	
24	75	Auditing standards	✓			
25	76	No. of Directors	✓			
26	77	Additional directors			✓	
27	78	Consent to act as directors	✓			
28	79	Certain persons not to be appointed as Directors	✓			
29	80	Resignation by directors			✓	





30	81	Removal of directors		✓
31	82	Board meeting	✓	
32	83	General powers of the board	✓	
33	84	Restriction of powers of Board		✓
34	85	Appointment of Chief Executive Officer	✓	
35	86	Appointment of selling or buying agents		✓
36	87	No loans to directors	✓	
37	88	Inter-corporate loans and investments		✓
38	89	Contracts in which directors are interested		✓
39	90	Companies to have secretaries	✓	
40	91	Standards of care required by directors	✓	

## P-IX STATUTORY RECORD AND INSPECTIONS

41	97	Statutory record and inspection	✓	
	a.	Register of buy-back of shares		✓
	b.	Register of transfers	✓	
	c.	Register of charges	✓	
	d.	Register of inter-corporate loans	✓	
	e.	Register of inter-corporate investments	✓	
	f.	Register of contracts in which directors are interested	✓	
	g.	Register of directors	✓	
	h.	Register of directors' shareholding	✓	

## PART VII- MANAGEMENT & ADMINISTRATION

### General Provisions

Section	Sub-Section	Clause	YES	NO	NA	Remarks
		<b>Registered of Company</b>				
	1	Does the company have registered office in which all communications and notices are addressed?	Yes			
54	2	If any change in situation of registered office, had the notice of change been intimated to the registrar within 30 days of approved of Board of Directors?			NA	



55	<b>Publication of name by company</b>		
	1	Does the company have its name and address of its registered office affixed outside every office or place in which its business is carried on in a conspicuous place? The board should be written in legible Dzongkha and English language.	Yes
	2	Does the company have its name engraved on its seal?	Yes
56	3	Does the company have its name and address of its registered office mentioned in all its business letters, bills, invoices, notices and other official publications?	Yes
	<b>Financial year of the company</b>		
	1	Does the company have a uniform financial year ending on 31st December every year being the period to which its balance sheet and profit and loss account shall relate?	Yes
56	2	Does the first financial year of the company relate to the period beginning from the date of incorporation of the company and ending on 31 <sup>st</sup> December. Thereafter does it exceeds 15 months provided that it may extend to 18 months where special permission has been granted in that behalf the Ministry on payment of fee prescribed in Schedule IV? If extended to 18 months has permission been granted? Has fee prescribed in Schedule IV been paid?	NA
57	<b>Annual Return</b>		
	1	Has the company prepared and filed with the registrar the annual return for the period relating to the financial year ended on 31 <sup>st</sup> December containing the particulars specified in Schedule XII.	Yes
	2	If the company is listed, has the company filed the annual return with registrar on or before 31 <sup>st</sup> May. If it is unlisted company, has it filed the annual return on or before 31 <sup>st</sup> July every year along with balance sheet and profit and loss account for the year ended 31 <sup>st</sup> December along with the Auditor's report and Director's report duly authenticated by at least one director and CEO.	Annual Return filed on July 30, 2012  NA
58	<b>Annual General Meeting</b>		
	1	Has the company held in addition to any other meeting a general meeting as its annual general meeting? Has it been specified as such in notice calling the general meeting?	Yes
	2	Is the annual general meeting convened on or before 30 <sup>th</sup> April if the company is listed is it convened on or before 30 <sup>th</sup> June if the company is unlisted.	Yes
58	3	If the annual general meeting is not held within the time prescribed, is permission of the registrar being taken? In such case the meeting should not be postponed beyond 30 days. Is this being complied with?	NA



	4	In case of a government company, the business to be transacted in an AGM may be done in a Board meeting within the time frame prescribed. However, the notice calling the meeting shall refer it as Board cum Annual General Meeting.		NA	
		<b>Extraordinary general meeting</b>			
	1	The board of directors may convene an extra ordinary general meeting to transact any special business which may not wait till the annual general meeting is due to be held.		NA	
	2	On proceeding duly to call an extra ordinary general meeting of the company, has the board of directors made a requisition of 10% of share holders?		NA	
59	3	Does the requisition set out matters for the consideration of which the meeting is to be called and is it signed by the requisitionists and has it been deposited with the registered office of the company?		NA	No Extraordinary General Meeting has been held during the year
	4	If the board does not within 21 days from the date of receipts if valid requisition, proceed duly to call a meeting on a day not later than 45 days from the date of requisition. The requisitionists themselves at the registered office shall call the meeting. Is this being followed?		NA	
	5	Are all the reasonable expense incurred by the requisitions in calling and holding the meeting being repaid by the company?		NA	
		<b>Notice calling the general meeting</b>			
	1	A company may call a general meeting by giving a notice of not less than 21 days in writing. Is it being complied with?	Yes		
60	2	If the consent of at least 95% of the shareholders are taken, a meeting may be called by giving a shorter notice than in 60(1).		NA	
	3	Is the notice calling general meeting sent to all the shareholders, auditor(s) of the company?	Yes		
	4	Accidental omission to give notice to, or the non-receipt of notice by any shareholder shall not invalidate the proceedings of the meeting.		NA	
		<b>Chairman of meeting</b>			
61		Is the board of directors of the company appointing as Chairman of the Board of Directors. The Chairman of the Board of Directors shall also be the Chairman of the General meeting, failing him, in the general meeting; the shareholders can elect one amongst themselves as the Chairman shows hands.	Yes		The Company is having a full time Chairman.
		<b>Saving provision</b>			
62		Nothing in section 60 and 61 shall apply to private company unless otherwise specified in its article in this behalf.		NA	



63	<p><b>Representation of corporation at meetings</b></p> <p>A body corporate if the shareholders of a company may be resolution of it's board of directors authorised a person as it thinks to act as representative at any meeting of company.</p>	Yes	
64	<p><b>Ordinary and special resolution</b></p> <p>A resolution shall be an ordinary resolution when at a general meeting the votes cast whether on show of hands or on a poll in favor of resolution by shareholders who vote in person or by proxy exceed the vote if any cast against the resolutions by shareholders so entitled and voting. Is this being followed for considering ordinary resolutions?</p> <p>A resolution shall be special resolution when the intention to propose the resolution has been duly specified in the general meeting. The vote casts in favor of the resolution by shareholders being entitled so to do vote in person or proxy are not less than three times the number of votes if any cast against the resolution by shareholders. Is this being followed for special resolutions?</p>	Yes	<p>Ordinary resolution passed at the AGM 2012.</p> <p>NA</p>
65	<p><b>Minutes of general meeting and of Board</b></p> <p>Does the company cause minutes of all proceedings of every meeting of it's board of directors or every committee of board to be kept by making within 30 days of the conclusion of every such meeting concerned?</p> <p>Is the entry being recorded and kept for that purpose with their consecutive numbered.</p> <p>a) Is each page of such book initialed or signed at last page of the minutes of each meeting? Is it dated and signed in case of minutes of board meeting or a committee thereof by the chairman of the same meeting or the chair of next succeeding meeting?</p> <p>b) And in case of general meeting by the chairman of the same meeting within 30 days of the meeting.</p> <p>In case of meeting of board of directors or a committee of board does the minute contain the name of directors present in the meeting and also the name of the directors dissenting from or not concurring in the resolution?</p> <p>Minutes of meeting kept under the section shall be evidence of proceedings recorded therein and unless the contrary is proved the meeting shall be deemed to duly called and held.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	

### Declaration and payment of dividend

1	No dividend shall be paid by the company for any financial year, except out of the distributable profits of the company for that year arrived at after providing for depreciation or out the profits for any previous financial year or years.	Yes	
2	Distributable profits for this purpose shall mean accumulated realised profits so far as previously not utilised ( by way of dividend or capitalization) less accumulated realised losses so far as previously written off. Unrealized profits i.e. surplus.		NA
3	For the purpose of section 66, depreciation shall be as prescribed by the department of Revenue & Customs, MoF.	Yes	
66			There are no unrealized losses.
4	No dividend shall be paid except in cash, cheque and warrant. This subsection does not prohibit the capitalization of profits or reserve of a company for the purpose of issuing fully paid up bonus shares.	Yes	
5	Payment of dividend shall be made within 30 days from the date of its declaration in the AGM.	Yes	
6	Declare dividend not paid within 30 days shall bear interest 15% per annum. This will not apply if the address of the shareholders are uncertain.		NA
7	A public company shall not pay dividend if it reduces its net assets below the aggregate amount of its called-up share capital and undistributable reserves such as share premium account, capital redemption reserve, unrealised profits (less unrealised losses unless previously written off) and any other reserve which the company is prohibited from distributing by any statute or by its articles of incorporation.		NA

### Books of Accounts to be kept by company

67	1	Every company shall keep at its registered office proper books of accounts with respect to:	Yes
		a) All sums of money received and expended by the company and the matters respect of which the receipt and expenditure take place.	Yes
		b) All sales and purchases of goods by the company.	Yes
		c) The assets and liabilities of the company.	Yes





2	<p>The above books may be kept at other place as the Board of Directors may decide and such decision shall be intimated to the Registrar within 7 days given full address of such place. Where the company has a branch office, whether in or outside Bhutan, the company shall be deemed to have complied with the provision of subsection (1) if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarised returns, made up to dates at intervals of not more than three months, are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1)</p> <p>For the purpose of sub-section (1) &amp; (2), proper books of account shall not be deemed to be kept with respect to the matters specified therein-</p> <p>a. If such books are not kept as necessary to give a true and fair view of the state of affairs of the company or branch office as the case may be, and to explain its transaction and</p> <p>b. If such books are not kept on accrual basis and according to the double entry system of accounting</p>	NA	All expenses have been accounted for on accrual basis.
3		NA	Company has been incorporated on 11.11.2007.
4	<p>The books of account and other books and papers shall be open to inspection by any director during business hours.</p>	NA	
5	<p>The books of account of every company relating to a period of not less than five years immediately proceeding the current year together with the vouchers relevant to any entry in such books of account shall be preserved in good order.</p>	Yes	

#### Inspection of books of accounts etc. of companies

1	<p>The books of accounts and other books of the paper and statutory records of every company shall be open to inspection during business hours by (i) the Registrar or (ii) by any such officer of Government as may be authorised by the Government in this behalf.</p>	Yes	
68	<p>It shall be the duty of every directors, other officer or employee of company to produce to the person making inspection under subsection (1) all such books of account and other books and papers of the company in his custody or control and to furnish him with any statement/information or explanation relating to the affairs of the company as the said person may require of him within such time and at such place as he may specify.</p>	Yes	



	3	If default is made in complying with the provision of the section, the Chief Executive Officer and every director of the company shall be punishable with imprisonment according to the law of the land and fine which shall be not less than Nu. 5,000/-.		NA
		<b>Annual Account and balance sheet</b>		
	1	In every Annual General Meeting, does the board of directors lay before the meeting the balance sheet as at the financial year and profit and loss account and cash flow statement for the year ended 31 <sup>st</sup> December every year?	Yes	At the Annual General Meeting held on 25.05.2012, the balance sheet, profit and loss account and cash flow statement for the year ended 31 <sup>st</sup> December, 2011 was presented by the Board of Directors.
69	2	Is all the above statement being prepared as to give a true and fair view of the state of affairs of the company as at the financial year and the formats as laid out in Schedule XIII A and Schedule XIII B?	Yes	
	3	Are the annual accounts of the company being authenticated by not less than one director and the CEO on behalf of the Board of Directors?	Yes	
		<b>Filing of Balance sheet with the Registrar</b>		
	70	After the balance sheet, profit and loss account and the cash flow statements are duly audited and been laid before the annual general meeting a copy thereof as well as director's report shall be filed with the registrar along with the annual return under section 57.	Yes	Filed with R.O.C. on 30.7.2012
		<b>Board's report</b>		
	1	Does the annual account laid before the annual general meeting include (a) report of its board of directors with respect to the state of company's affairs (b) the amount if any which is proposed to transfer any reserve (c) the amount if any recommended for payment of dividend and (d) the explanation or information on every reservation qualification for adverse remark contained in the auditor's report.	Yes	
71	2	Is the board report being signed by chairman of board of directors and in absence being signed by director including the CEO, authorised in this behalf by board?	Yes	
		<b>Appointment and removal of Auditors</b>		
	1	Has the company appointed auditor or joint auditor out of the panel of auditors maintained by RAA to hold office from the conclusion of the meeting till next annual general meeting?	Yes	Auditor is appointed by the RAA.
72		The same auditor appointed for more than three consecutive financial years should be with the previous written approval of RAA?		
	2	In case of government or government control company the Auditor general of Bhutan shall be the ex-officio auditor.		NA



	3	Where at an AGM no auditors are appointed or re-appointed the company shall give notice of this fact to the Ministry within 7 days of the meeting where upon the ministry in consultation with RAA shall appoint the auditor and fix his remuneration.	NA
	4	Has the first auditors of the company been appointed on the panel of auditors maintained by RAA? And has the remuneration been fixed by board of director until the first annual general meeting?	NA
	5	If an auditor appointed under this section been removed before expiry of his term only if in the general meeting by a special resolution with prior approval of appointing authority in which the company shall notify the registrar of the removal of the auditors within 15 days of passing of resolution?	NA
	6	Has the auditor proposed to be removed been given the right to receive a special notice of the annual general meeting at which solution is to be put up to its shareholder regarding his removal?	NA
<b>Resignation of auditor from office</b>			
73	1	Has an auditor wishing to resign during his term of office given notice in writing and delivered it to the registered office?	NA
	2	Is resignation considered to take effect from the date of deposit of his resignation letter to the company unless a later date is specified and is it accompanied by one or two statement leading to its resignation?	NA
	3	In case of former, has the auditors been given the right to request the company to convene an extraordinary of 14 days notice to discuss the circumstances leading to its resignation?	NA
<b>Power and duties of auditor</b>			
74	1	Is every auditor of the company being given the right to access to books of accounts and records of company?	Yes
	2	Has the auditors stated whether he has obtained all the information to the best of his knowledge and believe where necessary for the purpose of his balance sheet, profit and loss account and the cash flow statements are in books of accounts.	Yes
<b>Auditing standard</b>			
75		Has the auditor been conducting audit in accordance with generally accepted auditing standard keeping in mind the general term of reference and minimum audit examination and requirement issued by RAA annexed here to schedule 14 which may be revised and circulated by the said authority time to time?	Yes



## DIRECTORS AND THEIR POWER

SL	Section	Clause	YES	NO	NA	Remarks
<b>Numbers of Directors</b>						
76	1	Minimum number of directors - Public Company-three, Private Company-two directors	Yes			
	2	Subscribers to the articles shall deem to be the directors of the company until the directors are duly appointed in AGM.			NA	There are seven Directors
	3	1/3rd of directors should retire by rotation, if not mentioned in the article for the retirement of all directors.			NA	
<b>Additional Directors</b>						
77		Within the limit fixed for the board by article, the board may appoint additional directors.			NA	
<b>Consent to act as directors</b>						
78		Every person, who has left the office of the company a notice signifying his candidature for the office of the director, shall sign and file his consent in writing act as directors as set out in schedule II within 30 days of its appointment.	Yes			
<b>Certain persons not to be appointed as directors</b>						
79		a. If he/she is involved or declared as insolvent by the court;			NA	
		b. If he/she has ever convicted by the court of a criminal offence;			NA	
		c. If he/she is of unsound mind declared;			NA	
		d. If there is any outstanding call in respect of shares held by him/her;			NA	
		e. If he/she is a director of more than five companies.			NA	
<b>Resignation by a Director</b>						
80		Director may resign from his office by giving notice in writing to the company and such resignation shall be effective from the date of receipt thereof except that of executive officer/s salaried working director.			NA	No Directors have been resigned during the financial year 2012.
<b>Removal of Director</b>						
81	1	By ordinary resolution before the expiry of the period of his office.			NA	
	2	By the shareholder at least before the General Meeting.			NA	No Directors have been removed during the financial year 2012.
	3	Hearing on the resolution on receipt of notice under sub-section (2)			NA	



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We would like to thank His Majesty the King for having the great wisdom and foresight to establish Druk Holding and Investments by granting the Royal Charter for that purpose. In the last five years, in keeping with the government's vision and policies, DHI has played a substantial role in helping us achieve several key objectives. Based on the positive transformations in its companies, the numerous business initiatives it has undertaken, and the substantial increase in its revenues to the government, the establishment of DHI has made an excellent contribution to the welfare of the nation.

DHI has made a visible difference in the Bhutanese economy, and it is expected that DHI will continue to play a major role in defining and shaping the country's growing economy in the most positive way.

”

~ Hon'ble Lyonchhen Jigmi Y. Thinley

Prime Minister of Bhutan

(March 4, 2013: Report to the Tenth Session of the First Parliament on the State of the Nation)